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And You Thought Your Federally Registered Mark Was Safe . . .

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Several months ago, the Trademark Trial and Appeal Board (TTAB) in *J.E.M. Int'l, Inc. v. Happy Rompers Creation Corp.,*[1] once again cancelled a registration in which the trademark owner declared under oath that it was using the mark for all of the goods identified in its registration when, in fact, it was only using the mark for some of the goods identified in its registration.

The Happy Rompers registration at issue in *J.E.M.* covered 150 clothing items. Happy Rompers' statement of use claimed that it used its mark for all of the goods listed in the application. However, Happy Rompers was not using and had never used its mark in connection with about 100 of the 150 identified items. Based upon the lack of use, the TTAB granted summary judgment to entirely cancel the registration and, in the process, refused rehabilitation of the registration by amendment. This holding followed and affirmed the TTAB's seminal decision in *Medinol Ltd. v. Neuro Vasx, Inc.*[2]

Not surprisingly, as recently as March 11, 2005, the TTAB yet again affirmed the *Medinol* decision in *Physicians Formula Cosmetics, Inc. v. Cosmed, Inc.,*[3] In *Physicians Formula,* the TTAB cancelled a registration for filing a statement of use in which respondent affirmed that it had used the mark on all of the listed goods. In fact, it had never used the mark in connection with several products listed in the registration. Even though *J.E.M.* and *Physicians Formula* decisions are marked as non-citable TTAB precedent, the significance of these decisions must be recognized by trademark practitioners and, especially, trademark owners.

A Cautionary Tale

Medinol and its progeny serve as a cautionary tale with respect to the maintenance and procurement of a trademark registration. Up until 2003, some trademark owners confidently relied on the validity of their US trademark registration knowing that use of at least one of the enumerated list of goods/services in a given international trademark class perpetuated the existence of their right to exclude others from using possibly confusing marks for the entire list of goods/services in the registration. However, on May 13, 2003, the TTAB issued its decision in *Medinol.* From that day forward, trademark owners had reason to question this reliance because failure to use *one item* in the list of goods/services at a time when representations were made to the US Patent and Trademark Office (USPTO) in relation to the entire list was held to constitute a fraud on the USPTO sufficient to invalidate the registration *ab initio* and in its entirety. In other words, if even one item in a substantial list was not actually used, then the entire registration was subject to cancellation.

The tale begins with the history of the *Medinol* case. On August 15, 2000, Registration No. 2,377,883 issued to Neuro Vasx, Inc., (NVI) for the mark NEUROVASX in international class 10 for "medical devices, namely, neurological stents and catheters." While the application was initially filed as an intent-to-use application under 15 U.S.C. § 1051(1)(b), NVI filed a statement of use on January 7, 2000, indicating that it was using the mark in commerce on or in connection with the goods/services identified in the notice of allowance, specifically, "medical devices, namely, neurological stents and catheters."

Neuro Vasx filed a petition for cancellation against Registration No. 2,377,883 alleging that, at the time NVI submitted its statement of use to the USPTO, NVI had not used the mark on or in connection with stents and still had not used the mark for stents up until the date of the petition for cancellation. NVI admitted that it had never used the mark in connection with stents and requested, pursuant to 15 U.S.C. § 1068, to partially cancel its registration by deleting the word "stent" from the list of goods upon which the mark is used. NVI also submitted a motion to amend its registration to delete the word "stents" from the list of goods.

The *Medinol* Ruling

Despite these remedial measures, the TTAB held:

> There is no question that the statement of use would not have been accepted nor would registration would have issued but for respondent's [NVI] misrepresentation, since the USPTO will not issue a registration covering goods upon which the mark has not been used. *See* Trademark Rule 2.88(c); TMEP § 1109.03.[4]

Under a standard of inquiry relating to the "objective manifestations" of an intent to defraud instead of "registrant's subjective intent," the TTAB held that "respondent knew or should have known at the time it submitted its statement of use that the mark was not in use on all of the goods"[5] and, therefore, "respondent's material misrepresentations made in connection with its statement of use were fraudulent."[6]

While not ruling directly on the question of whether or not a corrective amendment filed by the registrant to cancel the non-used goods/services before an entity seeking to cancel the mark files a petition for cancellation can cure the alleged fraud, the TTAB has foreshadowed a possible response. In *Medinol*, the TTAB stated that "deletion of the goods upon which the mark has not yet been used does not remedy an alleged fraud upon the Office."[7] The issue is whether or not a "respondent committed fraud upon the Office in the procurement of its registration."[8] If fraud can be shown in the procurement of a registration, the entire resulting registration is void.

Canceling an Incontestable Registration

The *Medinol* decision was not the first time that fraud in the procurement of a trademark registration was addressed by a judicial authority. The roots of this issue trace back to at least 1990, when the US District Court for the Southern District of Florida, in *General Car Truck Leasing Systems, Inc. v. General Rent-a-Car, Inc.*, cancelled an incontestable registration in its entirety for failing to use the mark in two of the eight enumerated types of leasing services.[9]

The circumstances in General Car are similar to *Medinol* except the issue was addressed by a US District Court after the TTAB had already ordered the cancellation of the mark GENERAL. Specifically, the application for registration of the mark contained a sworn statement that the registrant had used the mark "prior to and at the time of the application and continued to used the mark in connection with the leasing of automobiles, trucks, tractors, trailers, *aircraft*, and *boats* and agricultural, industrial and commercial equipment and machinery."[10] There was no question that the President of General Car "knew that at the time the July 20, 1977, application was filed . . . [General Car] had never leased aircraft or boats."[11] The §§ 8 and 15 affidavits[12] filed by General Car declaring that the mark was still valid and in use in commerce stated that the mark had be in continuous use on *all* services stated in the registration. This statement was made despite the Vice-President's knowledge that the registrant had never leased either aircrafts or boats at any time. The district court held that "proof of specific intent to commit fraud is not required, rather, fraud occurs when an applicant or registrant makes a false material representation that the applicant or registrant knew or should have known was false."[13] Further, such fraud in securing and maintaining the registration of the federal trademark constituted a ground for the cancellation within 15 U.S.C. § 1064, and:

> [a] contrary ruling would in effect sanction open and notorious fraud by those filing false affidavits under Sections 8 . . . and 15 of the Statute and thereby serve to contravene and place in doubt the presumptions afforded registrations under Section 7(b) [15 U.S.C. § 1057(b)] thereof. *Volkswagonwerk A.G. v. Advance Welding & Mfg. Corp.*, 184 U.S.P.Q. 367, 368 (TTAB 10974).

Accordingly, the district court canceled the registration, not just for the two non-used types of leasing services, but in its entirety.

In *Carbolite*

Since the *Medinol* decision, the US District Court for the District of New Jersey in *Universal Nutrition Corp. v. Carbolite Foods, Inc.*,[14] addressed the issue of cancellation in a situation that could be used to limit Medinol under certain circumstances.

On August 20, 2001, Carbolite filed an intent-to-use application to register the mark CARBORITE. Two months later, Universal filed an intent-to-use application seeking to register the mark CARB-RITE for "food supplements; nutritional supplements; dietary supplements and nutritional bars for low carb dieters" in International Class 5 (Pharmaceuticals). Universal filed a statement of use on June 27, 2002, reciting November 1, 2001, as its first date of actual use. The USPTO issued Universal its registration for CARB-RITE on October 22, 2002.

Defendant Carbolite sought cancellation of Universal's CARB-RITE trademark in its motion for summary judgment because the CARBORITE mark was first filed. Universal, however, filed a counter-motion to cancel Carbolite's registration based upon fraud for lack of actual use. In defending against Universal's motion for summary judgment, Universal contended that Carbolite's registration was subject to cancellation if either:

1. Carbolite did not have the requisite *bone fide* intent to use the CARBORITE mark on the goods identified in the application at the time the application was filed; or

2. Carbolite's April 28, 2003, statement of use was false

because it was not in fact using the mark with all of the goods listed therein.

In response, Universal asserted that discovery was needed to obtain evidence in support of its challenges to the validity of Carbolite's registration, thus, any ruling on summary judgment would be premature.

The *Universal Nutrition* court held:

> When an affirmative defense challenging the validity of a registration based on the lack of a bona fide intent to use a mark for the goods identified in an application is asserted, the denial of summary judgment is proper. *Salacuse v. Ginger Spirits, Inc.,* 44 U.S.P.Q.2d 1415 ([T.T.A.B.] 1997). In addition, where a registrant makes a false statement as to the use of the mark in connection with the goods or services listed in its registration, cancellation of the mark is proper. *Medinol Ltd. v. Neuro Vasx, Inc.,* 67 U.S.P.Q.2d 1205, 1208 ([T.T.A.B.] 2003) (granting summary judgment in favor petitioner based upon respondent's fraud on PTO in procurement of registration); *General Car & Truck Leasing Sys., Inc. v. General Rent-A-Car Inc.,* 17 U.S.P.Q.2d 1398, 1401 (S.D. Fla. 1990) (granting partial summary judgment in favor of defendant based upon plaintiff's fraud on the PTO).[15]

Because the parties had not yet completed discovery and because Carbolite was in possession of facts or evidence pertaining to Universal's challenges to the validity of the CARBORITE registration, the district court held that summary judgment could not be granted in defendants' favor, and the parties were ordered to conduct discovery on the issue of validity.

Medinol has been affirmed by the TTAB on numerous occasions.[16] Like *J.E.M.* and *Physicians Formula,* each of these cases has been marked as non-citable TTAB precedent. Nonetheless, because each follows *Medinol,* they predict future TTAB rulings.

A Warning

Medinol and its progeny should serve as a warning to owners of trademark registrations. There seems to be at least one possibility for correcting a potentially erroneous declaration: a deletion to the description of goods/services immediately upon discovery that the trademark is not being used for all of the goods/services as alleged in the declaration and before another entity seeks to cancel the mark. However, neither the TTAB nor any court has ruled directly on whether this can cure an alleged fraud.

Currently, trademark owners should have reason to question their registration if they have failed to use even *one item* in the list of goods/services at a time when representations were made to the USPTO to the contrary. If such circumstances exist, the TTAB could declare the entire registration void *ab initio.* For trademark owners and practitioners, this means that declarations regarding use of a trademark should be submitted with great meticulousness. It would also be prudent to conduct yearly comparisons of the identification of goods/services in every registration to those goods/services actually sold. Correction of any errors must be made with diligence and speed.

Notes

1. J.E.M. Int'l, Inc. v. Happy Rompers Creation Corp., Cancellation No. 92043073 (TTAB 2005).
2. Medinol Ltd. v. Neuro Vasx, Inc., 67 U.S.P.Q.32d 1205 (TTAB 2003).
3. Physicians Formula Cosmetics, Inc. v. Cosmed, Inc., Cancellation No. 92040782 (TTAB 2005).
4. *Id.* at 12.
5. *Id.* at 16.
6. *Id.* at 18.
7. *Id.* at 12.
8. *Id.*at 13.
9. General Car Truck Leasing Systems, Inc. v. General Rent-a-Car, Inc., 17 U.S.P.Q.2d 1398 (S.D. Fla. 1990) (cancelled Registration No. 1,134,297 for GENERAL under 15 U.S.C. § 1065).
10. *Id.* at 1399.
11. *Id.*
12. *See* 15 U.S.C. §§ 1058, 1065.
13. *Id.* at 1400 (citations omitted).
14. Universal Nutrition Corp. v. Carbolite Foods, Inc., 325 F. Supp. 2d 526 (D.N.J. 2004).
15. *Id.* at 531.
16. *See* Jimlar Corp. v. Montrexport S.P.A., 2004 WL 1294397 (TTAB 2004) (declaration of continued use under § 8 is fraudulent where no use of athletic footwear and slippers occurs); Hawaiian Moon, Inc. v. Doo, 2004 WL 1090666 (TTAB 2004) (applicant committed fraud in procuring registration by filing a false statement of use where it did not use the mark on shorts, skirts, dresses, caps, swimwear, and sweatshirts); Orion Electric Co., Ltd. v. Orion Electric Co., 2004 WL 624762 (TTAB 2004) (application void *ab initio* where applicant claimed use in application on "moniputers" and failed to remove "moniputers" when it deleted other items it had not used); Tequila Cazadores, S.A. de C.V. v. Tequila Centinela, S.A. de C.V., 2004 TTAB LEXIS 109 (TTAB 2004) (motion for leave to amend granted to allow claim for fraud regarding a use-based application including myriad of alcoholic beverages where mark was only used on tequila); This Little Piggy Wears Cotton v. Toes, 2004 WL 1701272 (TTAB 2004) (amendment to application bearing alleged fraudulent element would not cure fraudulent act committed by applicant during prosecution of application).

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