

Renewals

Trademark renewal risks: lessons on declarations of continued use and fraud claims

As *In Re Bose Corp* and its progeny have illustrated, trademark owners cannot assume that a registration should or will be renewed in its original form and scope as a matter of course

Rights holders might assume that the trademark renewal process will be simple and automatic. However, *In Re Bose Corp* and its progeny demonstrate that the path to renewal can be fraught with unexpected intricacies and risks. This article highlights principles to help rights holders navigate the potential pitfalls of the renewal process and offers insights about Bose's difficulties with keeping its trademark registrations and technology current.

Background

One basic tenet of trademark law is that the benefits of a federal registration generally extend only to the specific goods or services that are both identified in the registration and sold in commerce under the registered mark. When a rights holder stops using a mark in connection with the particular goods or services identified in the registration, that registration may be subject to cancellation for non-use. Another fundamental tenet is that a rights holder's representations to the US Patent and Trademark Office (USPTO) must be truthful (ie, false statements made in connection with an application or registration may jeopardise the validity of the registration and could subject the rights holder owner to other penalties). These principles converge in interesting and perhaps unanticipated ways when a federal registration is due to be renewed. Consider the following scenario.

Company A owns a federal registration for the mark 1234 for use in connection with goods and services W, X, Y and Z. At the time of registration, Company A had used the mark in connection with each of those goods and services, and had submitted proper specimens establishing such use. Five years later and the time has come for Company A to renew the registration and submit a declaration of continued use. During this five-year interim, Company A had continuously used the 1234 mark in connection with W, X and Z. However, it had stopped selling product Y under the mark. Nevertheless, Company A's representative submits a declaration to the USPTO stating that Company A has continued using the 1234 mark with all of the goods and services in the original registration.

AUTHORS

PERRY J
VISCOUNTY,
JENNIFER L
BARRY, DAVID
D TROUTMAN
AND PATRICK C
JUSTMAN

Did Company A just commit fraud on the USPTO by failing to carve out product Y from the declaration? What are the potential consequences? If a cancellation proceeding is initiated, is the entire 1234 registration at risk? Or would the result simply be to strike product Y from the registration (ie, the registration would still be active and enforceable with respect to products W, X and Z)? These are important questions that rights holders should consider when their registrations come up for renewal, particularly when the registration claims a wide range of goods and services.

Representations for renewal

Between five and six years after a trademark registration issues (and at every 10-year mark thereafter), a rights holder must file a declaration confirming continued use of the mark with the listed goods and services. The declarant represents to the USPTO that to "the best of [his or her] knowledge, information, and belief, formed after an inquiry reasonable under the circumstances, the allegations and other factual contentions made above [(ie, that the mark is still used with all goods)] have evidentiary support". The declaration is made under penalty of perjury and the declarant is "warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 USC §1001, and that such willful false statements and the like may jeopardize the validity of this submission" (37 Code of Federal Regulations §2.20). While the USPTO itself will not conduct independent research to confirm the truthfulness of the use declaration, the declaration's veracity may be attacked in subsequent third-party initiated cancellation proceedings before the USPTO or in litigation.

In some instances, it will be glaringly obvious to a rights holder whether continued use of a registered mark with specific goods or services has occurred. However, in other instances, the answer may be considerably less clear. For example, take a rights holder who receives a registration covering – among other products – audio tape recorders and players. It stops manufacturing and selling audio tape recorders and players subsequent to the issuance of the registration and yet continues to repair and service audio tape recorders and players.

When the time comes for it to submit a declaration of continued use, should that declaration include audio tape recorders and players? If not, and the declarant includes those products anyway, what are the consequences? Is the entire registration subject to cancellation or just the portion relating to those specific products? These are the very questions that the Federal Circuit analysed in *In re Bose Corp* (580 F 3d 1240, 1245 (Fed Cir 2009)).

Bose decision

At issue in this case was Bose's WAVE mark, which was registered in connection with a wide array of audio products, including the above-mentioned audio tape recorders and players. When the WAVE registration was up for renewal, Bose's general counsel signed an affidavit of continued use relating to the goods covered by the registration, despite the fact that Bose no longer manufactured or sold audio tape recorders or players.

When Bose opposed a competitor's application for the HEXAWAVE trademark, Hexawave responded with a counterclaim, asserting that the WAVE registration should be cancelled because Bose committed fraud on the USPTO by falsely declaring that it was continuing to use the WAVE mark with audio tape recorders and players. The Trademark Trial and Appeal Board (TTAB) agreed with Hexawave, finding that Bose had acted fraudulently towards the USPTO and cancelling the WAVE registration in its entirety (ie, even with respect to products that Bose was undisputedly selling in commerce under the WAVE mark).

The Federal Circuit reversed, finding that the TTAB had applied the wrong standard. The TTAB had relied on *Medinol v Neuro Vasx, Inc* (67 USPQ 2d 1205 (TTAB 2003)) to hold 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" (emphasis added). However, the *Bose* court clarified that even though the Bose declarant made a "material misrepresentation" to the USPTO, he did so as the result of "an honest misunderstanding or inadvertence without a willful intent to deceive" (*Bose*, 580 F 3d at 1245). The declarant had testified that at the time he signed the declaration he believed that repairing audio tape players and recorders constituted sufficient use in commerce for the registration to be renewed. Hexawave failed to present countervailing evidence that satisfied the "clear and convincing evidence standard required to establish a fraud claim".

Thus, the Federal Circuit found that Bose did not use the WAVE mark in commerce in connection with audio tape players and recorders but did not commit fraud on the USPTO by representing to the contrary. As a result, the court remanded the case to the TTAB with an admonition that "the registration needs to be restricted to reflect commercial reality". In other words, the TTAB should excise the specific goods-at-issue from the

registration but allow the registration to survive for the other categories of goods claimed.

Practical implications of Bose

One important lesson from *Bose* is that a misstatement regarding continued use – whether fraudulent or a more innocent misstatement – can dramatically affect the validity of a registration. If fraud occurs, the entire registration is subject to cancellation – even as it applies to goods or services that were not implicated by the fraudulent statement of use (see *Bose*, 580 F 3d at 1246-47; see also *Meckatzer Löwenbräu Benedikt Weiß KG v White Gold, LLC*, 95 USPQ 2d 1185 (TTAB 2010), "*In re Bose* did not change the consequences of fraud, when it is proved. A finding of fraud with respect to a particular class of goods or services renders any resulting registration void as to that class"). If no fraud occurred but the declaration of use was incorrect with respect to specific goods or services, then rights holders are generally allowed to amend the registration to simply remove the specific goods or services (see *Bose*, 580 F 3d at 1246-47; see also *Grand Canyon West Ranch LLC v Hualapai Tribe*, 78 USPQ 2d 1696 (TTAB 2006)).

Given the dramatic implications of a finding of fraud, rights holders facing close calls at renewal time should consider *Bose* and its progeny. In particular, *Bose* imposes a high burden for the party seeking cancellation based on fraud (ie, the challenging party must prove by clear and convincing evidence that a declaration of use was submitted with a wilful intent to deceive the USPTO). While *Bose* certainly made fraud more difficult to prove, it did not entirely remove the risk of a complete cancellation (eg, see *Nationstar Mortgage LLC v Ahmad*, 2014 WL 6480655 (TTAB 2014), finding that an experienced real estate agent committed fraud on the USPTO by declaring the mark was used in connection with various real estate brokerage services, notwithstanding the fact that the agent did not have a brokerage licence).

Thus, when the time for renewal approaches, rights holders should not assume that a registration can or will be renewed in its original form and scope as a matter of course. Rather, they should carefully evaluate the claimed goods and services in light of the current "commercial realities" of their respective businesses and ensure that the statements contained in the declarations of use submitted to the USPTO are true and accurate. If questions or ambiguities as to truth or accuracy of any statements arise, rights holders should consult experienced trademark counsel and consider the lessons to be taken from *Bose*. **WTR**



Perry J. Viscounty and Jennifer L. Barry are partners, David D. Troutman is counsel and Patrick C. Justman is an associate at Latham & Watkins LLP
perry.viscounty@lw.com
jennifer.barry@lw.com
david.troutman@lw.com
patrick.justman@lw.com