



# PATENT, TRADEMARK & COPYRIGHT



## JOURNAL

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### Trademarks

#### **Intervention Granted to PTO to Defend Its *Medinol* Trademark Fraud Standard**

**T**he Patent and Trademark Office will get the chance to defend its standard for determinations of trademark fraud, as the U.S. Court of Appeals for the Federal Circuit granted Dec. 16 the PTO's motion to participate in a case after the appellee chose not to enter an appearance (*In re Bose Corp.*, Fed. Cir., No. 08-1448, caption revised 12/16/08).

The case centers on Bose Corp.'s perceived lack of diligence in renewing its registered marks when one product line, among many products covered by the marks, had been abandoned. The dispute has attracted the attention of the American Intellectual Property Law Association, which submitted an amicus brief contesting the PTO's fraud standard.

**Misunderstanding 'Use in Commerce' No Excuse.** Bose registered the marks "Acoustic Wave" and "Wave" for various products including audio tape recorders and players. Bose renewed the marks in 2001 for the same list of products, although it had not sold audio tape recorders and players since 1997.

Hexawave Inc. filed an application to register the mark "Hexawave," and Bose opposed the registration. Hexawave made a counterclaim of fraud against Bose, alleging that Bose filed its renewal "claiming use on audio tape recorders and players when it knew it no longer manufactured or sold those goods."

Bose claimed, though, that it was justified in continued use of the marks on those goods based on repair services that it was still providing at the time of the renewal. Bose's general counsel, who signed the renewal, claimed that it was "his understanding that 'transporting' good in connection with repair services constitutes use in connection with goods."

Citing a contrary Ninth Circuit holding in *Karl Storz Endoscopy-America v. Surgical Technologies Inc.*, 285

F.3d 848, 62 USPQ2d 1273 (9th Cir. 2002) (74 PTD, 04/17/02), that "mere repair" of a product and return to its owner does not constitute "use in commerce," Administrative Trademark Judge Karen Kuhlke of the Trademark Trial and Appeal Board said "the only question is whether it was reasonable for [Bose] to believe that it did."

Kuhlke answered that question in the negative, pointing to Bose's inability to identify relevant case law for its interpretation, the general counsel's lack of inquiry within Bose as to the continued use of the marks on the goods, and his failure to investigate whether the interpretation was warranted.

She therefore found that Bose had committed fraud in its renewal, and she cancelled the mark in its entirety for all product lines, "inasmuch as fraud cannot be cured by the deletion of goods from the registration," citing *Medinol Ltd. v. Neuro Vasx Inc.*, 67 USPQ2d 1205 (T.T.A.B. 2003).

Bose appealed to the Federal Circuit June 6. Since in another part of the opinion Kuhlke found in favor of Bose's opposition to the Hexawave mark, a counter appeal from Hexawave was conceivable.

**Hexawave Withdraws; PTO Enters.** When Hexawave chose not to contest the lower court's decision, the PTO determined to participate in the appeal. The PTO filed a motion to that effect Nov. 19, asking also that the caption be revised "to reflect the ex parte nature of the appeal."

Because its motion to intervene was filed more than 30 days after the appeal was filed—a procedural limit provided by Fed. R. Civ. P. 15 and the practice notes to Federal Circuit Rule 15—much of the PTO's motion was dedicated to justifying its filing delay.

Substantively, the PTO argued:

The Director's interest in the case is clear: without participation by the Director, the Board's decision on issues significantly affecting proceedings before the Office will go undefended. The Director has an interest in defending determinations of the TTAB con-

cerning fraud on the USPTO and what activities meet the statutory definition of “use in commerce” for maintaining a trademark registration.

The Federal Circuit granted the motion, changed the caption, and gave the PTO until Jan. 26 to file its brief.

**AIPLA Seeks to Overturn *Medinol* Standard.** The issue has been explored by the AIPLA at least since its 2007 annual conference, when one session panel was devoted to the PTO’s “*Medinol* Fraud” standard that Bose was found to violate (210 PTD, 10/31/07).

According to the AIPLA brief, the standard is currently the subject of three resolutions of its board of directors “stating that mistakes made without intent to deceive or not having a material effect on the scope of the registration do not amount to fraud.”

The brief, authored by Susan J. Hightower of Pirkey Barber, Austin, Texas, contends that the *Medinol* fraud standard is inconsistent with three elements of common-law fraud:

■ *Intentional deception or reckless conduct.* The brief states: “With its decision in this proceeding and the *Medinol* line of cases leading up to it, the Board has . . . adopted a standard that allows fraud to be inferred on strict liability or, at most, mere negligence. . . . The critical element of deceptive intent was replaced with a finding on Bose’s knowledge, which was determined using the ‘knew or should have known standard’ from *Medinol* and by analyzing whether Bose’s basis for claiming use was ‘reasonable.’”

■ *Misrepresentation of a material fact.* The brief argues that the TTAB infers materiality from the simple fact that “registration would not have issued in that

form without the erroneous statement. . . . Under this reasoning, any inclusion of a good or service not in use—no matter how minor or insignificant to the registration’s overall scope of coverage—is automatically deemed material.”

■ *Injury to the deceived party.* At the 2007 AIPLA conference, one commentator noted an “injury” to the PTO—the expectation of over-registration of products if the only penalty for claiming use of abandoned products is the excision of those products from the list. The amicus brief calls injury to the PTO “an abstract matter” not articulated in the TTAB’s reasoning, and says “the focus of the injury element should be the effect on the public.” In cases like *Bose*, the brief says, “the public may not suffer any real injury when a registration properly covering various goods inadvertently includes another highly related product on which the registrant was not using the mark at the time.”

“AIPLA urges the Court to adopt a fair and uniform approach that will appropriately sanction truly fraudulent acts without stripping trademark owners of their rights due to innocent mistakes,” the brief argues.

Raymond T. Chen, acting solicitor, submitted the PTO’s motion. Charles Hieken of Fish & Richardson, Boston, is principal attorney for Bose in this case.

BY TONY DUTRA

*Text of the TTAB decision at <http://pub.bna.com/ptcj/BoseTTAB07Nov6.pdf>*

*Text of the PTO’s motion at <http://pub.bna.com/ptcj/081448Nov19.pdf>*

*The AIPLA’s amicus brief at <http://pub.bna.com/ptcj/BoseAmicusAIPLA.pdf>*