

To: Our Clients and Friends

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Federal Circuit Adopts Standard Of Clear And Convincing Evidence of Subjective Intent to Deceive For Trademark Fraud Claims

Since the U.S. Trademark Trial and Appeal Board's 2003 decision in *Medinol*, claims of fraud have become very powerful tools to support cancellation of third party trademark registrations. *Medinol v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (T.T.A.B. 2003). The Federal Circuit's Aug. 31, 2009 ruling [*In Re Bose Corporation, Case Number 2008-1448*](#), will make it far more difficult for defendants to successfully use fraud claims to cancel a trademark registration.

Bose had used its WAVE trademark in connection with electronics for many years. Based on that use and its registration of the WAVE mark, Bose filed a Notice of Opposition with the Trademark Trial and Appeal Board (the "Board") against an application filed by Hexawave, Inc. for HEXAWAVE. Hexawave counterclaimed for cancellation of Bose's WAVE registration. Hexawave argued, and the Board found, that Bose had committed fraud when it renewed the WAVE registration in 2001. The Board, therefore, cancelled Bose's WAVE mark registration. *Bose Corp. v. Hexawave, Inc.*, 88 USPQ2d 1332, 1338 (T.T.A.B. 2007). Bose appealed. The Federal Circuit reversed and remanded.

In support of its application for the renewal of its WAVE mark in 2001, Bose had filed a declaration signed by its General Counsel stating that Bose was using the WAVE mark on all of the goods listed in the registration, including audio tape recorders and players. Bose, however, had stopped manufacturing and selling WAVE audio tape recorders and players sometime between 1996 and 1997 and, in fact, Bose's General Counsel knew that Bose had discontinued sales of those products when he signed the declaration. Nevertheless, Bose's General Counsel believed that Bose continued to use the WAVE mark by providing repair services on such products and then shipping the repaired products to its customers.

The Board concluded that the repair and shipment of the repaired goods did not constitute the type of use necessary to maintain a registration. The Board further found the General Counsel's belief to be unreasonable and that the erroneous use statement in the renewal declaration was material. As a result, the Board ruled that Bose had committed fraud and ordered the cancellation of Bose's WAVE registration in its entirety. In reaching its decision, the Board relied upon *Medinol v. Neuro Vasx, Inc.* in which the Board had held that "[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." *Medinol*, 67 USPQ2d at 1209. (emphasis added).

In reversing the Board, the Federal Circuit observed that, by equating "should have known" with subjective intent, the Board erroneously lowered the fraud standard to a simple negligence standard. "Thus, we hold that a trademark 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*, Case Number 2008-1448 at page 7 (emphasis added) The Federal Circuit expressly declined to decide whether "reckless disregard" for the truth or falsity of a statement would also suffice.

Applying this subjective "intent to deceive" standard, the Federal Circuit held that Bose did not commit fraud in renewing its WAVE mark. "There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive." *Id.* at page 10. The General Counsel had testified under oath that he believed the statement was true at the time he signed the renewal application. "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 fraud." The Federal Circuit did agree with the Board, however, that because the WAVE mark was no longer in use on audio tape recorders and players, the registration should be restricted to reflect commercial reality. The Federal Circuit thus remanded the case to the Board for appropriate proceedings.

In overturning the Board's "knew or should have known" standard for finding fraud and requiring a subjective "intent to deceive" standard, the Federal Circuit has brought the doctrine of fraud in the trademark context into conformity with patent case law. It has thereby rendered an attack on a trademark registration far more difficult.

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