

A RETURN TO NORMALCY: *In Re Bose* and Its Implications

In a closely-watched decision, the United States Court of Appeals for the Federal Circuit reversed a line of Trademark Trial and Appeal Board (TTAB) decisions that found applicants guilty of fraud based on incorrect allegations of use. In *In re Bose Corp.*, the Federal Circuit restored the standard for finding fraud to an intent-based standard.¹ This is a critical development for trademark applicants and registrants, as it reduces the potential that innocent mistakes in allegations of use will jeopardize valuable trademark registrations.

1. *Medinol* and its Loosening of the Fraud Standard

The TTAB standard reversed by the *Bose* court originated in the case of *Medinol v. Neuro Vasx, Inc.*² In *Medinol*, the Board cancelled a trademark registration on the grounds the registrant had committed fraud in the procurement of its registration. The finding of fraud was based on the registrant's submission of a Statement of Use attesting to use of the mark on goods in connection with which the registrant "knew or should have known" the mark was not being used.³ The Board further held that it was the registrant's "objective manifestations" of intent that determined whether fraud had occurred, dismissing the registrant's protestations that its misstatement was unintentional.⁴

The *Medinol* decision represented a rather stark departure from the TTAB's prior fraud-related jurisprudence. Prior to *Medinol*, the Board had established a very rigid standard for proving trademark-related fraud claims, which emphasized the importance of the applicant's intent.⁵ After *Medinol*, however, the applicant's intent was no longer paramount. Rather, an accidental misstatement as to use would create a fatal and potentially incurable defect in a trademark registration. In later cases, the Board found fraud even when the applicant claimed not to have understood the use requirements, even in situations where the applicant had limited English proficiency.⁶ The only significant limitations carved out of the *Medinol* rule so far were the creation of a rebuttable presumption as to lack of intent to mislead when a misstatement was cured prior to publication and limiting cancellation of multi-class registrations to the class of goods or services in which use was wrongly alleged, rather than the registration as a whole.⁷

2. *Bose v. Hexawave*

Among the Board decisions applying the *Medinol* standard was *Bose v. Hexawave*.⁸ In that case, Bose opposed Hexawave's application to register the HEXAWAVE mark based, in part, on Bose's registration of the mark WAVE for various audio-related goods, including "audio tape recorders and players." Hexawave filed a counterclaim seeking cancellation of Bose's WAVE registration, contending that Bose committed fraud by alleging that WAVE was still used for "audio tape recorders and players" in a 2001 renewal, even though sales of those products had ceased in 1997.

Bose defended its statement by claiming that it was still repairing audio tape players and shipping them back to customers.⁹ The Board found that these activities did not constitute use in commerce, and that Bose was unreasonable in thinking that they did.¹⁰ The Board therefore held that Bose committed fraud when renewing its registration and ordered the cancellation of Bose's WAVE registration.¹¹

3. The Federal Circuit Confirms that Intent is a Key Element of Fraud

On appeal¹², the Court of Appeals reversed the Board's cancellation of Bose's WAVE registration. In so doing, the court overturned the loosening

of the fraud standard from the Board's *Medinol* decision. The *Bose* court noted that by focusing on whether an applicant "should have known" that its statement was false "the Board erroneously lowered the fraud standard to a simple negligence standard."¹³ The Court held that fraud should be found only if it can be shown by clear and convincing evidence that the applicant or registrant knowingly made a false, material representation with the intent to deceive the PTO.¹⁴ Thus, there can be "no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive."¹⁵

4. The Effect of the *Bose* Decision

Although the *Bose* decision dispels a great deal of the fear created by the *Medinol* decision and its progeny, it left open two key issues: (1) whether a reckless disregard for the truth or falsity of a statement made to the PTO would support a finding of fraud, and (2) the type of conduct that would qualify as reckless. Moreover, the court made it clear that deceptive intent can still be "inferred from indirect and circumstantial evidence," provided that such evidence is "clear and convincing" and indicates "sufficient culpability to require a finding of intent to deceive."¹⁶ Thus, an applicant that claims use of a mark in connection with a long list of goods – when the applicant is not using the mark in connection with many of those goods – may not be able to overcome an inference of deceptive intent merely by claiming that the inclusion of the additional goods was innocent and inadvertent. In recent comments to the American Intellectual Property Law Association, David Kappos, the recently-appointed Under Secretary of Commerce for Intellectual Property and Director of the USPTO, identified trademark applications with long lists of goods and services and the limited ability of Examining Attorneys to deal with such applications as issues that remained to be addressed in the wake of *Bose*. Mr. Kappos promised to work with the trademark bar to find solutions that would ensure the reliability of the register.¹⁷

5. Conclusion

While *Medinol* may no longer be the law of the land, trademark applicants and registrants should continue to be scrupulous in their representations to the PTO regarding use of their marks. Practices implemented to ensure the accuracy of Statements of Use and Section 8/9 affidavits in the wake of *Medinol* – e.g., investigating and documenting the use of a mark in connection with all goods in an application or registration – should continue to be followed so as to avoid exposing valuable registrations to fraud claims.

–Andrew N. Downer

- 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009).
- 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).
- Medinol*, 67 U.S.P.Q.2d at 1209-10.
- Id.* at 1209.
- See, e.g., *Yocum v. Covington*, 216 U.S.P.Q. 210, 216 (TTAB 1982) ("Fraud in a trademark cancellation is something that must be 'proved to the hilt' with little or no room for speculation or surmise; considerable room for honest mistake, inadvertence, erroneous conception of rights, and negligent omission"); *Smith Int'l, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, 1043 (TTAB 1981) ("Intent to deceive must be 'willful.' If it can be shown that the statement was a 'false misrepresentation' occasioned by an 'honest' misunderstanding, inadvertence, negligent omission or the like ... fraud will not be found").
- Hachette Filippaci Presse v. Elle Belle LLC*, 85 U.S.P.Q.2d 1090, 1092 (TTAB 2007) (limited English proficiency); *Hurley International, LLC v. Volta*, 82 U.S.P.Q.2d 1339, 1342-43 (T.T.A.B. 2007) (overseas applicant representing itself).
- University Games Corp. v. 20Q.net Inc.*, 87 U.S.P.Q.2d 1465, 1468 (T.T.A.B. 2008); *G&W Laboratories Inc. v. GW Pharma Ltd.*, 89 U.S.P.Q.2d 1571, 1574 (T.T.A.B. 2009).
- 88 U.S.P.Q.2d 1332 (TTAB 2007).
- Id.* at 1335.
- Id.* at 1337-38.
- Id.* at 1338.
- Hexawave did not appear for the appeal, with the PTO instead being granted leave to appear as the appellee. Thus, the appeal is captioned *In re Bose Corp.*
- In re Bose*, 91 U.S.P.Q.2d at 1940.
- Id.*
- Id.*
- Id.* at 1941.
- Remarks of David Kappos to the American Intellectual Property Law Association, Oct. 15, 2009, available online at <http://www.uspto.gov/news/speeches/2009/2009oct16.jsp>

FIRM UPDATE & ANNOUNCEMENTS

NEW ASSOCIATE

Ian J. Block has joined the firm as an associate. Ian graduated from the University of Chicago Law School, JD 2009.

APPOINTMENTS

Bradley L. Cohn was appointed Legislative Liaison for the Chicago Bar Association's Professional Responsibility Committee.

Cristina Covarrubias, a member of the firm's 2009 Summer Associate class, was elected President of the Latino Law Student Association at the University of Chicago Law School.

Ashly A. Iacullo has been appointed to the Young Professionals Board of the Chicago Bar Foundation.

Jonathan S. Jennings was appointed Chair of the International Trademark Association's Parallel Imports Committee for a two-year term beginning in 2010.

Mark V.B. Partridge was appointed to the Nominating Committee of ICANN (the Internet Corporation of Assigned Names and Numbers), the governing body for domain names. The Nominating Committee is responsible for selecting ICANN Board and Council members.

Belinda J. Scrimenti was appointed Chair of the Corporate Counsel Committee of the Women's Bar Association of Illinois (WBAI).

Teresa D. Tambolas is co-chair of the Attorney Advertising Subcommittee of the American Bar Association Section of Litigation's Ethics & Professionalism Committee for the 2009-2010 Bar year.

Joseph N. Welch II was appointed to the American Bar Association Advisory Panel, which advises the American Bar Association on improving service to the profession in view of its changing issues and demands.

PRESENTATIONS

Ashly A. Iacullo and **Daniel In Hwang** co-moderated "Careers in IP" on September 2, 2009, at the Chicago Bar Association Young Lawyers Section Intellectual Property Committee Seminar.

Jonathan S. Jennings moderated a program entitled "Helping Companies in a Down Economy: Strategic Planning for Identifying and Valuing Your IP," on July 31st, 2009, at the American Bar Association Annual Meeting in Chicago.

Mark V.B. Partridge will speak on "New gTLDs: What You Need to Know about the Next Internet Gold Rush" on November 3, 2009, as part of "IP Law Day in Chicago." The event is co-hosted by Loyola University and the Chicago Intellectual Property Alliance. On October 23, 2009, **Mark** gave a presentation entitled "Famous and Well-Known Marks" at the John Marshall Law School Conference on "Diverging Standards In European and American Trademark and Copyright Laws" in Chicago, Illinois. On September 17, 2009, **Mark** spoke on "Guiding Rights - Intellectual Property Is Your Greatest Asset: How to Protect It Without Losing Your Shirt" at the National Speakers Association in Waukesha, Wisconsin.

Alexis E. Payne will speak on "The Basics of Advertising 2010" on November 5, 2009, at the 31st Annual Promotion Marketing Law Confer-

ence in Chicago, Illinois. **Alexis** spoke on "New Frontiers in Marketing & Advertising" on September 13, 2009, at the Intellectual Property Owners Association's Annual Meeting in Chicago, Illinois.

Robert W. Sacoff moderated a panel discussion on "The Impending, Controversial Expansion of the gTLD Space" on September 13, 2009, at the Intellectual Property Owners Association's Annual Meeting in Chicago, Illinois.

Uli Widmaier will speak on "Trademark Enforcement in the U.S.: Navigating the Idiosyncrasies of the American System" at the 2009 Symposium "From Harmonised Trademark Law to Harmonised Trademark Proceeding" held on October 26 and 27, 2009, at the German Federal Patent Court in Munich, Germany. Other speakers include the German Federal Minister of Justice, the President of the German Patent and Trademark Office, the Bavarian State Minister of Justice, and judges at the Supreme and Appellate Courts of Austria, the European Communities, France, Germany, the Netherlands, Japan, Russia, Sweden, and the UK. **Uli** will also be a co-instructor with Gerhard Bauer, Chief Trademark Counsel at Daimler AG, for a two-day course entitled "U.S. Trademark Law - A Practical Introduction," on December 9 and 10, 2009, in Munich, Germany.

Joseph N. Welch II moderated "Spinning the Branded World - Deception and Substantiation in U.S. Advertising" on May 18, 2009, at the International Trademark Association Annual Meeting in Seattle, Washington.

HONORS

Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP was recognized by *Legal 500 United States* as an IP-boutique firm that "specializes on trademark, copyright, internet and e-commerce matters, with a strong focus on litigation. The firm is proud of its long-term clients, who are impressed by the lawyers' *'rapid response, along with the creativity and quality of its legal analysis.'*"

David Hilliard was recognized by *Legal 500 United States*: "**David Hilliard** handles IP matters ranging from anti-counterfeiting to unfair competition and infringement. ...Hilliard is described by clients as *'excellent'* [and] has tried major trademark and copyright cases throughout the United States and thanks to his trial experience, he is frequently brought into litigation as replacement counsel."

Jonathan S. Jennings was awarded the preeminent AV® rating from Martindale-Hubbell. Jonathan joins firm members **Brett A. August**, **Raymond I. Geraldson, Jr.**, **David C. Hilliard**, **Jeremiah D. McAuliffe**, **Robert M. Newbury**, **Mark V.B. Partridge**, **Robert W. Sacoff**, and **Joseph N. Welch II**. This rating reflects recognition by the attorneys' peers of outstanding legal ability and high ethical standards.

Robert W. Sacoff and **J. Michael Monahan** were elected to be Fellows of the American Bar Foundation, an honor limited to one-third of one percent of the lawyers in America. **David C. Hilliard**, **Jonathan S. Jennings**, **Robert M. Newbury**, **Mark V. B. Partridge** and **Joseph N. Welch II** are also Fellows of the American Bar Foundation.

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