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## Fraud on the Trademark Office in the U.S. and Canada

By Sanjiv D. Sarwate<sup>Fna</sup> <ss@pattishall.com>. Copyright © Sanjiv D. Sarwate visit [www.pattishall.com](http://www.pattishall.com)

Threatening to run away to Canada is a popular way for Americans to express frustration with their own society and system of government. Whether the problem is being drafted to fight in a war, high prescription drug prices, or distaste for an incumbent President, Canada is seen by some Americans as a comparative beacon of sanity. U.S. trademark lawyers recently joined the ranks of the disaffected as the result of a Canadian court decision that specifically rejected the harsh regime of the *Medinol* rule—the *bête noire* of the U.S. trademark bar. However, U.S. lawyers should be cautious about rushing to embrace the Canadian court's decision, as it involved facts that have not yet appeared in any Trademark Trial and Appeal Board decision, and may not signal Canadian courts' complete rejection of the *Medinol* rule.

The *Medinol* rule takes its name from *Medinol Ltd. v. Neuro Vasx, Inc.*<sup>2</sup>, a Trademark Trial and Appeal Board case in which a cancellation petitioner claimed that a registrant committed fraud in procuring its application by falsely alleging that the mark was in use on goods for which it was not in use.<sup>3</sup> The Board refused to allow the registrant to amend its registration to exclude the goods at issue, reasoning that such an amendment did not cure the problem of the registrant having obtained a registration by making false statements to the Patent and Trademark Office that it knew or should have known were false.<sup>4</sup> Having rejected the proposed amendment, the Board proceeded to cancel the entire registration on grounds of fraud, including the goods for which use had been properly alleged.<sup>5</sup>

At first blush, it is difficult to muster

much sympathy for the *Medinol* registrant. The registration at issue covered only two items, so it should not have been difficult to verify use. However, the sweep of the Board's rule raised significant concerns. Fraud, after all, is a fatal defect for which there is no statute of limitations and to which incontestability provides no defense.<sup>6</sup> Counsel representing clients with old trademark registrations in their portfolios (or seeking to acquire such registrations) faced the unpleasant prospect that someone long since gone did not properly verify the contents of a use affidavit prior to signing. Registrations covering long lists of goods could be vulnerable to cancellation in their entirety because someone made an inadvertent misstatement as to just one of the items. Counsel also faced challenges in sensitizing overseas clients to the need to undertake a review of use which may strike the clients as completely alien, since their own laws do not require proof of use to either obtain or renew a registration.

Later decisions by the Board applying the *Medinol* rule did not provide any comfort, as the Board systematically rejected one offered excuse after another for misstatements on statements of use. Simple declarations of a lack of intent to commit fraud, even when combined with steps to "correct" the problem have, unsurprisingly, been deemed insufficient.<sup>7</sup> Failing to understand the use requirements was similarly deemed an insufficient excuse, even when such claims were made by overseas applicants representing themselves or arose as a result between a registrant who spoke limited English and his counsel.<sup>8</sup> Misstatements made at the time of filing were deemed fraud that could not be cured either by deleting the goods

or services in question or amending the filing basis to intent to use,<sup>9</sup> unless such an amendment was made prior to publication.<sup>10</sup> Finally, although not specifically citing *Medinol*, the Board granted an opposition based solely on the applicant's lack of bona fide intent to use the mark, holding that such intent must be demonstrated by objective evidence in order to survive an *inter partes* challenge.<sup>11</sup> The only significant limitations carved out of the *Medinol* rule so far have been creation of a rebuttable presumption as to lack of intent to mislead when a misstatement is 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.<sup>12</sup> There are presently two cases before the United States Court of Appeals for the Federal Circuit challenging the *Medinol* line of cases.<sup>13</sup> The American Intellectual Property Law Association (AIPLA) has filed *amicus* briefs in both cases urging reconsideration of the *Medinol* jurisprudence, which it criticizes for allowing fraud to be found on the basis of strict liability or mere negligence, rather than imposing it only in cases of intent to deceive.<sup>14</sup>

The treatment of misstatements in use allegations by the Trademark Trial and Appeal Board is markedly different from the treatment in Canada. Canada, like the United States, requires an applicant to file a declaration of use in most cases.<sup>15</sup> In *Parfums de Couer, Ltd. v. Asta*, the Federal Court of Canada was confronted with a fact pattern similar to that in *Medinol* – an applicant seeking to invalidate a registration on grounds that the registrant falsely alleged use of the mark on specific goods.<sup>16</sup> The applicant argued that

the Canadian court should import the *Medinol* rule from U.S. law and deem the registration void in its entirety on grounds of fraud.<sup>17</sup> The *Parfums de Couer* court criticized the U.S. Trademark Trial and Appeal Board's treatment of fraud claims for not requiring "real fraud" and leading to "draconian results for even an innocent mistake."<sup>18</sup> The Court acknowledged that the registrant had made a mistake, but accepted his claim that the mistake was innocent, and refused to hold that a material misstatement would void the registration absent an amendment to the Trade Marks Act.<sup>19</sup>

While the Canadian court's approach appears different from that taken by the U.S. Trademark Trial and Appeal Board, the facts in *Parfums de Couer* are significantly different from those in *Medinol* and many of the cases that followed. In most of the U.S. cases, it was not until cancellation had been sought that the party accused of fraud attempted to amend its registration. The notable exception to this pattern was the *University Games* case, where the amendment was made prior to publication. This difference led to a different result, with the Board holding that a correction made prior to publication created a rebuttable presumption of lack of intent to deceive.<sup>20</sup> The facts of *Parfums de Couer* fall somewhere in between the facts of the typical *Medinol*-type case and those in *University Games*. In *Parfums de Couer*, the registrant amended its registration to delete the affected goods after receiving notice that a cancellation claim would be brought, but before the formal cancellation proceeding was instituted.<sup>21</sup> Proving the old adage that "timing is everything," the *Parfums de Couer* court found it "significant to this case that Asta amended his registration prior to the filing of this application by PDC," leaving open the question

of whether the result would be different if the amendment been sought after the cancellation action had been brought.<sup>22</sup> The Board in the U.S. has not yet ruled on what would happen in a situation similar to *Parfums de Couer*, or where a registration is corrected after issuance, but prior to notice of an objection. The logic of the *Medinol* decisions suggests that the issuance of the registration (or approval for registration) completes the fraud on the Office, so the timing of such amendments would be irrelevant. However, a registrant who realizes its error and takes steps to correct it prior to receiving notice of an objection arguably stands in a different equitable position than one who is only prompted to action by filing of an objection.

The *Parfums de Couer* court took pains to contrast the "nuanced and balanced" approach of Canadian law with the "draconian results" arising under U.S. law.<sup>23</sup> However, it is not yet certain that the Board would not view a registrant in the position of Mr. Asta more sympathetically than others who make misstatements in use declarations. So those U.S. lawyers who are ready to pack their bags to escape *Medinol* and its works may wish to remain, at least until the Federal Circuit weighs in later this year.

<sup>FNa</sup> Pattishall McAuliffe Newbury Hilliard & Geraldson LLP, Chicago, Illinois. The author appreciates the assistance of D. Paul Tackaberry of Ridout & Maybee LLP, Toronto, ON, Canada, who reviewed an early draft of this article.

2. *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).

3. *Id.* at 1208.

4. *Id.*

5. *Id.* at 1209-10.

6. 15 U.S.C. §§1064(3), 1115(b)(1)

7. *Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, 86 U.S.P.Q.2d 1572 (TTAB 2008); *J.E.M. International, Inc. v. Happy Rompers Creations Corp.*, 74 U.S.P.Q.2d 1526, 1530 (TTAB 2005).

8. *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).

9. *Grand Canyon West Ranch, LLC v. Hualapai Tribe*, 88 U.S.P.Q.2d 1501, 1508-09 (T.T.A.B. 2008) (deletion); *Sinclair Oil v. Kendrick*, 85 U.S.P.Q.2d 1032, 1035-36 (T.T.A.B. 2007) (amending filing basis).

10. *University Games Corp. v. 20Q.net Inc.*, 87 U.S.P.Q.2d 1465, 1468 (T.T.A.B. 2008) (amendment to correct misstatement as to use prior to publication creates rebuttable presumption of a lack of intent to mislead).

11. *Intel Corp. v. Emeny*, Opposition No. 91-123,312 (T.T.A.B. May 15, 2007) (available at <<http://ttabvue.uspto.gov/ttabvue/v?pno=91123312&pty=OPP&eno=47>>, downloaded 2/26/09).

12. *University Games, supra*; *G&W Laboratories Inc. v. GW Pharma Ltd.*, 89 U.S.P.Q.2d 1571, 1574 (T.T.A.B. 2009).

13. *Grand Canyon West Ranch LLP v. Hualapai Tribe*, Case No. 09-1012, and *In Re Bose Corp.*, Case No. 08-1448.

14. Brief of Amicus Curiae American Intellectual Property Law Association in *Grand Canyon West Ranch LLP v. Hualapai Tribe*, Case No. 09-1012 (Fed. Cir.), at p. 7 (available at <[http://www.aipla.org/Content/ContentGroups/About\\_AIPLA1/AIPLA\\_Reports/20084/AIPLAGrandCanyonBrief-4.pdf](http://www.aipla.org/Content/ContentGroups/About_AIPLA1/AIPLA_Reports/20084/AIPLAGrandCanyonBrief-4.pdf)>, downloaded 2/27/09).

15. *Trade-marks Act*, R.S.C., §40 (1985) (Can.)

16. *Parfums de Couer, Ltd. v. Asta*, [2009] F.C. 21 (Fed. Ct. 2009)

17. *Id.* at ¶19.

18. *Id.* at ¶¶19, 30.

19. *Id.* at ¶20.

20. *University Games*, 87 U.S.P.Q. 2d at 1468.

21. *Parfums de Couer* at ¶¶7-9.

22. *Id.* at ¶28.

23. *Id.* at ¶¶30-31.

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