

CAFC Overrules Medinol Fraud Standard

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On Monday, the U.S. Court of Appeals for the Federal Circuit overruled a six year-old case setting forth the standard for finding fraud in trademark registrations. In *re Bose Corp.*, No. 2008-1448, slip op. (Fed. Cir. Aug. 31, 2009).

In *Medinol Ltd. v. Neuro Vaxx Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003), the Trademark Trial and Appeal Board (the "Board") held that "[a] trademark applicant commits fraud in procuring a registration when it makes material representations of fact ... which it knows or *should know* to be false or misleading." (emphasis added.) In overruling this decision, the Court rejected the wording "should know," since this language permitted findings of fraud in cases of mere negligence, as opposed to cases involving willful intent to deceive. As the Court stated:

"[T]HE STANDARD FOR FINDING INTENT TO DECEIVE IS STRICTER THAN THE STANDARD FOR NEGLIGENCE OR GROSS NEGLIGENCE ... AFTER ALL, AN ALLEGATION OF FRAUD IN A TRADEMARK CASE, AS IN ANY OTHER CASE, SHOULD NOT BE TAKEN LIGHTLY. ... 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 the *Bose* case, Bose filed for renewal of its registered WAVE mark in 2001, claiming use of the mark on goods that included audio tape recorders and players. In fact, Bose had not sold tape recorders and players since 1997. Bose did repair previously-sold recorders and players, and shipped them back to customers. Bose's general counsel, who signed the renewals, testified that he believed these shipments for repair purposes constituted trademark use. There was no case law at the time supporting this belief, and subsequent case law held to the contrary. The Board found that the renewal constituted fraud because it was not "reasonable" for Bose to believe that transportation for mere repair constituted use. The Board concluded that the renewal was fraudulent, and canceled the registration in its entirety for all goods.

Reversing this decision, the Court agreed that the general counsel's statement of use was both false and material, but held that a false material misrepresentation cannot constitute fraud if it "is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive." The Court continued, "[u]nless 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." Since no such evidence existed, the Court rejected the Board's finding of fraud and held that Bose's WAVE registration should not have been canceled. However, since Bose no longer sold "audio tape recorders and players," the Court held that those goods should be deleted from the registration.

While it remains to be seen how this decision will affect Board jurisprudence and trademark prosecution generally, the changes to the fraud standard are immediate and apparent. Fraud now requires a false, material representation **with the intent to deceive**, and must be proven by clear and convincing evidence. This suggests that, while applicants must still exercise caution in signing affidavits, they can take some comfort in the fact that an honest or inadvertent mistake will not result in cancellation of an entire registration.

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