

The TTAB in 2003: Fraud, Fame, and a Landmark Dilution Claim

PART II

BY JOHN L. WELCH OF FOLEY HOAG LLP

Part One of this article discussed the *NASDAQ* dilution decision and considered the broad protection accorded famous marks under the TTAB's current Section 2(d) analysis. Part Two reviews several important fraud rulings and questions the Board's reasoning in three uncitable cases that caught the attention of this author.

FRAUD AND OTHER FAILINGS

When considering charges of fraud, the Board has repeatedly stated that fraud must be "proven to the hilt" by clear and convincing evidence. Fraud will not lie if the allegedly fraudulent statement was made with a reasonable and honest belief that it was true, or if the statement was not material. *See, e.g., Woodstock's Enterprises Inc. (California) v. Woodstock's Enterprises Inc. (Oregon)*, 43 USPQ2d 1440, 1443 (TTAB 1997). In a two-day span in May 2003, however, the Board found fraud and cancelled the challenged registration in three cases, deeming one of those decisions citable. Two of the cases involved a fraudulent Statement of Use, and the third a false claim of ownership.

In the citable decision, *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003), the Board entered summary judgment in favor of Petitioner Medinol on the ground that Respondent Neuro Vasx submitted a fraudulent Statement of Use in order to obtain its registration for the mark NEUROVASX for "medical devices, namely, neurological stents and catheters." After the petition for cancellation was filed alleging that the SOU was fraudulent, Respondent admitted in its answer that it had not used the mark for stents. It requested amendment of the registration to delete "stents," claiming that the word "stents" had been "overlooked" when the SOU form was completed. The Board denied the motion to amend, holding that fraud was committed in the procurement of

the registration because Neuro Vasx "knew or should have known" that its statement was false; therefore, the entire resulting registration was declared void. Although Neuro Vasx (not surprisingly) denied a fraudulent intent, the Board ruled that "the appropriate inquiry is not into registrant's subjective intent, but rather into the objective manifestations of that intent."

On the same day, in *James P. Cecil, Inc. v. Enterprise Automation, Inc.*, Canc. No. 30,783 (May 13, 2003) [not citable], the Board granted a petition for cancellation of a registration for the mark NURTURE (stylized) for "computer software for automating marketing and relationship management campaigns." Petitioner contended that Respondent Enterprise was not the owner of the mark at the time the application for registration was filed and that the registration was obtained fraudulently. Enterprise denied the allegations but did not take testimony, submit evidence, or file a brief. The Board granted the petition, concluding that "the registration was obtained by means of fraud" because it was based upon an application filed with the knowledge that Petitioner Cecil's predecessor owned the mark. The Board also granted judgment under Section 2(d) on the ground of likelihood of confusion and under Section 1 on the ground that the application was void *ab initio* because Applicant neither owned nor had used the mark at the time of filing.

On the next day, in *Nougat London Ltd. v. Carole Garber*, Canc. No. 40,460 [not citable] (May 14, 2003), the Board granted Nougat's motion for summary judgment canceling the subject registration for the mark NOUGAT for various clothing items, on the ground that Garber committed fraud in the filing of her Statement of Use. Discovery revealed that at the time the SOU was filed, Garber's use of the mark was limited to a single sale of women's skirts. Nonetheless, Garber did not limit her SOU to just those goods. Instead, she stated in her SOU that she was "using the mark in commerce between the United States and Canada in

connection with goods identified in the Notice of Allowance." Garber contended that her statement was *not* false because she did not say that she was using the mark on "all the goods" listed in the Notice of Allowance, but just on "goods" listed in the Notice of Allowance. The Board, however, saw this as a deliberate attempt to mislead the PTO into believing that she had used the mark on all the goods, and pointed out that "the Trademark Act and the Trademark Rules do not permit semantic games." Although noting that fraud typically is "extremely difficult to prove," the Board found it "hard to imagine more clear and convincing evidence of fraud."

Similar dire consequences befell an Opposer who filed a false affidavit in connection with a renewal application. In *Toro Co. v. GrassMasters, Inc.*, 66 USPQ2d 1032 (TTAB 2003), the Board dismissed Toro's Section 2(d) opposition to registration of the mark LAWN PUP ("lawn" disclaimed) for lawn mowers, finding it not likely to cause confusion with the registered mark LAWN-BOY for lawn mowers and related goods and services. The Board concluded that even though the goods of the parties overlap and the fame of the LAWN-BOY mark entitles it to a broad scope of protection, confusion is not likely because of the dissimilarities in the marks, the admitted descriptiveness of the word "lawn," and the likely care to be exercised in the purchase of these relatively expensive goods. Toro also attempted to rely on its registration for the mark SNOW PUP for snow plows, but the evidence showed that Toro had stopped selling snow plows under that mark in 1980. The Board ruled that even though GrassMasters did not file a counterclaim for cancellation, Toro was nonetheless precluded from relying on its SNOW PUP registration because in 1986 it filed a false affidavit of renewal stating that the mark was still in use for snow plows.

If proving fraud in connection with a false statement of use or ownership is difficult, proving that a claimed *bona fide* intention to use a mark is phony is even more so. Illustrative are the following two decisions in which an opposer questioned the *bona fides* of an Applicant's intention to use, but failed because of inadequate proof.

In *Collagenex Pharmaceuticals, Inc. v. Four Star Partners*, Opp. No. 150,890 (September 24, 2003) [not citable], Opposer Collagenex contended that Four Star did not have the requisite *bona fide*

intention to use the mark DERMASTAR on its identified medical and non-medical personal care products because Four Star, rather than list the specific goods for which it had a *bona fide* intention, listed more than 730 items taken from the *Trademark Acceptable Identification of Goods and Services Manual*. Collagenex, however, submitted no evidence to prove “either Applicant’s wrongful intent or an absence of any evidence in applicant’s possession regarding its intent.” Therefore, Collagenex failed to establish a *prima facie* case that would shift the burden to Four Star to come forward with evidence to refute such a case. The listing of many products in an intent-to-use application may cast doubt on an Applicant’s *bona fides*, but it remained Collagenex’s burden to prove Four Star’s lack of a *bona fide* intent. Apparently, Collagenex did not take any discovery, so it had no proof that Four Star lacked documents supportive of or bearing on its intent at the time of filing. Thus Collagenex could not invoke the Board’s ruling in *Commodore Electronics Ltd. v. CBM Kabushiki Kaisha*, 26 USPQ2d 1503, 1507 (TTAB 1993) that

absent other facts which adequately explain or outweigh the failure of an applicant to have any documents supportive of or bearing upon its claimed intent to use its mark in commerce, the absence of any documentary evidence on the part of an applicant regarding such intent is sufficient to prove that the applicant lacks a *bona fide* intention to use its mark in commerce as required by Section 1(b).

In *Kellogg Co. v. Earthgrains Co.*, Opp. No. 110,121 (September 30, 2003) [not citable], the Board dismissed an opposition to registration of the marks MORNING GOODS (“goods” disclaimed) for refrigerated bakery products and MORNING GOODNESS for bread, muffins, and other bakery products. Kellogg contended that these ITU applications were void *ab initio* in light of Applicant’s failure to produce documentary evidence establishing its *bona fide* intention to use the marks. The Board, however, could not conclude that Earthgrains had no supporting evidence: Earthgrains’ interrogatory responses stated that it had used the marks on packaging for test marketing and, the Board pointed out, Kellogg had not requested those documents.

A FEW OTHER FAVORITES

Many of the hundreds of non-citable decisions rendered by the Board in 2003 involve rather straightforward application of settled TTAB precedent to the particular facts at hand. However, these uncitable cases often contain their own interesting aspects, and three cases that caught the eye of this author are briefly discussed below.

Beauty and the Board

The Board’s decision in *Advance Magazine Publishers Inc. v. Ronay Brown*, Opp. No. 118,342 (June 10, 2003) [not citable] was no beauty. Applicant Brown sought to register her mark G.Q. NAILS for a “full beauty care salon for hands, feet, body, hair, and face.” The TTAB ignored its well-established rule that likelihood of confusion must be determined on the basis of the services as identified in the opposed application, and not on the actual usage of the mark.

In finding that “on their face, applicant’s services are distinctively different from” Opposer’s *GQ* men’s magazine and its *GQ* brand shopping bags, the Board observed:

[I]t is plain that applicant’s services, in light of the focus of her advertising efforts on women, would be principally directed to women customers, whereas opposer’s men’s magazines, while covering fashion, entertainment, health, lifestyle and other topics of general interest, are primarily directed to men.

[I]t is intuitively obvious that neither general interest men’s magazines nor shopping bags are used in the rendering of full beauty care salon services.

Wait a minute! Even a cursory search of the Internet reveals, as one would expect, that women are not the only customers for beauty care salon services – many men are striving to be beautiful as well! Moreover, one suspects that beauty salons provide shopping bags when they sell the various shampoos and other such products that commonly adorn their store windows. And surely beauty salons have magazines – including *GQ* – scattered around the premises for perusal by waiting customers? Apparently, Opposer failed to point out those possibilities – among a number of deficiencies in Opposer’s proofs. Even so, the Board should not have ignored its own precedents by limiting Ms. Brown’s recitation of services to

beauty salon services for women.

One has the distinct feeling that the TTAB went out of its way to rule in favor of this *pro se* Applicant in her battle against a corporate opposer whose evidentiary effort was less than full.

That Annoying Acronym Finder

The Board relied in part on an entry from the on-line “Acronym Finder” (www.acronymfinder.com) in its decision in *In re INETCAM, Inc.*, S.N. 76/078,126 (November 11, 2003) [not citable], affirming a Section 2(d) refusal to register the mark IVISTA for “computer software and hardware for use in delivering live streaming media over a computer network server for a global information network, or though other video transmission services.” According to the “Acronym Finder,” the letter “I” means, among other things, “Internet.”

Now, the Board arguably reached the right decision in *INETCAM* – regardless of the meaning of “I” – in finding Applicant’s mark confusingly similar to the registered mark VISTA for “personal computer software . . . for computerized video display enlargement systems for the visually impaired.” But it is surprising that the Board Panel (Judges Hanak, Walters, and Drost) would give *any* weight to an entry in the “Acronym Finder.”

This very same panel of judges took the opposite view of the worth of the on-line “Acronym Finder” two years ago in *In re Nissan Jishoda Kabushiki Kaisha, T/A Nissan Motor Co. Ltd.*, S.Nos. 75/531,326; 75/531,325; and 75/531,337 (May 24, 2001) [not citable]. In *Nissan*, the Board rejected similar evidence while finding the initialism SUT not merely descriptive of “motor vehicles, namely vehicles which combine a sport utility vehicle-like passenger compartment with a cargo bed, and structural parts therefor.” The Examining Attorney had relied in part on an excerpt from the “Acronym Finder” that included “sport utility truck” as one of nine definitions for SUT, and requested that the Board take judicial notice of this “dictionary” evidence. *Nissan*, however, visited this “Acronym Finder” and found that anyone may submit an acronym to be included in this so-called “dictionary.” In addition, the unidentified “authors” of the “Acronym Finder” stated that they took no responsibility for the accuracy of the information contained therein, and they warned, “Use information from this site at your own risk.”

Consequently, the Board accorded no weight to this evidence: “we find that this on-line Acronym Finder is not the type of material which is reliable enough for us to take judicial notice.” [sic].

Perhaps Judges Hanak (who authored both opinions), Walters, and Drost have changed their view of the reliability of the “Acronym Finder.” But if so, it is not because of any change at the www.acronymfinder.com website. The website continues to accept submissions from anyone, and the disclaimer at the website continues to state:

“Disclaimer. We’ve done our best to ensure the accuracy of the Acronym Finder database, however, we do not take responsibility for the accuracy of any of the information in the acronym database. Capitalization is NOT necessarily correct. **Use information from this site at your own risk.**”

There are plenty of other reliable sources for discerning the meaning of an acronym, some of which are listed in the *Nissan* opinion. But why the Board would give any credence to the on-line “Acronym Finder” is something IDU (an acronym for “I don’t understand,” according to the “Acronym Finder”).

Let the Sunshine In!

There is something troubling about the Board’s decision in *In re Sunshine Distribution Inc.*, S.N. 76070151 (December 9, 2003) [not citable]. In reversing a Section 2(d) refusal to register the mark RAZORS for inline skates, the Board gave “great deference” to a consent



agreement between the parties. The Examining Attorney had found that mark confusingly similar to the registered mark RAZOR & des. for “non-motorized scooters, toy scooters, and model scooters.”

The consent to register submitted to the PTO by Applicant Sunshine reads as follows, in its entirety:

J.D. Components Col, Ltd., a Taiwanese corporation and Razor U.S.A., LLC, a Delaware Limited Liability Company, hereby consent to registration of the mark in this application on the Principal Register of the United States Patent and Trademark Office for the following

identified goods: “Sporting goods, namely, in-line skates, in International Class 28.”

The Examining Attorney thought this was an unacceptable “naked consent” because it did not state any reasons for concluding that no likelihood of confusion exists, nor did it set forth any arrangements made by the parties to avoid confusion of the public.

Applicant’s attorney contended that the “substantive matters” of concern to the Examining Attorney are “addressed thoroughly” in a confidential settlement agreement arising out of a civil litigation. Applicant Sunshine was “constrained . . . by the confidential terms of that document, from submitting them into the public record.” The Board never saw the settlement agreement and instead accepted the assurances of the parties that “[t]hose substantive matters are addressed thoroughly” in the agreement.

In support of its decision, the Board cited *In re N.A.D. Inc.*, 224 USPQ 969 (Fed. Cir. 1985), in which a consent to register was deemed determinative of the Section 2(d) issue, even though the court “was uninformed as to all the details of the disputes and negotiations.” In *N.A.D.*, however, the court (and the PTO) at least had access to some of the details that led to the consent agreement. Moreover, the marks in *N.A.D.* were not identical, and the goods and services involved (relating to hospital and surgical equipment) were expensive and their purchasers sophisticated.

In *Sunshine*, however, the marks are nearly identical and the goods are related, relatively inexpensive, and purchased by ordinary consumers. Thus, the legitimacy of the consent in *Sunshine* is a much more important factor in the *du Pont* likelihood of confusion analysis than in *N.A.D.* By accepting the consent sight unseen in *Sunshine*, the Board arguably abrogated its responsibility as the gatekeeper for the Federal Register. Just because “businessmen on the ‘firing line’” reach a settlement agreement does not mean that the terms of the settlement will adequately protect the public interest. And just because the parties tell the Board that the “substantive matters” are “thoroughly” addressed in an agreement does not mean that what the parties call “thorough” is the same thing as what the Board would call “thorough.”

In light of the close similarity of the marks and the clear relatedness of the

goods, the Board should have taken steps to ensure that the public was indeed being protected by the terms of the consent agreement. The Board surely could have asked the Applicant to submit the settlement agreement *in camera*. If a court order required that the settlement agreement be kept confidential, Board could have directed the Applicant to seek the court’s permission for an *in camera* viewing by the Board. It seems likely that the court would have given its permission.

Because the *Sunshine* decision is not citable, it will not cast a long shadow. We can hope that the next time the Board is asked to give weight to a consent agreement sight unseen, it will decline to do so.

CONCLUSION

From the trademark practitioner’s viewpoint, the year 2003 may have been dominated by the much-anticipated and somewhat anti-climactic arrival of the Madrid Protocol on American shores. Reportedly, it will be some months before the number of international applications filed at the USPTO surpasses the number of seminars, teach-ins, roundtables, and colloquia held on the subject of the Madrid Protocol.

Meanwhile, in 2003 the TTAB successfully, and without great fanfare, introduced two major improvements at its website – the ESTTA electronic filing system and the TTABVUE database. And it continued to deal efficiently with the myriad issues arising in the steady flow of appeals and contested proceedings that demand its consideration and judgment.

The year 2004 may see more activity in the dilution field and further consideration of the proper treatment of “fame” in the likelihood of confusion context. The rule changes arising out of Madrid accession may come under scrutiny by the Board. And further attention may be given to the fraud issue, particularly with regard to the veracity of Statements of Use. In any event, the wise trademark practitioner will continue to keep a close eye on the decisions of the TTAB.