

September 30, 2009

Death of *Medinol*: Federal Circuit Rejects the Trademark Board's Fraud Standard

In a long-awaited decision, the U.S. Court of Appeals for the Federal Circuit clarified the fraud standard yesterday, holding that “a trademark [registration] is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with *the intent to deceive the PTO.*” *In re Bose Corporation*, Appeal No. 2008-1448 (Fed. Cir. Aug. 31, 2009) (emphasis added). The court’s decision clarified an issue of great concern to trademark owners and practitioners since the Trademark Trial and Appeal Board (the Board) cancelled an entire registration in its 2003 decision in *Medinol Ltd. v. Neuro Vasx, Inc.*, after determining that the trademark owner had filed a statement of use incorrectly claiming use on all of the goods in an application when he “knew or should have known” that the mark was not in use in commerce with some of those goods. 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003). The *Bose* decision returns to the pre-*Medinol* fraud test, which requires a specific intent to deceive.

Good practice calls for trademark owners to continue to maintain vigilance in making sure that filings with the PTO are true and accurate. The Federal Circuit’s *Bose* decision is significant, however, as it should eliminate the need for so-called corrective filing programs that some trademark owners undertook or are considering due to concerns about possible cancellation of entire trademark registrations (or entire classes of goods and services in a registration) under the *Medinol* standard as a result of innocent mistakes or inaccuracies in previous filings.

Fraud Standard After *Medinol*

According to the Board’s 2003 decision in *Medinol*, “[a] trademark applicant commits fraud in procuring a registration when it makes material representations of fact in its declaration which it knows or should know to be false or misleading.” Following *Medinol*, the issue of fraud was litigated with ever-increasing frequency. The Board repeatedly imposed the harsh result of cancelling entire registrations based on an applicant’s or registrant’s false or inaccurate claims of use of its mark in connection with some of the goods or services identified in the application/registration, even if those false claims related to only a small portion of the goods or services and were based on nothing more than mistake or inadvertent inclusion.

By eliminating the “intent to deceive the PTO” analysis in the fraud standard, the Board created, in effect, a strict liability standard against trademark owners for any mistakes or inaccuracies. Not surprisingly, many trademark owners and practitioners disagreed with this approach, arguing that where there was no bad faith intent to deceive and the inaccurate statements did not apply to all of the goods or

services, the punishment of cancelling a registration for an entire class of goods and services did not fit the “crime.”

The *Bose* case provided the first opportunity for the Federal Circuit to address the fraud standard following *Medinol*. In *Bose*, the Federal Circuit expressly disagreed with Board’s decision in *Medinol* and confirmed that there could be no fraud without “clear and convincing evidence” that the trademark applicant or registrant intended to deceive the PTO.

The *Bose* Case

In *Bose*, the Board found that Bose Corporation committed fraud when it renewed its registration for the mark WAVE for audiotape recorders and players, among other goods. During the cancellation proceeding, Bose admitted that it stopped making and selling audiotape recorders and players in 1996-1997, but did not remove those goods from the registration when it filed its renewal. When challenged, Bose said that it believed that its actions in repairing those products and sending them back to consumers was sufficient to fulfill the “use in commerce” requirement for federal trademark registration.

The Board held that shipment of previously sold products following warranty repairs did not constitute use sufficient to maintain the trademark registration. The Board held further that Bose’s belief regarding shipping and transport was unreasonable and that it *should have known* that the mark was no longer being used on all the goods in the registration. Although Bose truthfully claimed use of its WAVE mark for other goods in the single class identified in the registration, the Board cancelled Bose’s WAVE registration in its entirety. Bose appealed.

The Federal Circuit Decision

The Federal Circuit held that the *Medinol* decision was wrong, and that “subjective intent to deceive, however difficult it may be to prove, is an indispensable element in the [fraud] analysis.” The court further confirmed that the burden of proof in fraud cases is quite high, explaining that the “the very nature of the charge of fraud requires that it be proven ‘to the hilt’ with clear and convincing evidence [and that] there is no room for speculation, inference or surmise and obviously, any doubt must be resolved against the charging party” (citations omitted).

The court cited a significant number of Trademark Board, Federal Circuit, Court of Customs and Patent Appeals, and other appellate decisions that predated *Medinol* to demonstrate how inconsistent the *Medinol* holding was with existing case law. For example, the court cited multiple Board decisions between 1976 and 1997 and noted that the Board had acknowledged consistently and correctly that there is “a material legal distinction between a ‘false’ representation and a ‘fraudulent’ one, the latter involving an intent to deceive, whereas the former may be occasioned by a misunderstanding, an inadvertence, a mere negligent omission, or the like” (citations omitted). Then, citing decisions from the Courts of Appeals in the Fifth, Eighth, Ninth, and Tenth Circuits, the court went on to note that “many of [its] sister circuits have required proof of intent to deceive before cancelling a trademark registration.”

In the end, the Federal Circuit found that because the declarant testified under oath that he believed the statement regarding use in commerce was true at the time he signed the declaration, there could be no finding of fraud. “Unless the challenger can point to evidence to support an inference of deceptive intent, it has failed to satisfy the clear and convincing evidence standard required to establish a fraud claim.” Ultimately, the court agreed that the registration should be restricted to reflect only those goods

for which Bose is actually using the WAVE mark, and remanded the case to the Board for partial cancellation with respect to the goods in connection with which the mark is no longer used.

For more information on the issues discussed in this Update, please contact either of the following Morgan Lewis attorneys:

San Francisco

Carla B. Oakley

415.442.1301

coakley@morganlewis.com

Washington, D.C.

Anita B. Polott

202.739.5397

apolott@morganlewis.com

About Morgan Lewis's Intellectual Property Practice

Morgan Lewis's Intellectual Property Practice consists of more than 190 intellectual property professionals. We represent and advise clients concerning all aspects of intellectual property: patents, trademarks, and copyrights; intellectual property litigation; intellectual property licensing; intellectual property enforcement programs; trade secret protection; related matters involving franchises, the Internet, advertising, and unfair competition; outsourcing and managed services; and the full range of intellectual property issues that arise in business transactions.

About Morgan, Lewis & Bockius LLP

Morgan Lewis is an international law firm with more than 1,400 lawyers in 22 offices located in Beijing, Boston, Brussels, Chicago, Dallas, Frankfurt, Harrisburg, Houston, Irvine, London, Los Angeles, Miami, Minneapolis, New York, Palo Alto, Paris, Philadelphia, Pittsburgh, Princeton, San Francisco, Tokyo, and Washington, D.C. For more information about Morgan Lewis, please visit www.morganlewis.com.

This Newsletter is provided as a general informational service to clients and friends of Morgan, Lewis & Bockius LLP. It should not be construed as, and does not constitute, legal advice on any specific matter, nor does this message create an attorney-client relationship. These materials may be considered Attorney Advertising in some states. Please note that the prior results discussed in the material do not guarantee similar outcomes.

© 2009 Morgan, Lewis & Bockius LLP. All Rights Reserved.