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Fraud in the Trademark Office

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Discovering that your trademark registrations are vulnerable to cancellation because they may have been fraudulently obtained is disconcerting, to say the least, but discovering these vulnerabilities in the midst of litigation can be downright disastrous. Yet, this is exactly what is happening with increasing consistency as a result of a string of recent rulings by the PTO's Trademark Trial and Appeal Board.

Each of these cases share one common element: the filing of an allegation of use that included products or services in connection with which the trademark had not been used. These allegations of use are filed in a number of contexts: (i) as part of a use-based application, (ii) as part of a statement of use in connection with an intent-to-use application, and (iii) as part of a Section 8 affidavit demonstrating continuing use of a trademark. Such Section 8 affidavits must be filed between the fifth and sixth year following registration, and again each time the registration is renewed. To date, most of the fraud allegations seem to have arisen in connection with statements of use filed after intent-to-use applications are allowed or in connection with Section 8 affidavits.^[1]

Because an intent-to-use application is filed based upon an *intent* to use a trademark in commerce, and because statements of use need not be filed until a notice of allowance is issued, which might be several years later, many applicants have taken to including a laundry list of items in their intent-to-use applications because they want to give themselves the greatest flexibility in developing their products or services. There is nothing improper per se about this practice. However, they get into trouble when they subsequently file a statement of use without deleting items on which the mark has not been used. Although an applicant must submit proof of use, such as labels, packaging, or tags (*i.e.*, specimens) showing actual use of the mark when the statement of use is filed, only one item in each class included in the application is required. So, for example, in an application for a variety of clothing items in Class 25 and a variety of leather goods in Class 18, the applicant need only submit a specimen showing use on one clothing item and a specimen showing use on one leather good. The applicant may then file a statement of use for all goods on which the mark has been used without additional proof of use. In so doing, the applicant must take care, however, to delete from the statement of use any clothing items or leather goods on which the mark has not been used. If the applicant does not delete such items, it is fraud, as the Board has concluded in a long line of cases^[2] starting with *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d (BNA) 1205, 1206 (T.T.A.B. 2003).

The same issues can easily arise when a Section 8 affidavit is filed, as the goods on which the trademark is used may have changed over the years and the trademark may no longer be used on all the items listed in the registration. As with a statement of use, the Board has held that the filing of a Section 8 affidavit for items on which the trademark is not being used is fraud, and renders the registration vulnerable to cancellation. *See Jimlar Corp. v. Montrexpert S.P.A.*, 2004 TTAB LEXIS 333, at *20 (June 4, 2004) (not citable as precedent).

In its rulings in each of these cases, the Board has essentially read the "intent" element out of the standard for establishing fraud, instead of holding trademark owners strictly liable for any false statements that were made in any allegations of use. The Board's position is that the trademark owner has the obligation to know whether the trademark is being used on the items listed in the

allegation of use. See *J.E.M. Int'l, Inc. v. Happy Rompers Creations Corp.*, 74 U.S.P.Q.2d (BNA) 1526 (T.T.A.B. 2005) (not citable as precedent) (trademark owner knew or should have known that its mark had not been used on approximately 100 of the 150 clothing items listed in the statement of use); *Hawaiian Moon, Inc. v. Doo*, 2004 TTAB LEXIS 274 (Apr. 29, 2004) (not citable as precedent) (owner of mark would have known that the mark was used only on shirts at the time that he signed the statement of use).

The Board has shown some leniency when the trademark owner was confused as to whether a trademark was “used in commerce,” i.e., across state lines. In so doing, the Board has indicated that it recognizes that “use in commerce” can be a more nuanced issue, particularly for services. Compare *Maid to Order of Ohio, Inc. v. Maid-to-Order, Inc.*, 78 U.S.P.Q.2d (BNA) 1899 (2006) (Board accepted argument that registrant did not understand the meaning of “use in commerce” when the mark was being used in connection with all the services identified in the application) with *Hurley Int'l LLC v. Volta*, 82 U.S.P.Q.2d (BNA) 1339, 1345 (T.T.A.B. 2007) (where mark not in use at all in United States, Board rejected argument that registrants did not understand the meaning of “use in commerce”). However, the Board has shown no leniency when the trademark owner claimed it did not understand the application, did not speak English well, or was not represented by an attorney. *Hachette Filipacchi Presse v. Elle Belle, LLC*, 2007 TTAB LEXIS 53 (Apr. 9, 2007) (limited English ability of applicant did not preclude finding of fraud).

Unfortunately for trademark owners, these issues often arise only after they have asserted their trademarks against a third party, possibly by filing a notice of opposition or a petition to cancel before the Board, only to have their adversary learn through discovery that the trademark was not properly used on all of the items in the registration. This can change the entire dynamic of the opposition or cancellation proceeding, particularly if the adversary files a counterclaim to cancel the trademark owner’s prior registration. While the trademark owner may still be able to establish prior common-law rights in the trademark, the potential loss of a valuable federal registration can be a strong impetus to settle the original dispute on less favorable terms. In fact, as Board fraud decisions become more and more common, it is likely that some trademark owners are deciding not to pursue infringers for fear that they may end up losing their own trademark registrations as a result of fraud.

Trademark owners can take several steps to ensure that they do not end up in this position. First, they can make sure they include only items on which a trademark has been used in their use-based trademark applications. Second, when filing a statement of use or a Section 8 affidavit, they can err on the side of caution and delete all items where they cannot establish that a trademark has been used, or, in the case of a Section 8 affidavit, is currently being used. Third, they can consider keeping proof of use for each item in their files in event they face a future fraud allegation. Fourth, they can consider auditing their trademark registrations so that they are not vulnerable to cancellation due to fraud.

Although the issue of an overly broad allegation of use can arise in connection with any trademark registration, applications filed on an intent-to-use basis seem to be most at risk. When the Lanham Act was amended in 1989 to permit the filing of applications based upon an intent to use a mark in commerce, many applicants started filing extremely broad intent-to-use applications to get around the Lanham Act’s previously strict use requirements. As the Board is making clear with its recent rulings on the subject, this practice can lead to trouble if the broad descriptions are not narrowed when statements of use are filed.

Footnotes:

[1] This is not to suggest that fraud can never be an issue with a use-based application, as the trademark owner discovered in *Tequila Cazadores S.A. de C.V. v. Tequila Centinela, S.A. de C.V.*, 2004 TTAB LEXIS 109, at *14 (Feb. 24, 2004) (not citable as precedent) (Board found fraud because applicant included items on which the mark had not been used in its use-based application).

[2] The Board’s position is simple: (i) the documents filed in connection with trademark applications and registrations are remarkably simple, and (ii) the use claims are supported by the trademark owner’s oath, punishable by fine or imprisonment, or both, which requires that the trademark owner investigate the claims before signing and submitting the documents.

