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# Bose (Medinol Standard of Fraud in Trademark Cases Reversed)

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### Insight — 2009

Owners of U.S. trademark registrations can breathe a sigh of relief. The specter of losing valuable trademark registrations as a result of inaccurate statements to the U.S. Patent and Trademark Office ("PTO") just became more remote. The U.S. Court of Appeals for the Federal Circuit has now clarified that trademark registrations should not be invalidated for fraud when an applicant or registrant erroneously claims use of a mark on certain goods as a result of an honest mistake. *In re Bose Corporation*, No. 08-1448 (Fed. Cir. 2009)

Under the previous standard, an erroneous claim of use of a mark on certain goods could invalidate a registration if the trademark owner "knew or should have known" that it was not using the mark on those goods. *Medinol v. Neuro Vasx, Inc.* 67 USPQ2d 1205 (TTAB 2003). This risk of invalidity caused particular concern for owners of registrations that contained multiple classes and/or long and detailed lists of goods or services.

Fearful of losing longstanding registrations and rightfully concerned about applications with long lists of goods and services, many trademark owners and their counsel submitted new applications to replace suspect registrations or amended their registrations to delete goods or services no longer in use. Many applicants avoided filing multiple class applications, despite the costs savings, out of concern that one oversight in a long list of goods and services could fatally wound an entire registration. In addition, upon infringement of their rights by third parties, trademark owners had to consider whether enforcing their registered rights would provoke a retaliatory cancellation action based on a *Medinol* fraud theory.

With a recent series of clarifying decisions from the Trademark Trial and Appeal Board ("the Board"), capped by the Federal Circuit's decision in *In re Bose Corporation*, No. 08-1448 (Fed. Cir. 2009), much of that has changed. The Board and federal courts should now invalidate a registration for fraud only when there is clear and convincing evidence of a *subjective* intent to deceive. Under the new standard, innocent mistakes by trademark owners should no longer be considered fraudulent. And even where there is a finding of fraud as to one class of a multiple class registration, the remaining classes are not "infected" and remain validly registered. *G&W Laboratories, Inc. v. G W Pharma Limited*, 89 USPQ2d 1571 (TTAB 2009).

### Executive Summary & Recommendations

Although these decisions are good news for trademark owners, it is still important to ensure the accuracy of declarations and other statements to the PTO. As the Federal Circuit observed in *Bose*, "because direct evidence of deceptive intent is rarely available, such intent can be inferred from indirect and circumstantial evidence." *Id.* Accordingly, reckless disregard for the facts or blatant misrepresentations about the goods with which a mark is used could still rise to the level of fraud, although the damage should now be limited to the specific class where the fraud occurred.

With this new legal framework in mind, our clients and colleagues around the world may want to consider the following strategies for avoiding defects in their registrations and applications:

- Review existing registrations carefully to identify potential defects caused by inclusion of goods or services not actually offered under the registered mark.
- Amend registrations to delete goods or services that have never been offered under the mark or were not offered at the time of the filing of the last Declaration of Use.
- Carefully scrutinize goods descriptions when filing Statements of Use or Declarations of Use under Section 8 (either at the 6th year or 10th, 20th, etc. years after registration), and amend registrations at the time of renewal to delete the unused goods or services; and
- Reconsider application filing strategies. The risks inherent in filing multiple class applications have been greatly reduced, so the cost savings associated with filing multiple-class applications may, now, be worthwhile.

### **Legal Brief – *In re Bose Corporation***

Bose initiated an opposition against an application to register the mark HEXAWAVE based on Bose's prior registered mark WAVE. In its counterclaims, the owner of the HEXAWAVE mark sought to cancel the WAVE registration on the ground that Bose committed fraud at the time of renewal when it claimed use on all goods in the registration, knowing that it had stopped manufacturing and selling certain items in the description of goods. Specifically, Bose claimed that the WAVE mark was still in use in commerce for audio tape recorders and players in 2001 despite the fact that Bose stopped manufacturing and selling these products between 1996 and 1997.

Counsel for Bose subsequently testified that Bose was still repairing and returning tape recorders and players to consumers when the renewal declaration was filed in 2001, and that he believed such activity constituted trademark use. The Board concluded that: 1) the mere repair and shipment of products did not constitute trademark use; and 2) counsel's belief that transporting repaired goods constituted trademark use was not reasonable. The Board found that Bose had committed fraud at the time of renewal and cancelled Bose's entire registration for the WAVE mark.

On appeal, the Federal Circuit held 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." The court expressly rejected the *Medinol* rule that "[a] trademark applicant commits fraud in procuring a registration when it makes a material misrepresentation of fact in its declaration which it knows or *should know* to be false of misleading." According to the Federal Circuit, "[b]y equating 'should have known of the falsity' with a subjective intent, the Board erroneously lowered the fraud standard to a simple negligence standard." *Id.* Furthermore, "[t]he principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark cases.

Please do not hesitate to contact Holland & Hart if you have any questions regarding this important decision.

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