

# Fraud at the Trademark Office

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# Outline

- What and where?
- Standard
- Best practices

## 15 U.S. Code § 1064

“A petition to cancel a registration of a mark... may... be filed:

...

(3) At any time if...  
[the] registration  
was obtained  
fraudulently”

- A claim available to petitioners in Trademark Trial and Appeal Board proceedings.
- Can be raised either by the plaintiff in its initial pleading or by the defendant as a counterclaim.
- Available even against incontestable registrations.

## 15 U.S. Code § 1064

“A petition to cancel a registration of a mark... may... be filed:

...

(3) At any time if... [the] registration was obtained fraudulently”

- Applicants beware, fraud can arise everywhere:
  - Initial Applications
  - Statements of Use
  - Section 8, 9, and (maybe not) 15 filings
- Common issues:
  - Use in commerce with all goods/services
  - Specimens
  - “No conflicting use” declaration
  - “Substantially exclusive use” declaration
  - “No pending proceedings” declaration
- First use dates not grounds for fraud
- New standard may make things riskier for applicants.

## 15 U.S. Code § 1064

“A petition to cancel a registration of a mark... may... be filed:

...

(3) At any time if... [the] registration was obtained fraudulently”

- Fraud exists where the registrant:
  1. make a ***false, material representation*** to the USPTO;
  2. had ***knowledge*** of the falsity;
  3. made the representation ***with intent to deceive the USPTO.***

## 15 U.S. Code § 1064

“A petition to cancel a registration of a mark... may... be filed:

...

(3) At any time if... [the] registration was obtained fraudulently”

- Pendulum has swung back-and-forth, easier and harder to prove fraud.
- Hard to prove today, maybe easier now than it was a couple years ago.
- Direct or circumstantial/indirect evidence of intent to deceive can be used.
- Standard is “clear and convincing evidence.”
- Must be “proven to the hilt,” with “no room for speculation, inference, or surmise and, obviously, any doubt must be resolved against the charging party.”

## *In re Bose Corp* (Fed. Cir. 2009)

- Pendulum swings back to fraud being more difficult to prove.
- Adopts a ***knowingly*** standard for the ***falsity*** and ***intent to deceive*** prongs.
- Expressly rejects negligence as satisfying these prongs.
- Leaves open whether ***reckless disregard*** is enough.

## *In re Bose Corp* (Fed. Cir. 2009)

- Bose's General Counsel signed a Section 8/9 Combined Declaration, declaring that Bose ***used the mark in question*** in commerce on various goods, including ***audio tape recorders and players***.
- At the time, Bose ***no longer sold*** audio tape recorders or players, it ***only repaired*** such products.
- The GC testified that they ***believed this repair was use in commerce*** because the repaired products were transported back to consumers.
- TTAB found the GC's belief was unreasonable, and that the false representation was material, finding that Bose committed fraud and cancelling the registration in question. Federal Circuit reverses.



## *In re Bose Corp* (Fed. Cir. 2009)

- Lanham Act prohibits applicants from making *knowingly* inaccurate or misleading statements. Federal Circuit reads into this an “*intent to deceive*” requirement for fraud.
- TTAB case law distinguished between *merely false* representations, where the representation is wrong, and *fraudulent* representations, where the representation is wrong and *made with an intent to deceive*.
- Federal Circuit rejects prior “knows or *should have known*” standard set by the TTAB in Medinol.
  - Would lower standard to mere negligence
  - Would conflict with statutory obligations and with the intent to deceive requirement.

## *In re Bose Corp* (Fed. Cir. 2009)

- Fraud “only if the applicant or registrant ***knowingly*** makes a ***false, material representation*** with the ***intent to deceive.***”
- In Bose, the GC testified that he ***believed his statement was true*** when he made it, and there was no conflicting evidence to show any intent to deceive.
- “When a trademark registrant fulfills the obligation to refrain from knowingly making material misrepresentations, [i]t is in the public interest to maintain registrations of technically good trademarks on the register so long as they are still in use. Because practically all of the user's substantive trademark rights derive from continuing use, when a trademark is still in use, nothing is to be gained from and no public purpose is served by cancelling the registration of the trademark.”

***Chutter, Inc.***  
**v.**  
***Great Concepts, LLC***  
**(TTAB 2021)**

- Finds that ***reckless disregard*** for the truth can satisfy the ***knowingly false*** and ***intent to deceive*** requirements.
- “The vast volume of trademark application and registration maintenance filings made with the USPTO is such that the agency typically cannot actively investigate the truth or falsity of individual declarations. The [USPTO, applicants, competitors, and the public], must be able to rely on declarations and the truth of their contents. ***The applicable law cannot be read to permit applicants and registrants to recklessly disregard the contents of sworn declarations and sign them without consequence for the inclusion of false statements that will be relied on by the USPTO.*** The benefits of registration are [too] substantial.” *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 113 USPQ2d 2045, 2056 (2015).

***Chutter, Inc.***  
**v.**  
***Great Concepts, LLC***  
**(TTAB 2021)**

- Great Concept’s counsel filed a Section 8/15 Combined Declaration to renew its registration and claim incontestability.
- In the Section 15, Great Concept’s counsel claimed that “there is no proceeding involving said rights pending and not disposed of” at the USPTO or district court.
- At the time, Great Concept’s counsel knew there was a pending cancellation and district court action where its rights under the registration were at issue.
- Great Concept’s counsel did not know the Section 15 requirements, and testified that he did not read the filing carefully enough to recognize the falsity.
- Great Concept’s counsel failed to correct the mistake after discussing it with opposing counsel and after the petition for cancellation was filed alleging fraud based on this false statement.

***Chutter, Inc.***  
**v.**  
***Great Concepts, LLC***  
**(TTAB 2021)**

- At the time, still an open question as to whether reckless disregard satisfied the intent to deceive requirement.
- Regulations, public policy, and sister court case law support reckless disregard being the standard.
  - “By presenting to the Office . . . any paper . . . [the presenting party] is certifying that... to the best of the party’s knowledge, information and belief, formed ***after an inquiry reasonable under the circumstances***... the allegations and other factual contentions have evidentiary support.” 37 C.F.R § 11.18.
  - “The public and the courts rely on registration information, including information related to Section 15 and that such ***false statements in the Section 15 filing and supporting declaration cannot be characterized as the result of careless reading or misunderstanding of the words.***”
  - 2<sup>nd</sup>, 10<sup>th</sup>, 11<sup>th</sup>, and DC CoA all hold recklessness satisfies knowing or intent requirements.

***Chutter, Inc.***  
**v.**  
***Great Concepts, LLC***  
**(TTAB 2021)**

- ***“A declarant is charged with knowing what is in the declaration being signed, and by failing to make an appropriate inquiry into the accuracy of the statements the declarant acts with a reckless disregard for the truth... Here, Mr. Taylor disregarded the contents of the Combined Declaration... notwithstanding that at that time he did so he was not aware of the legal requirements for a Section 15 Declaration... he claimed he did not read the contents or supporting declaration closely enough to be aware the false statement was in the declaration... **By failing to ascertain and understand the import of the document he was signing, far from conscientiously fulfilling his duties as counsel, Mr. Taylor acted in reckless disregard for the truth**; nor did he take any action to remedy the error once it was brought to his attention. Mr. Taylor was especially reckless because he was admittedly unfamiliar with the requirements for filing a Section 15 Declaration.”***

***Chutter, Inc.***  
**v.**  
***Great Concepts, LLC***  
**(Fed. Cir. 2023)**

- Federal Circuit reverses TTAB on the grounds that ***fraud in a Section 15 is not grounds for cancellation.***
- Does not reach the question of whether reckless disregard satisfies the knowing and intent to deceive requirements.

***Chutter, Inc.***  
**v.**  
***Great Concepts, LLC***  
**(Fed. Cir. 2023)**

- “A petition to cancel a registration of a mark... may... be filed ... At any time if... [the] registration was ***obtained*** fraudulently.” 15 U.S. Code § 1064.
- For decades the TTAB has allowed cancellation of registrations for fraud in Section 15 incontestability filings, on the basis that an incontestability filing allows the filer to obtain a “new right,” the right to have the registration count as conclusive evidence, rather than prima facie evidence, of the exclusive right to use the mark in commerce.
- According to Federal Circuit, a Section 15 does not ***obtain or maintain*** a registration, and therefore is not grounds for cancellation.



## Where Fraud Occurs; Application Best Practices

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### Use in commerce for all listed goods/services

- Description of goods/services, and declarations that the mark is in use with all goods/services, is a ***material representation***.
- Applicant needs to verify use in commerce on ***all*** listed goods/services.
- Issues arise with foreign filings with laundry lists of goods/services, and with defensive filings.
- Under reckless disregard standard, failure to conduct reasonable inquiry into whether client is using the mark on all goods/services may be grounds for fraud.

# Where Fraud Occurs; Application Best Practices

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## Use in commerce for all listed goods/services

- Comes up when filing an application, and in connection with Section 8 and Section 9 filings.
- Best practices:
  - Talk to client about use in commerce requirements.
  - Even if you only submit one specimen, make sure client has use with / is collecting evidence of use with all goods/services.
  - Get clients to fill out a checklist:

Review all G/S	Use in Commerce	Evidence in file
T-shirts	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Pants	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Hats	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

# Where Fraud Occurs; Application Best Practices

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## Substantially exclusive use declaration

- “The mark has become distinctive of the goods/services through the *applicant’s substantially exclusive and continuous use.*”
- Made in connection with a claim of acquired distinctiveness. A *material representation* because USPTO will rely on it to register the mark.
- If the client has knowledge of other users of a similar mark for similar goods (for example through litigation, consent agreements, etc.), that could undermine a claim of substantially exclusive use.
- Best practices:
  - Educate the client on the declaration
  - Be conservative
  - Especially careful if you have litigation or consent agreements.

## Where Fraud Occurs; Application Best Practices - Specimens

- Applicant submits a specimen, and in doing so declares that the specimen shows the mark as **currently** used. Will be a **material representation** because relied on by the USPTO.
- Issues arise with fabricated specimens.
- Issues also arise if, even if there is use of the mark as of the filing date, the specimen showed use of the mark in a manner other than how it is used in commerce as of the filing date. E.g., the specimen shows the mark on a prototype product, and even though the client does have use of the mark on production products, the specimen only shows a prototype and not how the mark is currently used.
- Best practices:
  - Ask client to get dated specimens, showing when they were taken.
  - Take specimens from products in inventory, not from something sitting in R&D.

## Where Fraud Occurs; Application Best Practices

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### Declaration of no conflicting use

- Found in initial applications, applicants must declare that no other person has the right to use a confusingly similar mark in commerce.
- Must show that ***applicant knew the prior user had superior rights*** in the mark and that applicant either ***believed that a likelihood of confusion would result from applicant's use of its mark or had no reasonable basis for believing otherwise.***
- Best practices:
  - Make sure that all searches you send out are and remain privileged. Make sure your clients are not sharing your search results, internally or externally.

**Where Fraud  
Occurs; Application  
Best Practices**

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**Correcting mistakes**

- In *Chutter* the TTAB took particular umbridge with the fact that Great Concepts did not correct the mistake when made aware of it.
- Under *Chutter*, failure to correct seems to reinforce the appearance of reckless disregard.
- Correct the mistake and file a back-up application for extra precaution. An amendment may help build a defense against fraud claims under a reckless disregard standard.

# The End

- Thank you!
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