What Return Of Fraud On USPTO Means For TM Practitioners

By **Laura Winston** (November 23, 2021)

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Findings of fraud on the U.S. Patent and Trademark Office in trademark cases are not very common. When the Trademark Trial and Appeal Board cancels a trademark registration for fraud, you know it means business.

Such was the case in the TTAB's Sept. 30 precedential decision in the consolidated cases of Chutter Inc. v. Great Management Group LLC and Chutter Inc. v. Great Concepts LLC.[1]

U.S. trademark law provides that a trademark registration may be canceled if it was obtained fraudulently. A registration may also be canceled if the registrant commits fraud in post-registration filings, including a Lanham Act Section 15 declaration of incontestability.

Often filed in combination with the Section 8 declaration of use due in the sixth year of a registration, the Section 15 declaration of incontestability may be filed if the registrant has been using a registered mark continuously for the previous five years. However, certain other conditions must also be met, including that there are no pending proceedings, such as a lawsuit in federal court or a cancellation action before the TTAB.

This was the issue in Chutter. In 2010, when Great Concepts was submitting a combined Section 8 and 15 declaration for its trademark "Dantanna's," the attorney for Great Concepts signed the declaration. He was aware that there were pending proceedings involving the trademark registration, but, he later admitted, he did not read the declaration before signing it, and he was not familiar with the requirements of the Section 15 declaration.

Years later, Chutter filed a cancellation action against the registration, claiming that the Section 15 declaration was fraudulently filed because of the incorrect statement that there were no pending proceedings against the registration.

In its decision, the TTAB noted that fraud requires an intent to deceive; false statements made with a reasonable and honest belief that they are true do not result in a finding of fraud. The TTAB went on to find that the attorney who signed the declaration acted with reckless disregard, and it held that this reckless disregard rose to the level of intent to deceive needed to find fraud.

Moreover, although trademark law allows for the opportunity in certain circumstances to correct misstatements once they are discovered, the attorney who signed the declaration did not take any corrective steps once he discovered that he had made false statements in the declaration. The board stated:

By failing to ascertain and understand the import of the document he was signing, far from conscientiously fulfilling his duties as counsel, [the attorney] acted in reckless disregard for the truth; nor did he take any action to remedy the error once it was brought to his attention.

Stating that the attorney's reckless disregard was "the legal equivalent of finding that Defendant Great Concepts had specific intent to deceive the USPTO", the TTAB granted the petition to cancel the "Dantanna's" registration.

The Chutter decision hearkens back to the TTAB's 2003 decision in Medinol Inc. v. Neuro Vasx Inc.,[2] holding that fraud occurs when material representations of fact are made in obtaining or maintaining a registration that an applicant or registrant knows or should know to be false or misleading.

In Medinol, the president/CEO of the registrant had signed a statement of use saying that the mark was in use for both goods in the application when it was only in use for one. Despite the claim that this was an oversight, and an after-the-fact attempt to amend the registration to delete the good not in use, the TTAB canceled the entire registration on fraud grounds.

In the 2009 In re: Bose Corp. decision, the U.S. Court of Appeals for the Federal Circuit overruled Medinol, holding that the "should have known" standard inappropriately reduced fraud to a simple negligence standard.[3]

So what makes Chutter different from Medinol? And why does this decision matter to trademark owners and practitioners? In Bose, the Federal Circuit left open the question of whether reckless disregard for the truth could rise to the level of fraud, and here the TTAB has now held that it can.

In my opinion, the TTAB was likely influenced by the fact that it was the registrant's attorney, not the registrant itself, who signed the declaration. The TTAB held the attorney to a higher standard because, if an attorney is acting for a client, the attorney should understand the law and should read and understand any document that is going to affect the client's rights.

The standard language in declarations required to support trademark applications and post-registration filings warns the signatory that "willful false statements and the like are punishable by fine or imprisonment, or both, under [Title 18 of the U.S. Code, Section 1001], and that such willful false statements and the like may jeopardize the validity of this submission and the registration."

The trademark laws and rules of practice permit attorneys to sign declarations on behalf of clients, but the safest course of action for an attorney is to have the client sign the declaration and to be sure to counsel the client on what is required and ask questions where the evidence warrants. If an attorney does choose to sign a declaration that is going to bind a client, it should go without saying the attorney has a duty to ensure that the information is true and correct.

Although ever since Bose there has generally been a high bar to a finding of fraud leading to the cancellation of a trademark registration, the Chutter case shows that the TTAB will not take an attorney's disregard lightly. And an attorney's lack of attention to reviewing and understanding the statements being made in trademark declarations can constitute willful blindness that rises to the level of reckless disregard. Cancellation of a client's trademark registration could be the result.

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[1] 2021 USPQ2d 1001 (TTAB 2021).

[2] 67 USPQ2d 1205 (TTAB 2003).

[3] 580 F.3d 1240 (Fed. Cir. 2009).