Feature
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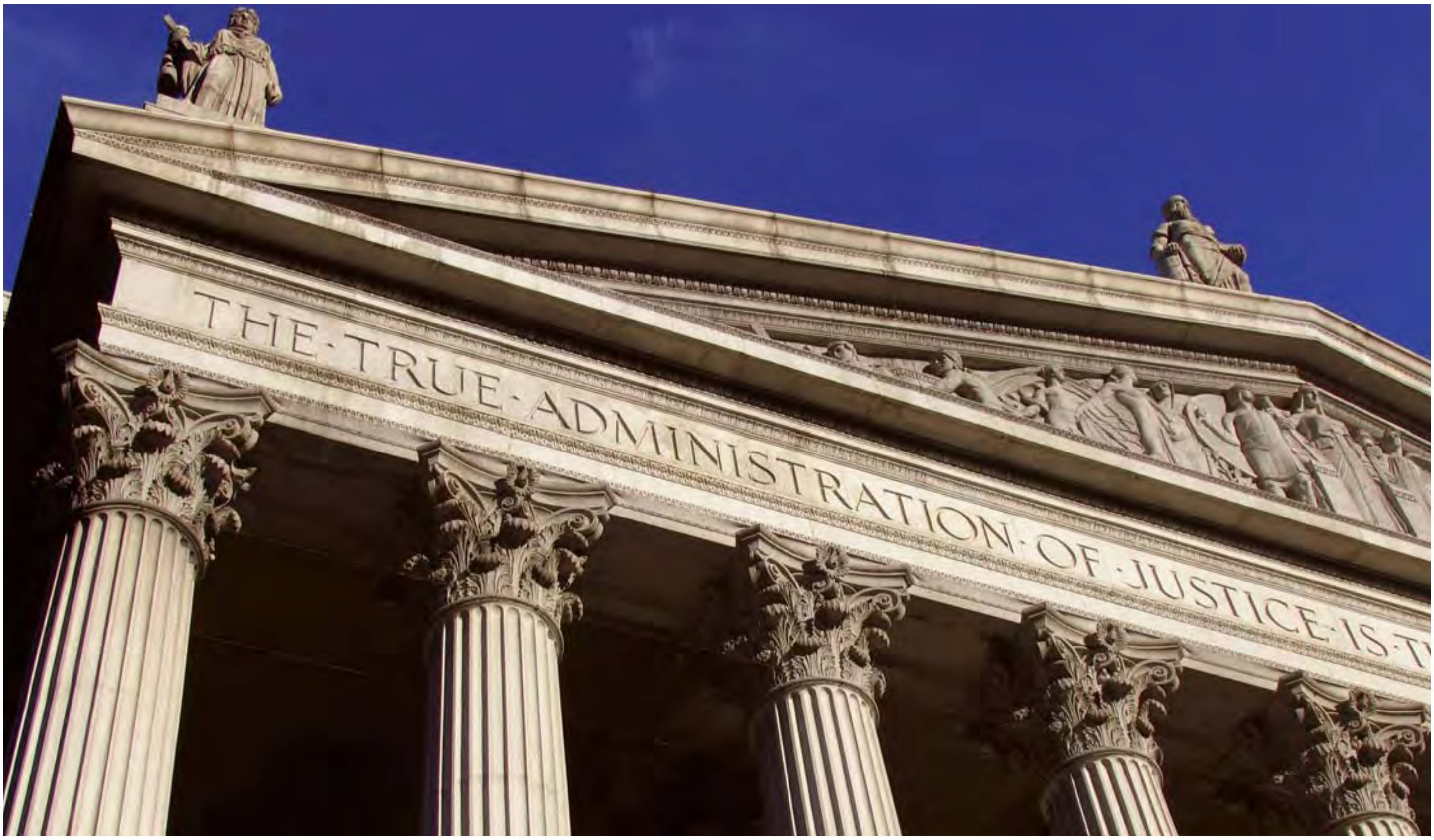

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TTAB developments: *Bose* and beyond

The *Bose* decision deservedly dominated the headlines in 2009, but a number of rulings from the Trademark Trial and Appeal Board also merit close attention

For many trademark practitioners, the highlight of the past year emanated not from the Trademark Trial and Appeal Board (TTAB), but from its primary reviewing court, the US Court of Appeals for the Federal Circuit. In *In re Bose Corporation* (Case 91 USPQ2d 1938), the appellate court discarded the 'knew or should have known' standard for fraud set out by the TTAB in *Medinol v Neuro Vasx Inc* (Case 67 USPQ2d 1205), ruling that "[b]y equating 'should have known' with a subjective intent", the TTAB had "erroneously lowered the fraud standard to a simple negligence standard".

This article adds to the ocean of ink that has been spilled in discussions of *Bose* and its impact, but it also highlights a number of TTAB decision that are worthy of note. Perhaps the most significant TTAB decision was *Honda Motor Co v Friedrich Winkelmann* (Case 90 USPQ2d 1660), in which the TTAB sustained an opposition involving a Section 44(e) applicant on the ground that he lacked a *bona fide* intent to use his mark in commerce. In other cases the TTAB confirmed that US trademark law does not provide for a separate cause of action under Article 6*bis* of the Paris Convention. And it rendered a number of important decisions interpreting the Trademark Rules – including two that concerned submission of pleaded registrations and internet evidence, and several emphasizing the importance that the TTAB places on its new discovery conference and disclosure regime.

Fraud in the post-*Bose* era

The Federal Circuit's decision in *Bose* brought an abrupt end to the reign of *Medinol*, when fraud was a favoured weapon in TTAB *inter partes* proceedings. Under *Medinol*, once a party discovered that the other side had filed its use-based application or maintained its

Left: **The US Supreme Court**

registration for a mark that was not in use for all the listed goods or services, summary judgment for fraud was a near certainty. The attacking party did not have to prove that its adversary intended to deceive the US Patent and Trademark Office (USPTO), but only that the adversary "knew or should have known" that its statement regarding use was false.

Bose swept aside the TTAB's still-developing fraud jurisprudence and left practitioners with a number of unanswered questions about fraud. What will be the new fraud standard? How will it apply to specific factual scenarios? Can fraud be 'cured'? A good starting point for a consideration of those questions is to take a closer look at the *Bose* decision itself.

The TTAB had held that Bose Corporation committed fraud in its 2001 renewal of a registration for the mark WAVE for, among other things, audio tape recorders and players. Bose stated in the renewal declaration that the mark was still in use in commerce on all the identified goods. However, it had in fact stopped manufacturing and selling audio tape recorders and players in 1996-97, but did not delete those goods from the WAVE registration when it filed for renewal. Bose continued to repair the goods and ship them back to the owners, but the TTAB concluded that this activity did not constitute 'use in commerce' under the Trademark Act, and that Bose's statement regarding use was "false" and "not reasonable". Therefore, the TTAB ruled that Bose had committed fraud.

The Federal Circuit disagreed, holding that even though the statement regarding use was legally incorrect, there was insufficient proof that Bose's statement was made with deceptive intent. Reviewing the TTAB's seminal ruling in *Medinol*, the court concluded that the TTAB had applied a much too liberal test for fraud. The Federal Circuit made it clear that proof of intent to deceive the USPTO is required to establish fraud. Because subjective intent may be difficult to prove, the court observed, such intent may be inferred from indirect and circumstantial evidence. But that evidence must be clear and convincing, and must indicate "sufficient culpability to require a finding of intent to deceive".

The Federal Circuit stated that "there is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive". This statement requires further exploration.

What hath *Bose* wrought?

The particular facts in *Bose* fall under the 'honest misunderstanding' umbrella that deflects allegations of fraud. At the time that Bose's general counsel, Mark Sullivan, signed the false statement regarding use of the WAVE mark, neither the USPTO nor any court had interpreted 'use in commerce' to exclude repair and shipping of repaired goods. So Bose had an explanation for the false statement of use. The law was unclear and Sullivan could honestly believe that the WAVE mark was still in 'use' for audio recorders. (The TTAB had questioned whether this belief was "reasonable", but the Federal Circuit stated that reasonableness "is not part of the analysis").

With regard to most fraud claims, however, the 'honest misunderstanding' excuse will probably be unavailable because it will be clear (typically after discovery) that the mark had simply not been used with some of the identified goods or services. In these cases the non-user will likely claim that the false statement regarding use resulted from 'inadvertence' of some sort.

But under what circumstances does 'inadvertence' go too far? Is a complete failure to read the verification excusable? Or a failure to recognize that the subject mark has been used for only half of the goods listed in the application? Or a claimed lack of understanding of basic trademark law? The answers to those questions will tell us a lot about the viability of the fraud defence in TTAB proceedings.

In its fraud analysis in *Bose*, the Federal Circuit relied on various precedents involving inequitable conduct in the patent arena. Joe Dreitler of Bricker & Eckler previously pointed out in *WTR* that trademark fraud and patent inequitable conduct are completely different beasts, and should be treated differently. But the Federal Circuit, relying on patent cases, pointed out that even gross negligence is not enough to establish fraud. However, the Federal Circuit declined to address the question of whether reckless disregard for the truth will suffice to prove fraud. Since it is so difficult to obtain evidence of actual intent to deceive, and since in many cases the accused will claim inadvertent error, 'reckless disregard' seems an appropriate standard to be applied when the claimed inadvertence comes with no reasonable explanation.

The downfall of the *Medinol* standard for fraud has likely made obsolete the TTAB's slowly developing jurisprudence regarding 'curing' a fraud. In an apparent attempt to lessen the sting of its stringent *Medinol* doctrine, the TTAB had thrown a lifeline to trademark applicants and registrants by developing a (rather clunky) set of decisions that allowed one to 'cure' a fraud on the USPTO under certain circumstances. But with the stricter fraud standard mandated by the Federal Circuit in *Bose*, it seems unlikely that this line of 'cure' cases remains viable. After all, why should the TTAB lend a hand to a party that has not merely been grossly negligent, but has at a minimum displayed a reckless disregard for the truth?

The *Bose* wave hits the TTAB

Not long after the Federal Circuit's decision in *Bose*, the TTAB drove its own stake through the heart of *Medinol*, in *Enbridge Inc v Excelerate Energy* (Case 92 USPQ2d 1537), wherein it denied opposer Enbridge's motion for summary judgment on the ground of fraud.

Enbridge claimed that the applicant Excelerate had never used the applied-for mark ENERGY BRIDGE for various services recited in its use-based application. Excelerate admitted that it had never used the mark for one of the listed services – the transmission of oil – but disputed the lack-of-use charge as to other services. Applying the new *Bose* standard, the TTAB denied the motion because there existed genuine issues of material fact regarding whether the applicant "knowingly made this representation of use with the intent to deceive the USPTO".

Excelerate characterized "the statement in its application that it provided 'transmission of oil' as 'an inadvertent, honest mistake'", and maintained that its subsequent amendment of its recitation of services (after the opposition was filed) "corrected its error in good faith". That was enough to create a genuine issue of material fact that precluded the entry of summary judgment.

It seems clear that proving a fraud claim on summary judgment will now be the exception rather that the rule. In *Medinol*, the TTAB entered summary judgment *sua sponte* on the ground of fraud. But in the post-*Bose* era, one will need to uncover the proverbial 'smoking gun' before the TTAB will find fraud on summary judgment.

The TTAB next considered the issue of how to plead a fraud claim in *Asian and Western Classics BV v Lynne Selkow* (Case 92 USPQ2d 1478). Petitioner Asian and Western claimed fraud because Selkow was not using her mark on bracelets, which were included in the registration, when she filed her Section 8 declaration. The TTAB looked at the relevant pleading and found that in light of *Bose*, the fraud claim was insufficiently pleaded.

Rule 9(b) of the Federal Rules of Civil Procedure requires that the elements of fraud be pleaded with particularity. Here, the petitioner's fraud allegations were deemed inadequate because they

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were based solely on information and belief, and failed to meet the particularity requirement of Rule 9(b): "They are unsupported by any statement of facts providing the information upon which petitioner relies or the belief upon which the allegation is founded (ie, known information giving rise to petitioner's stated belief, or a statement regarding evidence that is likely to be discovered that would support a claim of fraud)."

Moreover, citing *Bose*, the TTAB pointed out that "[a] pleading of fraud on the USPTO must also include an allegation of intent". An assertion that the applicant or registrant "knew or should have known" that the statement was false or misleading is not enough "because it implies mere negligence and negligence is not sufficient to infer fraud or dishonesty".

Fortunately, in early 2010 the TTAB issued a precedential decision that provides some guidance as to how to properly plead fraud. In *DaimlerChrysler Corporation v American Motors Corporation* (Case 94 USPQ2d 1086), the TTAB found that the opposer had "sufficiently pleaded a fraud claim, including that respondent had the requisite intent to deceive the USPTO in the procurement of its registration". DaimlerChrysler specifically set forth the misrepresentations of fact and alleged that they were false and material, and were relied upon by the USPTO. A trademark practitioner would be wise to consult this decision when next drafting a fraud claim.

Bona fide intent after *Honda*

The raising of the standard for fraud may be of particular benefit to foreign trademark owners, because it will now be very difficult to prove wilful intent when, as a practical matter, only limited discovery of foreign owners is available. As a result, disproving a claim of inadvertence by a foreign owner will be quite a challenge. But even as the fear of a fraud claim subsides, a newly developing issue may vex the foreign trademark owner: the requirement that non-use based applications include a verification of the applicant's *bona fide* intent to use the mark in commerce.

In *Honda v Winkelmann*, the TTAB ruled on summary judgment that applicant Winkelmann had failed to establish the requisite *bona fide* intent to use his mark in the United States, and so sustained Honda's opposition to Winkelmann's Section 44(e) application (based on a German registration) to register the mark VIC for "vehicles for transportation".

The TTAB pointed out that an applicant seeking registration under Section 44(e) of the Trademark Act must verify that it has a *bona fide* intent to use the mark in commerce (the same is true for applicants under Sections 44(d) and 66(a)). The TTAB applies the "same objective, good faith analysis" that it applies under Section 1(b) for a US applicant (see *Lane v Jackson International Trading Company* (Case, 33 USPQ2d 1351, 1355)). Moreover, the TTAB ruled in *Commodore Electronics v CBM Kabushiki Kaisha* (Case 26 USPQ2d 1503, 1507) that the absence of any documentary evidence regarding an applicant's *bona fide* intent "is sufficient to prove that an applicant lacks such intention" under Section 1(b).

Winkelmann responded by stating that he "has not had activities in the US and has not made or employed a business plan, strategy, arrangements or methods there", and "has not identified channels of trade that will be used in the United States". Both Winkelmann and Honda pointed to Winkelmann's website to show how the mark was used in Europe, but the applicant did not identify "the portions of the record… that demonstrate that he manufactures vehicles in Germany or elsewhere".

The TTAB distinguished this case from *Lane*, which involved a Section 44(d) application based on an Austrian priority filing. There the TTAB found the applicant's evidence of *bona fide* intent to be sufficient: the applicant's principal was engaged in the tobacco marketing business, including the export of tobacco to the United States under a prior mark, and had made attempts to find a US licensee. In contrast, here "there [was] no evidence that applicant is engaged in the manufacture or sale of automobiles under the claimed mark". And so the TTAB granted the motion for summary judgment and sustained the opposition.

One suspects we will see more challenges to an applicant's or registrant's claim of *bona fide* intent. In most foreign jurisdictions, use of the mark is not a requirement for registration, so foreign mark owners often recite long lists of goods and services in their registrations, oblivious to that fact that US law takes seriously the requirement of a *bona fide* intention to use the mark in commerce. These 'laundry list' registrations may be particularly vulnerable to attack and *Honda* provides a roadmap for the challenger.

No famous mark exception to the use requirement

In another decision of interest to foreign trademark owners, the TTAB followed the majority view in the United States that there is no 'famous mark' exception to the territoriality principle of US trademark law. In *Bayer Consumer Care AG v Belmora LLC* (Case 90 USPQ2d 1587), the TTAB granted three-quarters of registrant Belmora's motion for dismissal for failure to state a claim on which relief can be granted. Respondent Belmora owns a registration for the mark FLANAX for "[o]rally ingestible tablets of Naproxen Sodium for use as an analgesic". Bayer uses the same mark

The TTAB has issued a stream of decisions interpreting and applying its 'new' rules, focusing on the requirements for a discovery and settlement conference at the outset of each *inter partes* proceeding, and for voluntary disclosures by the parties – both of which it sees as facilitating resolution of the controversy. And in two recent rulings it has – rather surprisingly – interpreted Rule 2.122 in a way that liberalizes the requirements for proper introduction of certain evidence at the trial stage of a proceeding.

Printouts admissible at trial

Trademark Rule 2.122(d)(1) was amended in 2007 to permit the introduction of a pleaded registration into evidence if the original opposition or petition for cancellation is accompanied by printouts from the Trademark Application and Registration Retrieval system (TARR) showing the status and title of the registration. But what about at the trial stage? Rule 2.122(d)(2) seems to preclude the use of mere TARR printouts as trial evidence. Not so, said the TTAB in *Research In Motion (RIM) v NBOR Corporation* (Case 92 USPQ2d 1926). NBOR objected when RIM submitted its registrations in the form of TARR printouts as part of its notice of reliance. The TTAB, however, concluded that the 2007 amendment of Rule 2.121(d)(1) to allow TARR printouts with the original pleading "can only be taken as an indication that the office meant to liberalize the means for providing a pleaded registration". Therefore, the TTAB decided that this same liberalization should apply at the trial stage, despite the wording of Rule 2.122(d)(2).

Internet documents

In a new interpretation of Rule 2.122(e), the TTAB held that "if a document obtained from the Internet identifies its date of publication or date that it was accessed and printed, and its source, it may be admitted into evidence pursuant to notice of reliance in the same manner as a printed publication in general circulation" (*Safer Inc v OMS Investments Inc* (Case 94 USPQ2d 1031). Rule 2.122(e) states that "[p]rinted publications, such as books and periodicals, available to the general public in libraries or of general circulation among members of the public" may be introduced in evidence by notice of reliance, without the need for authenticating testimony. However, the TTAB acknowledged its duty to "recognize and adapt to changes in technology, particularly the prevalence of the Internet". Thus, *Safer* broadened "the types of documents that may be introduced by notice of reliance to include not only printed publications in general circulation, but also documents such as websites, advertising, business publications, annual reports, studies or reports prepared for or by a party or non-party, if, and only if, they can be obtained through the Internet as publicly available documents".

Of course, a downloaded document is admissible for the limited purpose of demonstrating what the document shows on its face – it is not admissible to prove the truth of the statements contained therein.

Furthermore, the TTAB noted that "the party proffering information obtained through the Internet runs the risk that the website owner may change the information contained therein. However, any relevant or significant change to the information submitted by one party is a matter for rebuttal by the opposing party".

This change to the rules for submitting trial evidence will eliminate the formalistic step of authenticating internet documents by witness testimony, and should save the TTAB and practitioners considerable time and expense.

Discovery and disclosures

One of the cornerstones of the TTAB's 2007 rule changes is the requirement of Rule 2.120 that the parties hold a discovery conference at the outset of each *inter partes* proceeding. The TTAB takes this rather seriously, as seen in its ruling in *Promgirl Inc v JPC Co* (Opposition No 91190017, December 24 2009).

Promgirl filed a motion for sanctions or, alternatively, an order compelling JPC to participate in a Rule 2.120 discovery conference. The parties had exchanged emails regarding settlement, but applicant JPC refused to cooperate when Promgirl sought to hold the required conference.

The TTAB noted that the parties had a mutual obligation to hold the discovery conference. Here, JPC made "no overture of its own to schedule a conference… and failed to cooperate in the scheduling". On the other hand, Promgirl was "not without blame". According to the TTAB, Promgirl should have made an earlier attempt to schedule a conference and followed up earlier with regard to its settlement proposal. Moreover, either party could have requested TTAB participation, under Rule 2.120(a)(2).

Therefore, the TTAB denied Promgirl's request for sanctions and ordered that the parties hold a discovery conference with TTAB participation. (One might argue that if the TTAB really wanted the discovery conference requirement to be taken seriously, it should have issued a stronger sanction against JPC.)

The TTAB likewise has little patience for parties that do not comply with the disclosure rules (the majority of which are effective for proceedings commenced on or after November 1 2007) that require the timely exchange of information regarding the existence and location of witnesses and documents, and the timely identification of trial exhibits and witnesses.

For example, in *Dating DNA LLC v Imagini Holdings* (Oppositions 91185884 and 91191912, February 22 2010), Dating DNA failed to serve its initial disclosures and so, when it served written discovery on applicant Imagini, the latter refused to answer, pointing to Rule 2.120(a)(3): "A party must make its initial disclosures prior to seeking discovery." Because the discovery period had closed, Dating DNA then moved to re-open discovery and sought an order compelling Imagini to answer the discovery.

Dating DNA argued that Imagini should have stated its objection earlier, rather than waiting until after the discovery period had closed. But the TTAB pointed out that Imagini served its objections on the due date and had no obligation to point out Dating DNA's error at an earlier time. It refused to excuse Dating DNA's failure to comply with the initial disclosure rule.

On the other hand, a party that seeks to invoke Rule 2.120(a)(3) as an excuse for not responding to its adversary's discovery must state its objection specifically. In *Amazon Technologies Inc v Jeffrey S Wax* (Case 93 USPQ2d 1702), opposer Amazon refused to respond substantively to applicant Wax's discovery requests because it believed (erroneously) that Wax had failed to serve initial disclosures. Amazon instead stated that it was "exempt from responding, due to applicant's failure to comply with the applicable rules". However, the TTAB noted objections must be made with specificity and, had Amazon been specific, Wax would have had the opportunity to re-serve the disclosures. The TTAB granted Wax's motion to compel Amazon to respond to his discovery demands.

A party that ignores the rules for pre-trial disclosure will also receive unsympathetic treatment. In *Jules Jurgensen/Rhapsody Inc v Peter Baumberger* (Case 91 USPQ2d 1443), petitioner Jules Jurgensen fell foul of Trademark Rule 2.121(e), which requires that a party identify, no later that 15 days before the opening of its testimony period, each witness "from whom it intends to take testimony, or may take testimony if the need arises". Consequently, the TTAB struck the trial testimony of its president. Jurgensen did not provide an explanation as to why it failed to identify the witness, but asserted that the testimony was "critical" to its case. Not good enough, said the TTAB: "Because Mr. Clayman is the type of surprise witness that pretrial disclosure practice is intended to discourage, respondent's motion to strike is granted." The lesson? Pay attention to the Trademark Rules. The TTAB certainly does.

exclusively outside the United States for the same product, but it asserted that "parties" (albeit unauthorized) had purchased its FLANAX goods and imported them into the United States for resale.

Bayer alleged that its mark was well known in the United States prior to Belmora's filing date, and that Belmora had copied Bayer's mark and packaging for the FLANAX product. But the TTAB refused to swallow this famous marks claim, pointing out that the Paris Convention is not self-executing and that "Articles 6bis and 6ter do not afford an independent cause of action for parties in Board proceedings". Nor does Section 44 of the Trademark Act "provide the user of an assertedly famous foreign trademark with an independent basis for cancellation in a Board proceeding".

Bayer's Section 2(d) claim was rejected –because Bayer failed to allege any authorized manufacture or distribution of its FLANAX in the United States prior to Belmora's filing date. Its fraud claim was "untenable" because, in light of its lack of prior use in the United States, it did not sufficiently allege legal rights superior to those of Belmora. As to the unauthorized resellers, a third party's importation and resale of goods does not by itself constitute 'use' by the petitioner – at least, not without some allegation that the third party was licensed or authorized by the petitioner to 'use' the petitioner's alleged mark on its behalf (90 USPQ2d at 1591).

Bayer did manage to scrape through with its claim under Section 14(3) of the Trademark Act by alleging that Belmora misrepresented the source of its goods by copying the FLANAX mark and packaging. Bayer's allegations here were legally sufficient because they "clearly and specifically" stated that the "respondent copied petitioner's mark, including its particular display, and virtually all elements of its packaging" to "misrepresent to consumers, including consumers familiar with petitioner's FLANAX mark" that Belmora's product came from the same source. Bayer's allegation of damage arising from Belmora's use of strikingly similar packaging to misrepresent the source of its goods was enough to provide Bayer with standing to bring its Section 14(3) claim: even though Bayer did not prove use of its mark in the United States, this section of the Trademark Act may still be invoked because "[t]he Lanham Act provides for the protection of consumers as well as the property rights of mark owners".

Therefore, the TTAB tossed out three of Bayer's claims and allowed the Section 14(3) claim to go forward.

Looking ahead, we can expect developments in the fraud area, as the TTAB sets out to reconstruct its dismantled jurisprudence. Challenges to an applicant's or registrant's *bona fide* intent will likely increase, bringing clarity to the parameters of that doctrine. And the interpretation and application of the TTAB's rules will undoubtedly continue to be a focus of attention. What other areas will spark our interest? We will have to wait and see. But one thing is for sure: we won't have *Medinol* to kick around any more. WTR

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