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The Trademark Trial and Appeal Board's Tough Stance on Fraud: Best Practices and Strategies for Success

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Trademark Fraud: Best Practices and Strategies

Trademark Fraud Has Been Said to Be . . .

- “Rarely proven,” but “often pled.”
- A “disfavored” claim and defense.
- Must be “proven to the hilt” with “clear and convincing” evidence. All doubts resolved in favor of the accused.
- Must “leave nothing to speculation, conjecture or surmise.”

Trademark Fraud: Best Practices and Strategies

Trademark Fraud: The Way it Was . . .

- Focus on subjective intent.
- If no actual and proven intention to deceive the Trademark Office, no fraud.

Trademark Fraud: Best Practices and Strategies

So, Why is Trademark Fraud so Important Now?

- Continuous stream of successful fraud challenges, starting with *Medinol Ltd. V. Neuro Vasx Inc.*, 67 USPQ2d 1205 (TTAB 2003).
- Focus on objective manifestation of intent now.
- Strict liability standard: “knew or should have known.”
- “Reckless disregard for the truth” satisfies the former “intent to deceive” standard of fraud.
- Black/white analysis with little toleration for gray.

Trademark Fraud: Best Practices and Strategies

Statutory Framework for Trademark Fraud Liability

- U.S. Trademark Registrations may be cancelled “at any time” if the “registration was obtained fraudulently . . .” 15 U.S.C. §1064(3).
- Incontestability is “subject to the following defenses or defects: (1) That the registration or the incontestable right to use the marks was obtained fraudulently . . .” 15 U.S.C. §1115(b)(1).
- “Any person who shall procure [a trademark] registration . . . by a false or fraudulent declaration or representation, oral or in writing, or by any false means shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.” 15 U.S.C. §1120.

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Present Elements of Fraud Before Trademark Office

- False representation or statement of fact;
- The fact must be material; and
- It must be made knowingly.

Torres v. Cantine Torresella S.r.l., 808 F.2d 46, 1 USPQ2d 1483, 1485 (CAFC 1986) (“The problem of fraud arises because Torres submitted a label that he knew or should have known was not in use that contained a mark clearly different from the one in use. In addition, he submitted an affidavit stating the mark was in use on wine, vermouth, and champagne when he knew it was in use only on wine.”).

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Breakdown of the Fraud Elements

- Falsity element: Fact is either true or false.
- Materiality element: Fact is either material or not.
 - But for the false statement or omission, the application would not have published and/or the registration would not have issued.
 - Inaccurate dates of use, not material, no reliance by Trademark Office.
 - What about prior common law uses?
- Knowing misrepresentation element: Most difficult to predict and elusive element – highly fact specific.
 - “Knew or should have known”? and
 - “Reckless disregard for the truth”? or
 - “Honest mistake”?
 - “Inadvertance”?
 - “Honest misunderstanding”?
 - “Negligent omission”?

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Consider the Many Places Where Fraudulent Statements May Be Lurking

- Initial Application;
- Statement During Prosecution;
- Amendment to Allege Use;
- Extension Requests to Submit Statement of Use;
- Statements of Use;
- Section 8 Declarations;
- Section 15 Declarations;
- Section 9 Renewal Applications; and
- Amendments.

Various False Statement Scenarios

- Over-inclusive Goods/Services
- Use in Commerce
- Bona Fide Intent
- First Use Dates
- Ownership
- Oath
- Specimens
- Disclaimers
- Substantially Exclusive Use
- Continuous Use
- Interstate Commerce
- Third-Party Uses

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Navigational Tools for Predicting Outcomes Concerning Fraud Challenges

- Consider the forum: federal court or TTAB?
- Susceptible to Black/White treatment?
- Registration or Application challenged?
- Is the ® over five years old?
- Would finding fraud right a wrong?
- Is application void ab initio?
- Consider how fraud charge fits or doesn't in context of other claims?
- Is the identification of goods or other matter lengthy, highly technical, or otherwise confusing?
- Does it seem reasonable under circumstances to say "should have known"?
- Is the explanation to excuse the false statement credible?
- Consider who signed? Sufficient diligence?

Trademark Fraud: Best Practices and Strategies

Strategies for Avoiding Fraud Altogether

- Do it right the first time;
- Educate clients;
- Practice high standard of care – thoroughly investigate and verify material facts;
- Avoid saying more than necessary;
- List goods/services line by line and item by item for client confirmation;
- Have business person closest to the facts sign;
- Avoid laundry list of goods/services;
- Strive for simple and broad descriptions of goods and services;
- Reproduce and verify all goods and/or services listed in Notice of Allowance;
- Collect and maintain evidence of use for each good or service;
- Conduct a “Fraudit” (credit to John Welch a/k/a “The TTABlogger” for coining the term) prior to publication.

Trademark Fraud: Best Practices and Strategies

Strategies for Mitigating the Harsh Consequences of Fraud

- Consider simple, straight-forward application for core goods in a single class;
- Avoid multi-class applications altogether;
- Refile new use-based applications free of potential defects from vulnerable existing registration;
- Consider not combining Section 8 & 15 Declarations; and
- Don't sign on behalf of applicant or registrant.

What About This?

Int. Cl. 32

Prior U.S. Chs: 45, 46, and 48

Reg. No. 2,789,826

United States Patent and Trademark Office Registered No. 4, 2007

TRADEMARK
PRINCIPAL REGISTER

REHYDRATE REPLENISH REFUEL

FITBELY, LLC, a Delaware corporation,
151 W. MADISON STREET
CHICAGO, IL 60601-7074

FOR BEVERAGE AND SUPPLEMENTARY
FLAVORED DRINKS, IN CLASS 32 U.S.
CLASS 32.0001-06.

THEYU, LLC, a Delaware corporation,
151 W. MADISON STREET
CHICAGO, IL 60601-7074

BY THEU, LLC, a Delaware corporation,
151 W. MADISON STREET, CHICAGO, IL 60601-7074

**Specimen
Identified in
Statement of Use
as “Scanned
Label”**



Gatorade® Label



Gatorade® Label Evidences Descriptive Use of Claimed Inherently Distinctive Mark



Descriptive Use in Two Places on Label



Compare These Images:



Thoughts Concerning Gatorade® Example

- Select specimens with no invitations for descriptiveness refusal;
- If specimen label was not complete, identify as “scanned portion of label” and hope Examining Attorney doesn’t request entire label;
- Submit digital photograph of Gatorade® bottle showing frontal view where mark is visible and descriptive use is not, and hope Examining Attorney doesn’t ask for label.

Issues on the Horizon?

- “Reckless disregard” v. “gross negligence”
- CAFC review of TTAB’s more recent decisions
- Modification of PTO TEAS forms?
- Impact of Requests to Divide Applications
- Bona fide intent-to-use, especially in pharmaceutical cases
- Hurly Int’l Dicta on Cure
- Only 1 in 100 items not in use



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THANK YOU!

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