INCONTESTABLE®

Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

September 2009 Issue

Civil Cases

Hensley Mfg., Inc. v. ProPride, Inc.,
2009 WL 2778220 (6th Cir. Sept. 3, 2009)

by Dana M. Nicoletti

Sixth Circuit holds that defendant's use of the surname "Hensley" to identify the designer of its products and describe the designer's relationship with defendant is a nontrademark use or a fair use of the "Hensley" name, and does not infringe plaintiff's registered "Hensley" mark for the same products.

In re Bose Corp.,
2009 WL 2709312 (Fed. Cir. Aug. 31, 2009)

*by Linda K. McLeod and Anna Balichina**

Federal Circuit reverses TTAB's fraud holding in *In re Bose Corp.*, signaling a strong limitation, if not the end, of the TTAB's strict rule of fraud under *Medinol* and reestablishing the standard that fraud will be found only if an applicant or registrant *knowingly* makes a false, material representation with the intent to deceive the PTO.

Wham-O, Inc. v. Manley Toys, Ltd.,
2:08-cv-07830-CBM (C.D. Cal. Aug. 13, 2009)

*by Anna Balichina**

Filing of a cancellation petition before the PTO on grounds other than likelihood of confusion creates no case or controversy under *MedImmune*.

TTAB Cases

In re Dietrich,
App. Ser. No. 78723912 (TTAB July 16, 2009)

by Linda K. McLeod and Stephanie H. Bald

TTAB finds design of a bicycle wheel functional and thus unregistrable where features of the design, such as the placement of the spokes, affected the quality of the wheel as

Finnegan Articles

Infringing Sale of Trademarks as Keyword Triggers for Internet Advertisements
by J. (Jay) T. Westermeier

"Material Differences" Outside the Gray Market Context
by Mark Sommers and Naresh Kilaru

Where There Is a Reliance Party, Removing Works from the Public Domain Found Unconstitutional in the USA
by Margaret A. Esquenet

"iPhone" or "i-phone"? Protection for Famous Marks in China
by B. Brett Heavner and Jessica Chiang

UNREGISTRABLE:
PE®SONAL FOUL
by Robert D. Litowitz

shown by utility patents covering that feature, among other things.

Nextel Commc'ns, Inc. v. Motorola, Inc., 91 USPQ2d 1393 (TTAB June 12, 2009)

by Linda K. McLeod and Danny M. Awdeh

TTAB finds that the "chirp" sound emitted by cell phones manufactured by Motorola cannot be inherently distinctive as a sound mark, as such sound is commonplace in relation to communications products and has not achieved secondary meaning, in part because the sound features extensively in Nextel's advertising.

Société Cooperative Vigeronne des Grandes Caves Richon-le-Zion & Zicron-Jacob Ltd. v. Albrecht-Piazza, LLC, Opp. No. 91190040 (TTAB Sept. 20, 2009)

by Julia Anne Matheson

Post-*Bose,* a fraud claim based merely on "information and belief," where pleader has no actual knowledge of facts supporting an applicant's intention to deceive, is insufficient to state a claim for relief.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE®

Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

September 2009 Issue

Back to Main

Civil Cases

Hensley Mfg., Inc. v. ProPride, Inc., 2009 WL 2778220 (6th Cir. Sept. 3, 2009)

by Dana M. Nicoletti

ABSTRACT

The Sixth Circuit Court of Appeals held that a trailer-hitch company that used the surname of its competitor's former designer to advertise hitches designed by the same man made noninfringing fair use of the name. The court also found that there was no likelihood of consumer confusion because the defendant used the designer's name to identify him as a designer of its trailer hitches rather than using his name as a trademark.

CASE SUMMARY

FACTS

Plaintiff Hensley Manufacturing, Inc. ("Hensley Mfg.") manufactures and sells the "Hensley Arrow," a trailer hitch designed by Jim Hensley. Jim Hensley licensed his hitch business to Hensley Mfg. in 1994. Hensley Mfg. owns trademark registrations for the marks HENSLEY and HENSLEY ARROW. Defendant ProPride, Inc. ("ProPride"), founded by former Hensley Mfg. employees, also makes trailer products. After Jim Hensley left Hensley Mfg. in 2007, ProPride hired him to design a new trailer hitch called the "ProPride Pivot Point Projection Hitch" or "3P Hitch." ProPride promoted the new hitch in print and mail advertisements identifying Jim Hensley as the designer and touting the new hitch as an improved design. ProPride's website included a section on "The Jim Hensley Hitch Story" explaining Jim Hensley's background and relationship with ProPride. ProPride also used the domain name jimhensleyhitch.com, which redirected users to ProPride's website. Finally, ProPride advertised on eBay under a listing stating "Used Hensley Arrow Hitch? Buy New J. Hensley Design." Hensley Mfg. sued ProPride and Jim Hensley for federal and common-law trademark infringement and unfair competition, among other claims. Both defendants moved to dismiss the complaint.

The district court granted ProPride's motion, finding that its use of the Hensley name constituted a descriptive fair use of an individual's name, other than as a mark, to fairly and in good faith describe ProPride's goods under 15 U.S.C. § 1115(b)(4) (the district court also granted Jim Hensley's motion to dismiss). The district court determined that ProPride had not marked its goods with the Hensley name, but rather used the Hensley mark only to describe its own goods and in comparative advertising. Even assuming Jim Hensley sold the rights to his name to Hensley Mfg., he sold only the right to use his name as a trade name and trademark. The district court found that he could still take advantage of his individual reputation by advertising his affiliation with a new company if not done in an "overly intrusive manner." Although the district court viewed ProPride's domain name jimhensleyhitch.com as "somewhat questionable," it ultimately found that the domain name was permissible because the "use [of] defendant Hensley's whole name distinguish[ed] it from Plaintiff's product," the domain name related directly to Jim Hensley's affiliation with ProPride, and ProPride did not otherwise attempt to link itself with Hensley Mfg.

ANALYSIS

The Sixth Circuit affirmed the district court's holding that ProPride did not use the Hensley name in a trademark sense. Hensley Mfg. argued that the district court improperly granted ProPride's motion to dismiss because Hensley Mfg.'s complaint sufficiently stated that ProPride's use of the Hensley marks was likely to cause confusion.

The court disagreed and stated that a likelihood-of-confusion analysis only applies if a defendant is using the challenged mark in a way that identifies the source of its goods. In this case, Hensley Mfg.'s complaint did not allege facts sufficient to show that ProPride's use of the Hensley name created a likelihood of confusion regarding the source of its products. ProPride's advertisements identified Jim Hensley as the designer of their new 3P Hitch, and each advertisement stated that Jim Hensley is no longer affiliated with Hensley Mfg. The advertisements also clearly identified ProPride as the source of the 3P Hitch by including ProPride's website domain name and several other references to ProPride. The Sixth Circuit found that the advertisements did not identify Hensley Mfg. or even "Hensley" as the source of ProPride's products, and did not suggest any current association between Hensley Mfg. and Jim Hensley or ProPride. Therefore, the court found no likelihood of consumer confusion regarding the source of ProPride's products.

The Sixth Circuit held further that even if Hensley Mfg.'s complaint had shown a likelihood of confusion, ProPride's affirmative defense of fair use barred Hensley Mfg.'s infringement claims. Fair use allows for the use of a protected mark in a descriptive sense, if used in good faith. Hensley Mfg. admitted that the law allows ProPride to use Jim Hensley's name in a descriptive sense to advertise his affiliation with ProPride, and the court stated that this is exactly what had occurred. ProPride's advertisements only used Jim Hensley's name to identify him as a designer of trailer hitches, describe his relationship with ProPride, and detail the story of his success in the industry. The court also noted that Hensley Mfg. assumed some risk of consumer confusion by registering Jim Hensley's own personal last name as a trademark.

CONCLUSION

The Sixth Circuit's decision highlights that a defendant must be using a protected mark in a trademark sense in order for a court to undertake a likelihood-of-confusion analysis. It also explores how the use of a surname as a trademark interacts with the well-known doctrine that the use of a party's protected mark to describe its goods, rather than to falsely suggest the party as the source of the goods, is a noninfringing fair use of a mark.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief

September 2009 Issue

Back to Main

Civil Cases

In re Bose Corp., 2009 WL 2709312 (Fed. Cir. Aug. 31, 2009)

*by Linda K. McLeod and Anna Balichina**

On August 31, 2009, the Court of Appeals for the Federal Circuit ("Federal Circuit"), in an important decision for both trademark owners and practitioners, reversed the Trademark Trial and Appeal Board's ("TTAB" or "Board") fraud holding in *In re Bose Corp.*[1] The Federal Circuit held 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."[2] The court determined, among other things, that by equating "should have known" with intent to deceive, the TTAB erroneously lowered the fraud standard to simple negligence.[3] The court held that mere negligence is not sufficient to infer fraud or dishonesty,[4] and gross negligence may not itself justify an inference of intent to deceive.[5] Citing the TTAB's own precedent, the court stated that fraud must be proven "to the hilt" by clear and convincing evidence, and there is "no room for speculation, inference or surmise."[6]

As detailed below, this decision signals a strong limitation—and possibly the end—of the strict rule of fraud under the TTAB's *Medinol* line of cases. To put the Federal Circuit's decision in context, before discussing that decision, this article provides background on the TTAB's *Medinol* line of fraud cases and its decision in *In re Bose Corp.*, and the arguments made to the Federal Circuit by Bose, the Solicitor's Office, and the American Intellectual Property Law Association ("AIPLA") in their briefs and at oral argument.

I. Knew or Should Have Known, Reckless Disregard of the Truth, and Fraud Under *Medinol*

In a series of cases beginning with its 2003 decision in *Medinol Ltd. v. Neuro Vasx, Inc.*,[7] the Board has imposed a heightened duty of candor and a strict rule of fraud on practice before the PTO. *Medinol* and its progeny hold that an applicant or registrant commits fraud before the PTO when it makes a statement that is (1) false, (2) material, and (3) made by a person who knew it was false or misleading, or should have known it was false or misleading but acted with "reckless disregard for the truth."[8] Under this line of cases, the Board found fraud if the declarant made false statements about a matter for which it should have had subjective knowledge (e.g., whether it was using its mark in commerce for certain goods or services), and thus should have known that his or her statement was false. A finding of fraud, even on only one of several goods or services listed in an application or registration, invalidated the entire class of goods or services in which the fraud occurred.

Most of these cases involved false statements that a mark was being used for *all* of the goods or services identified in the application or registration, when in fact the mark was being used on only *some* of them. Although purportedly requiring evidence of a “reckless disregard” for the truth, the Board’s *Medinol* line of cases has found fraud based on false statements that are arguably the result of mere negligence or justifiable mistake, in stark contrast to pre-*Medinol* cases refusing to find fraud for false statements that result from honest misunderstandings, inadvertence, or negligent omissions. The Board has warned applicants and registrants that statements about the use of their marks should be “investigated thoroughly prior to signature and submission” to the PTO, and that parties will not be heard to deny that they did not thoroughly read what they had signed.[9] The Board has also held that filing an amendment to delete any goods or services for which the mark has not been used will *not* remedy or cure fraud on the PTO, at least where it is filed *after* the application is published for opposition, even if the amendment is filed *before* an adverse party asserts a claim for fraud.[10]

II. The TTAB’s Decision in *Bose Corp. v. Hexawave, Inc.*

In *Bose Corp. v. Hexawave, Inc.*,[11] the Board found fraud under the *Medinol* standard where a party obtained a renewal of its registration by claiming continued use of its mark in connection with goods it no longer manufactured or sold, but for which it continued to offer repair services.

Hexawave, Inc. (“Hexawave”) filed a use-based application to register the mark HEXAWAVE for a variety of electronic goods that it claimed to be using in commerce.[12] Bose Corporation (“Bose”) opposed Hexawave’s application based on fraud and likelihood of confusion with Bose’s registered WAVE marks for a variety of electronic goods.

Bose’s fraud claim was based on Hexawave’s discovery responses, which failed to provide evidence of use of its mark on all of the goods listed in its application. Bose argued that Hexawave’s discovery responses constituted an admission that it was not using its mark for all of the goods, and therefore proved that Hexawave committed fraud by filing its application based on use in commerce.

The Board rejected Bose’s fraud claim, holding that Hexawave’s discovery responses failed to prove fraud by clear and convincing evidence. According to the Board, Hexawave’s failure to produce evidence that it was using its mark for all of the goods listed in its application did not amount to an admission that it was *not* using its mark for all of those goods. The Board noted that Hexawave’s responses included objections and qualifying language indicating that its responses were not exhaustive and expressly reserved the right to supplement the responses.[13]

In contrast, the Board held that Hexawave proved its fraud counterclaim by clear and convincing evidence. Hexawave presented evidence that Bose obtained a renewal of its registration for the mark WAVE in 2001 by claiming that it was still using the mark in connection with the goods listed in its registration, despite knowing that it had not manufactured or sold two of the goods listed in the registration (audio tape recorders and players) since 1997. Bose argued that its renewal application was based on its honest, good-faith belief that its receipt, repair, and return of its previously sold audio tape recorders and players bearing the WAVE mark in 2001 was sufficient to support renewal of its registration. Bose did not relabel or make any alterations to the products, apart from the technical repairs.

Relying on the Federal Circuit’s decision in *Torres v. Cantine Torresella S.r.l.*,[14] and following *Medinol*, the Board held that “specific intent to commit fraud is not required,” and that “fraud occurs when an applicant or registrant makes a false material misrepresentation that the applicant or registrant *knew or should have known* was false."[15] To avoid a finding of fraud, the Board explained, Bose must prove that its declaration of continued use, though false, was made with "a reasonable and honest belief that it was true."[16]

In this case, the Board concluded that it was unreasonable for Bose to believe that its repair services constituted continued use of its mark sufficient to maintain its registration. Among other things, the Board reasoned that Bose's repair services did not constitute a trademark use because Bose no longer owned the goods.[17]

Furthermore, the Board found no evidence that Bose relied on the advice of counsel or otherwise investigated the reasonableness of its belief that its repair services constituted continued use of its mark sufficient to maintain its registration, despite knowing that it no longer manufactured or sold some of the goods listed in the registration. The Board noted that Bose "could not point to case law that supports" its belief.[18] Given the plain language of the Lanham Act, the Board found that it was unreasonable for Bose to believe that its repair and shipment of previously sold goods constituted use of its mark in commerce sufficient to support its declaration of continued use.[19]

Finally, the Board found that Bose should have known that its declaration of continued use was false and constituted fraud on the PTO. Noting that fraud cannot be cured by deleting the goods at issue from a registration, the Board ordered the cancellation of Bose's registration in its entirety.[20]

III. Arguments on Appeal to the Federal Circuit

A. The Appeal Briefs

Bose appealed the Board's fraud decision to the Federal Circuit. In its brief,[21] Bose argued, among other things, that it was using the WAVE mark in commerce when it repaired damaged goods bearing the mark and returned them to consumers. Bose maintained that Section 45 of the Lanham Act, 15 U.S.C. § 1127, sets forth only two requirements for use in commerce: (1) that the mark be placed on the goods, and (2) that the goods be sold or transported in commerce. Bose argued that it satisfied these requirements by receiving the goods it had made and sold, repairing them, and transporting them back to consumers.

Furthermore, Bose claimed that Hexawave introduced no evidence that Bose intended to deceive the PTO. Bose pointed to the demanding standard for proving inequitable conduct in a patent case that the Federal Circuit articulated in *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*,[22] which the Board had cited as the proper standard in fraud cases. Bose argued that if the Board correctly applied the rule that fraud must be proven "to the hilt," it could find "no evidence, let alone clear and convincing evidence, that Bose intended to deceive the USPTO."[23]

AIPLA filed an amicus curiae brief in this case,[24] arguing that the Board misapplied the "knew or should have known" standard to find fraud on strict liability or negligence. AIPLA also argued that fraud requires intentional deception or reckless conduct, and that a specific showing of intent to deceive should be required to find fraud. Further, AIPLA maintained that fraud requires that the false statement concern a material fact and that errors in statements of use may be immaterial when a registration covers highly related goods or services.

On behalf of the PTO, the Solicitor argued that whether transportation of a discontinued good back to the owner in connection with repair services constitutes “use in commerce” is an issue of statutory construction.[25] Further, the Solicitor argued that the Federal Circuit “in the past explained that it defers to the TTAB’s reasonable statutory construction.” According to the Solicitor, the “nature and quantum of use contemplated by the definition of ‘use in commerce’ requires, at a minimum, a trade in the goods sold under the mark, or at least an active and public attempt to establish such a trade.” The Solicitor argued that Bose had no active trade in audio tape players and recorders bearing the WAVE mark and had discontinued the product at least three years before renewing the registration with no plans to make or sell these goods again.

The Solicitor further argued that the Lanham Act requires that the goods belong to the trademark owner. In the instant case, the Solicitor explained that Bose was “like any electronics repair shop” because it was “merely repairing the products of others without ownership.” That Bose was the original source of the goods was, in the Solicitor’s opinion, “a distinction without a difference.”

Finally, according to the Solicitor, AIPLA’s suggested modifications to the fraud test should be rejected. AIPLA proposed that the Federal Circuit adopt a standard requiring a specific showing of subjective intent to deceive the PTO. The Solicitor stated that it is “black letter law” that intent to commit fraud can be inferred from the facts and circumstances, because “[d]irect evidence of intent to deceive is typically unavailable.” The Solicitor maintained that the “TTAB in its role as fact-finder must be able to evaluate intent and examine the objective reasonableness of a party’s belief based on surrounding facts and circumstances, and to draw appropriate inferences from the evidence.”

B. The Oral Argument

On May 6, 2009, the Federal Circuit heard oral arguments in the case.[26] During the argument, the court focused on (1) whether the TTAB’s “know or should have known” fraud standard was improper; (2) whether the “should have known” portion of the test means “reckless disregard” or mere “negligence”; and (3) whether repair of discontinued products and shipment back to consumers constitutes “use in commerce.”

During the argument, the court questioned whether Bose had waived its right to challenge the Board’s fraud standard because it failed to raise the issue in its initial appeal brief. Bose first raised the argument that the Board’s fraud test was improper in its reply brief, which, the court suggested, may have been too late. Counsel for Bose devoted much of his argument to explaining why Bose had not waived the argument that the Board’s fraud test is improper. Counsel for Bose argued that the fraud standard and intent to deceive were mentioned in the questions presented in its blue brief, but the court observed that the questions presented did not highlight any portion of the fraud standard relied on by the Board.

The Amicus Counsel for AIPLA argued that fraud required a showing of specific intent to deceive the PTO. While arguing that the Federal Circuit need not overrule its decision in *Torres v. Cantine Torresella S.r.l.*[27] AIPLA attempted to distinguish *Torres* and significantly limit it to its facts.

The court also questioned Solicitor Chen about the proper fraud test and defining “use in commerce.” The court asked whether the PTO’s interpretation of “should have known” is tantamount to mere negligence, as opposed to reckless disregard. The court asked the Solicitor why it was *reckless disregard* on the part of Bose’s General Counsel to interpret the “use in commerce” requirement as encompassing repairs of discontinued products. The court specifically pointed out that when the renewal affidavit was signed in 2001, the changes to the Lanham Act mandating “use in commerce” were fairly recent, and there was no case law at that time explicitly stating that repair and shipment back to consumers does not satisfy the “use in commerce” requirement.

IV. Federal Circuit Rejects TTAB’s *Medinol* Fraud Standard

On August 31, 2009, the Federal Circuit reversed the TTAB’s fraud decision in *In re Bose Corp.,* signaling an end to the strict rule of fraud under *Medinol*. Chief Judge Michel, writing for the court, reaffirmed decisions of its predecessor court, the Court of Customs and Patent Appeals, “which prohibit an applicant from making ‘*knowingly* inaccurate or *knowingly* misleading statements.’” Absent requisite intent to mislead the PTO, the court held, “even a materal misrepresentation would not qualify as fraud under the Lanham Act warranting cancellation.”[28]

Analyzing the TTAB’s *Medinol* decision and its progeny, the Federal Circuit acknowledged that the TTAB had correctly found “a material legal distinction between a ‘false’ representation and a ‘fraudulent’ one, the latter involving an intent to deceive, whereas the former may be occasioned by a misunderstanding, an inadvertence, a mere negligent omission, or the like.”[29] The court also agreed with the TTAB that in determining whether a trademark registration was obtained fraudulently, “[t]he appropriate inquiry is . . . not into the registrant’s subjective intent, but rather into the objective manifestations of that intent,” and that “intent must often be inferred from the circumstances and related statement made.”[30]

But the court stressed that evidence of intent to deceive and fraud must be clear and convincing, and that inferences drawn from lesser evidence cannot satisfy the deceptive-intent requirement for proving fraud.[31] The court specifically rejected the principal holding in the TTAB’s *Medinol* line of cases, namely, that “a trademark applicant commits fraud in procuring a registration when it makes material representations of fact in its declaration which knows or should know to be false or misleading.”[32]

The court stated that “[b]y equating ‘should have known’ of the falsity with a subjective intent, the Board erroneously lowered the fraud standard to a simple negligence standard.”[33] The court observed that

> [we] have previously stated that “[m]ere negligence is not sufficient to infer fraud or dishonesty.” We even held that “a finding that particular conduct amounts to ‘gross negligence’ does not of itself justify an inference of intent to deceive.” The principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark fraud cases. After all, an allegation of fraud in a trademark case, as 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.[34]

The court declined to address whether a “reckless disregard” of the truth satisfies the “intent to deceive” requirement for fraud. Because neither the PTO nor any court had interpreted “use in commerce” to exclude repairing and shipping repaired goods, the court said that even assuming that reckless disregard qualifies, there is no basis for finding the conduct reckless in this case.

The court did, however, dismiss the TTAB’s reliance on *Torres* to justify its “should have known” standard. Although the court recognized that *Torres* did use the phrase “knows or should know” in finding an intent to deceive and fraud before the PTO, it said the Board “read *Torres* too broadly.”[35] The court cautioned that “one should not unduly focus on the phrase ‘should know’ and ignore the facts of the case."[36] As the court noted, Torres admitted that he made false statements to the PTO about trademark and usage when he filed his renewal application.[37]

In this case, the court found that Bose's General Counsel knew that the company had stopped manufacturing and selling audio tape records and players at the time the Section 8 and 9 renewal was filed. Thus, the court concluded that Bose's statement in the renewal application that the WAVE mark was in "use in commerce" for such goods was a material, false misrepresentation to the PTO.[38] The court noted, however, that the counsel testified under oath that he believed that repairing previously sold audio tape recorders and players under the WAVE mark satisfied the "use in commerce" requirement at the time he signed the renewal application. Whether such belief was reasonable, the court said, "is not part of the analysis."[39] Rather, the court held that "[t]here is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive."[40]

The court ultimately concluded that Bose did not commit fraud in renewing its registration and that the TTAB erred in canceling the mark in its entirety. However, the court held that since Bose no longer used the mark on audio tape recorders and players, "the registration needs to be restricted to reflect commercial reality" and, thus, remanded the case to the TTAB for appropriate proceedings.[41]

V. Conclusion

The Federal Circuit's holding in *Bose* signals a strong limitation—and possibly the end—of the TTAB's strict rule of fraud under *Medinol.* Under *Bose*, the court has expressly reestablished the standard that fraud will be found only if an applicant or registrant *knowingly* makes a false, material representation with the intent to deceive the PTO. This decision also clarifies that mere negligence is not sufficient to infer fraud or dishonesty, and gross negligence may not itself justify an inference of intent to deceive. Further, it cautions that a challenger has a heavy burden to prove fraud "to the hilt" by clear and convincing evidence.

Although the Federal Circuit's *Bose* ruling may curtail the flood of fraud allegations that have become commonplace in TTAB proceedings, it does not necessarily mean that all false statements concerning use of the mark in commerce can never rise to the level of fraud. Indeed, the court did not resolve the issue of whether "reckless disregard" satisfies the "intent to deceive" requirement. And the court did not define "reckless disregard" or what type of conduct, if any, constitutes a "reckless disregard" before the PTO. Nor did the court comment on the TTAB's warning that statements about the use of marks should be investigated thoroughly prior to signature and submission to the PTO, and that parties will not be heard to deny that they did not thoroughly read what they had signed. Thus, trademark owners should remain vigilant in taking steps to ensure the accuracy of the goods and services listed in an application or registration, if possible, to correct any false statements in an application or registration before an actual or threatened challenge to the application or registration.

---

* *Anna Balichina is a Trademark Law Clerk with Finnegan.*

Endnotes

[1] *In re Bose Corp.*, 2009 WL 2709312 (Fed. Cir. Aug. 31, 2009).
[2] *Id*. at *7.
[3] *Id*. at *6.

[4] *Id.*
[5] *Id*.
[6] *Id*. at *3-4.
[7] 67 USPQ2d 1205 (TTAB 2003).
[8] *Id*. at 1209.
[9] *Id*.
[10] *Id*. at 1208. *But see Univ. Games Corp. v. 20Q.net Inc.*, 87 USPQ2d 1465, 1468 (TTAB 2008) (the fact that opposer amended its identification of goods during ex parte prosecution constitutes a rebuttable presumption that opposer lacked the willful intent to deceive the PTO); *Zanella Ltd. v. Nordstrom Inc.*, 90 USPQ2d 1758 (TTAB designated as precedential on May 13, 2009) (opposer's actions in correcting false statements in the identification of goods in postregistration filings before an actual or threatened challenge to the registrations creates a rebuttable presumption that opposer did not intend to deceive the PTO).
[11] 88 USPQ2d 1332 (TTAB 2007) (nonprecedential).
[12] Specifically, Hexawave's application listed the following goods: compound semiconductor devices consisting of an integrated circuit; microwave monolithic integrated circuit; modules, namely, power modules for wireless communication; transistor; tuner; mixer; amplifier; down converter; transceiver; transmitter; receiver; detectors, namely, radio frequency detectors; radio frequency switch; antenna.
[13] *Id.* at 1339.
[14] 1 USPQ2d 1483 (Fed. Cir. 1986). In *Torres v. Cantine Torresella S.r.l.*, Torres obtained a registration for the trademark LAS TORRES & Design for wine, vermouth, and champagne. *Id*. at 1483. Torres filed an application for renewal of the registration under Section 9, 15 U.S.C. § 1059. *Id*. In the renewal application, Torres stated that the mark as registered was "still in use in interstate commerce for each of the goods specified in the registration: wine, vermouth, and champagne," and attached a specimen of use. *Id*. However, Torres was, in fact, not then using the mark in the form shown on the label specimen, "but was using the name 'Torres' in conjunction with an altered design of three towers." *Id.* Torres had used the altered mark for several years, but at the time Torres filed for renewal, the altered mark was in use only for wine. *Id*. Torres admitted in an unsworn statement that he "dropped the use of the term LAS . . . and adopted the principal term TORRES over [the] three towers design." *Id.* He explained that "he did not consider the change material and did not believe that the filing of the renewal application represented any fraud on the PTO." *Id.* The Board disagreed and entered summary judgment against Torres on the ground of fraud and cancelled the entire registration. *Id.* In affirming the Board's summary-judgment decision, the Federal Circuit held that "Torres knew or should have known that the mark as registered and the specimen submitted were not currently in use when he filed his renewal application." *Id*. at 1484.
[15] 88 USPQ2d at 1334.
[16] *Id.*
[17] *Id*. at 1338 (quoting 15 U.S.C. § 1127).
[18] *Id.*
[19] *Id*.
[20] *Id.*
[21] Brief for Appellant Bose Corp., *In re Bose Corp.*, No. 2008-1448, 2008 WL 4307436 (Fed. Cir. Sept. 2, 2008).
[22] 537 F.3d 1357 (Fed. Cir. 2008).
[23] 2008 WL 4307436.
[24] Brief for American Intellectual Property Law Association as Amicus Curiae Supporting Appellant, *In re Bose Corp.*, No. 2008-1448, 2000 WL 35729208 (Fed. Cir. Sept. 10, 2008).
[25] Brief for Appellee-Director of the United States Patent and Trademark Office, *In re Bose Corp.*, No.

2008-1448, 2009 WL 462610 (Fed. Cir. Feb. 2, 2009).

[26] An audio recording of the oral argument is available at http://oralarguments.cafc.uscourts.gov/searchscript.asp (Case No. 2008-1448).

[27] 808 F.2d 46 (Fed. Cir. 1986).

[28] *In re Bose Corp.*, 2009 WL 2709312 at *4.

[29] *Id.*

[30] *Id*. at *5.

[31] *Id*. at *7.

[32] *Id*. at *5-6.

[33] *Id*. at *6.

[34] *Id*. at *6-7 (emphases added).

[35] *Id*. at *7.

[36] *Id*. at *8.

[37] *Id*.

[38] *Id*. at *9-10.

[39] *Id*. at *10.

[40] *Id*.

[41] *Id*. at *11.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE®

Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

September 2009 Issue

Back to Main

Civil Cases

***Wham-O, Inc. v. Manley Toys, Ltd.*, 2:08-cv-07830-CBM (C.D. Cal. Aug. 13, 2009)**

*by Anna Balichina**

ABSTRACT

The Central District of California dismissed a declaratory-judgment action seeking a ruling of nongenericness for the FRISBEE, SLIP 'N SLIDE, and HULA HOOP marks on grounds that the mere filing of a cancellation action before the PTO did not create a justiciable controversy. Notably, this decision appears to veer away from the Supreme Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), which purportedly lowered the threshold for proving the presence of an actual case or controversy.

CASE SUMMARY

FACTS

Toymaker Wham-O, Inc. ("Wham-O") owns a federal registration for the mark FRISBEE for "toy flying saucers for toss games" that dates back to 1959. Since the 1960s, Wham-O has also owned registrations for the marks SLIP 'N SLIDE for water slides and HULA HOOP for plastic hoops. A competing toy manufacturer, Manley Toys, Ltd. ("Manley"), with whom Wham-O has been engaged in bitter legal battles for a number of years, filed petitions to cancel each of the FRISBEE, SLIP 'N SLIDE, and HULA HOOP marks on genericness grounds before the TTAB.

In November 2008, Wham-O brought a declaratory-judgment action in the Central District of California seeking a ruling that its federally registered marks FRISBEE, SLIP 'N SLIDE, and HULA HOOP have not become generic. The complaint alleges that Wham-O has exclusively used the marks for over forty years and that "[t]oys sold under the marks are among the most popular ever sold, with sales in the hundreds of millions of units." Wham-O accuses Manley of engaging in "a wide-ranging scheme to destroy Wham-O's business and the enormous goodwill associated with many of its famous brands." The complaint also provides the history of Wham-O and Manley's rocky relationship, including an award of $6 million in actual and exemplary damages for the intentional infringement and dilution of Wham-O's SLIP 'N SLIDE design marks and a permanent injunction against the use of Wham-O's federally registered FRISBEE and SUPERBALL marks.

Wham-O subsequently filed a motion pursuant to Trademark Rule 2.117(a) (37 C.F.R. § 2.117(a)) and

Trademark Board Manual of Procedure ("TBMP") § 510.02(a) asking the TTAB to suspend the cancellation proceedings pending the disposition of the civil action between the parties. The TTAB suspended the proceedings on March 19, 2009.

Manley moved to dismiss the declaratory-judgment action with prejudice based on: (1) lack of subject-matter jurisdiction; (2) the complaint's failure to present a case or controversy as required by Article III of the U.S. Constitution; and (3) the fact that the issues presented in the case are identical to those pending before the TTAB.

ANALYSIS

The court dismissed Wham-O's declaratory-judgment action on the grounds of lack of federal subject-matter jurisdiction and a failure to present a justiciable case or controversy.

Wham-O alleged federal subject-matter jurisdiction based on diversity of citizenship and a federal question. Under 28 U.S.C. § 1332, a federal district court has jurisdiction over cases where all plaintiffs are of different citizenship than all defendants, and the amount in controversy exceeds $75,000. Wham-O failed to make an allegation in the complaint regarding the amount in controversy. The court, therefore, concluded that Wham-O had not sufficiently pled a basis for a diversity jurisdiction. With regard to Wham-O's argument that jurisdiction is based on a federal question, the court noted that 15 U.S.C. § 1121 provides that district courts have original jurisdiction in all actions arising under the Lanham Act and that "federal courts may determine the validity of trademark registrations that are otherwise before them, e.g., in an infringement action." The court held, however, that it lacked *original* jurisdiction over the case because "the courts do not have 'jurisdiction under the Declaratory Judgment Act to determine the validity of [a] trademark where there is no issue of infringement.'" The court emphasized that "[t]here are no infringement claims or any other legal claims between the parties and the Marks involved in this action. Nor can the TTAB proceedings be construed as a potential claim for infringement."

Turning to the case or controversy requirement under Article III, the court relied on the standard articulated in *MedImmune*, which requires that "the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." The 2007 Supreme Court decision in *MedImmune* overruled a more stringent two-pronged test that the Federal Circuit developed in *Windsurfing International Inc. v. AMF Inc.*, 828 F.2d 755 (Fed. Cir. 1987), requiring a plaintiff in a declaratory-judgment action to prove both reasonable apprehension of litigation and that it has engaged in a course of conduct which brought it into "adversarial conflict" with the declaratory defendant.

Citing *MedImmune*, the court concluded that there was no justiciable case or controversy before it because "[t]here [was] no evidence of a threat of litigation or liability hanging over Wham-O as a result of any activity on Defendants' part." The court specifically noted that Manley never threatened to sue Wham-O for Wham-O's use of the marks FRISBEE, SLIP 'N SLIDE, and HULA HOOP, and this was "not a case of two entities actively using competing trademarks." The court characterized as "instructive" the Federal Circuit's decision in *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007), a patent case, where the court held that "Article III jurisdiction can be met where the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandoning that which he claims a right to do." The court concluded that "Wham-O is not being faced with either of these undesirable 'choices.'" Dismissing the case, the court held, will "preserve the status quo" because Wham-O is allowed to continue to use the marks and Manley is refrained from doing so until the TTAB renders a decision in the proceedings before it. The court ultimately granted Manley's motion to dismiss the action with prejudice.

Wham-O has appealed the district court's decision to the United States Court of Appeals for the Ninth Circuit.

CONCLUSION

The district court's decision suggests that even under the liberalized standards articulated in *MedImmune*, the filing of a cancellation or opposition proceeding based upon claims *other than* likelihood of confusion, which could implicate infringement concerns, will not present sufficient case or controversy to justify a declaratory-judgment action.

---

* *Anna Balichina is a Trademark Law Clerk with Finnegan.*

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE®

Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

September 2009 Issue

Back to Main

TTAB Cases

In re Dietrich, App. Ser. No. 78723912 (TTAB July 16, 2009)

by Linda K. McLeod and Stephanie H. Bald

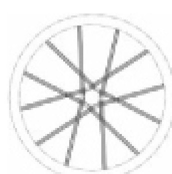
ABSTRACT

The TTAB affirmed the Examining Attorney's refusal to register a design of a bicycle wheel. The TTAB found that patents owned by Applicant and third parties disclosed the utilitarian advantages of the design, that Applicant had touted the utilitarian features of the design in advertisements, and that there was no evidence of alternative designs that worked equally as well as Applicant's design.

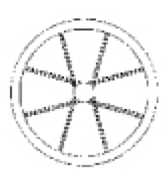
CASE SUMMARY

FACTS

Applicant Rolf Dietrich applied to register the mark shown below for "bicycle wheels," in Class 12.



The application was filed under Section 2(f) based on Applicant's ownership of an incontestable registration on the Principal Register for the mark shown below for "torque transmitting bicycle wheels," in Class 12.



Applicant claimed that the mark in the registration was the same basic design as the mark in the application. The Examining Attorney, however, refused registration on the ground that the configuration in the applied-for mark was functional under Section 2(e)(5). The Examining Attorney also rejected

Applicant's Section 2(f) evidence, which included a declaration attesting to five years of substantially exclusive and continuous use of the configuration, on the ground that functionality constitutes an absolute bar to registration regardless of any evidence of acquired distinctiveness.

ANALYSIS

The TTAB's main consideration on appeal was whether the applied-for configuration was functional. Under the test established by the Supreme Court in *TrafFix Devices Inc. v. Marketing Displays Inc.*, 532 U.S. 23 (2001), the TTAB explained that a product feature is functional if "the feature is essential to the use or purpose of the article or if it affects the cost or quality of the article." The following four factors must be considered in determining functionality: (1) the existence of a utility patent that discloses the utilitarian advantages of the design; (2) the touting by the originator of the design in advertising material of the utilitarian advantages of the design; (3) facts showing the unavailability to competitors of alternate designs; and (4) facts indicating that the design results from a relatively simple or cheap method of manufacturing the product.

Regarding factor one, the TTAB explained that third-party patents may be relied on as evidence of functionality because a patent is potentially relevant if it covers the feature at issue, regardless of the owner. Further, the TTAB is not limited to a review of the claims in a patent in determining functionality, but it may also consider the disclosures in the patent. Based on a review of a number of patents, the TTAB explained that a bicycle wheel typically has 32 to 48 spokes that are spaced evenly, either radially or tangentially. However, the problem with this conventional, single-spoke arrangement according to the patents is that the more spokes the wheel has, the heavier and slower the bike. Further, conventional spoking can create speed wobble or shimmy. To address these problems, Applicant invented the concept of pairing spokes at the rim, where the outer end of a spoke from the left side of a bicycle wheel hub is paired together with the outer end of a spoke from the right side of the hub where the ends are attached to the rim.

Based on the patents it reviewed, including Applicant's own patents, the TTAB determined that this offset pairing of spokes by Applicant has a functional advantage because it puts less strain on the rim and the connection between the rim and the spokes. Further, the TTAB determined that Applicant's holes in the hub flanges also reduced spoke bending and stress. Finally, the TTAB noted that Applicant had admitted in his declaration that the configuration in his application was covered by a claim in one or more of his patents. Accordingly, the TTAB found that the features that were combined to produce the design of the applied-for wheel design—offset, tangentially laced, paired spokes, and paired flange holes—affected the quality of Applicant's bicycle wheel.

With respect to factor two, the TTAB noted that Applicant's website promoted his paired spoke wheels in a manner that suggested the functional advantage of Applicant's design. For example, Applicant indicated that he was "committed to developing the world's most innovative wheel designs that deliver the lightest fastest wheels available anywhere," and that its design patents contributed to "substantial improvements in strength, weight and aerodynamics." Further, the TTAB noted that there was no evidence of record that Applicant or any third party promoted the spoking pattern of a bicycle wheel for its visual appeal. Thus, the TTAB found that factor two was neutral or supported a finding that the design was functional.

The TTAB also found that factor three—the availability to competitors of alternate designs—favored a finding of functionality. The TTAB explained that where, as here, a feature of the device is found to affect the quality of the device, the Supreme Court has held that there is no need to proceed further to consider if there is a competitive necessity for the feature. Thus, the mere fact that bicycle wheels may be produced with different spoking arrangements did not detract from the functional character of Applicant's spoking design. Further, even considering the factor of alternative designs, the TTAB found that although at least one company copied Applicant's spoking design, there was nothing to indicate that it was copied for its visual appeal. Moreover, the TTAB explained that the question was not whether there were alternative designs that performed the same basic function, but rather whether the available designs work "equally well." Here, while other paired spoke designs might result in a well-performing wheel, the TTAB found that Applicant's design was protected by various parents and apparently performed better (and was implicitly promoted that way). Finally, although there may have been many other spoke designs, those designs may also have been functional.

As to factor four, the TTAB examined whether there was a simple or cheap method of manufacturing the bicycle wheel. The TTAB acknowledged that Applicant's bicycles were handmade, which was the most expensive way to manufacture a bicycle. However, the TTAB found that although lower manufacturing costs may be indicative of the functionality of a product feature, a higher cost would not detract from the functionality of that feature. This is because a product feature is functional when it affects the cost *or* quality of the article.

The TTAB thus affirmed the refusal of registration on the ground of functionality.

CONCLUSION

In determining whether a configuration is functional and thus unregistrable, the PTO follows the Supreme Court's holding in *TrafFix*. Accordingly, whether utility patents exist covering the configuration is an important consideration. Moreover, the TTAB will not only look at whether the applicant owns utility patents covering the applied-for configuration, but also whether third-party patents cover the features of the configuration.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE®

Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

September 2009 Issue

Back to Main

TTAB Cases

Nextel Commc'ns, Inc. v. Motorola, Inc., 91 USPQ2d 1393 (TTAB June 12, 2009)

by Linda K. McLeod and Danny M. Awdeh

ABSTRACT

The TTAB sustained Nextel Communications, Inc.'s ("Nextel") opposition to Motorola, Inc.'s ("Motorola") application to register a "chirp" sound for cellular telephones and two-way radios. The TTAB held that Motorola's "chirp" could not be inherently distinctive for cellular phones or two-way radios because both products make sound in their normal course of operation. Further, despite over a decade of use and "very substantial" sales, the TTAB concluded that Motorola's chirp had not acquired distinctiveness and, therefore, could not be registered on the Principal Register.

CASE SUMMARY

FACTS

Motorola manufactures a line of cell phones equipped with a proprietary "iDEN" technology that allows them to function as two-way radios. This technology is sometimes referred to as "push-to-talk" technology. Motorola's iDEN-equipped phones emit an 1800 hertz "chirp" when the two-way-radio feature is used, indicating that a call is being held in two-way-radio mode. In 2003, Motorola filed an application to register its chirp sound for "cellular telephones and two-way radios," claiming a first use date of April 30, 1996. Motorola has two U.S. customers for its iDEN phones, one of which is Nextel.

Among other things, Nextel offers what is sometimes referred to as "Direct Connect" service, which is a wireless-carrier service that allows subscribers to connect directly with each other using Motorola's iDEN-equipped cell phones. For over a decade, Nextel has expended "significant sums" promoting its Direct Connect service through radio, television, and print media. A majority of Nextel's nationally aired television ads feature the chirp sound emitted from Motorola's phones. Its print advertisements also refer to the chirp.

Together, Motorola and Nextel have been in a long-standing business relationship, whereby Motorola manufactures phones that operate on Nextel's carrier infrastructure and are sold through Nextel's retail outlets. One aspect of the parties' relationship was a "co-op advertising agreement," through which Motorola partially reimbursed Nextel for advertising expenditures that met certain requirements. For example, to qualify for reimbursement, Nextel's advertisements had to use Motorola's MOTOROLA and stylized “M” trademarks. The advertisements were not required, however, to use the chirp.

In 2005, Nextel filed an application to register the chirp, i.e., the same sound that Motorola sought to register, for various telecommunication services. Nextel’s application was suspended by the PTO based on a potential likelihood-of-confusion refusal should Motorola’s application mature to registration. Nextel then filed an opposition against Motorola’s application on the following grounds: (1) Motorola has not used the chirp as a trademark in commerce, and (2) that the chirp is not inherently distinctive and has not acquired distinctiveness.

ANALYSIS

The first issue before the TTAB was whether Motorola’s chirp could be inherently distinctive. While the PTO published Motorola’s application without requiring a showing of acquired distinctiveness, the TTAB found this to be in error. Relying on its recent decision in *In re Vertex Group, LLC*, 89 USPQ2d 1694 (TTAB 2009), the TTAB concluded that sound marks for goods that make the sound in their normal course of operation can never be inherently distinctive. Motorola’s iDEN-equipped phones fall into that category because they emit many different tones, including call-alert tones, low-battery alerts, etc.

The TTAB then turned to the question of acquired distinctiveness. In support of its claim for acquired distinctiveness, Motorola argued that it has been manufacturing cell phones that emit the chirp since 1996, that sales (in dollars and units) of these phones have been significant, and that it has expended “significant resources” advertising and promoting the chirp for cell phones. In addition, Applicant relied on two consumer surveys that were actually commissioned and introduced by Nextel to support its claim that the chirp had acquired distinctiveness. Before beginning its analysis, the TTAB stated that it was “heavily influenced” by (1) the fact that cell phones are the type of goods from which consumers expect to hear various sounds during operation, and Motorola failed to show that its chirp is significantly different from those sounds; and (2) the extent that others, including Nextel, use the chirp.

Nextel submitted testimony from its survey expert, Jacob Jacoby, to rebut Motorola’s acquired-distinctiveness claim. Jacoby conducted two mall-intercept surveys to measure whether Motorola’s chirp had acquired secondary meaning “among a universe of consumers who have cell phones with push-to-talk/walkie-talkie features.” Although Nextel commissioned the surveys, Motorola relied heavily on certain results to support its claim, namely, that 60 percent of the first-survey respondents (and 72 percent in the second survey) associated the chirp with a single source of either goods or services. Motorola argued that a clear majority of survey respondents associated the chirp with a single source, and that “[s]o long as respondents identify a single source, correctly or otherwise, the mark is source-identifying.” The TTAB explained that the problem with Motorola’s analysis is that the results upon which it relies do not specify whether survey respondents associated the chirp with goods, such as Motorola’s cell phones, or services, such as Nextel’s carrier or retail-sales services. When asked specifically “With what company do you associate that sound?” 53% of respondents identified Nextel and 1.5% identified Motorola.

Motorola argued that responses to the question “With what company do you associate that sound?” violated the “anonymous-source” rule. Under the anonymous-source rule, all that is required to establish acquired distinctiveness is that consumers associate the mark with a single, albeit anonymous source. The TTAB found Motorola’s argument to be misplaced because the anonymous-source rule is intended for situations where a typical buyer would not know the corporate identity of the source. Over half of the survey respondents, however, identified Nextel as the source associated with the chirp. This indicates, at the very least, that there is significant consumer recognition of the chirp as being associated with a single, identifiable source.

Motorola offered evidence of continued use of its chirp in commerce since 1996, significant advertising and promotional efforts (in the form of print, television, trade shows, product placement), and significant sales to show acquired distinctiveness. The TTAB, however, was not convinced that consumers actually perceived the chirp as a source-identifying trademark. Moreover, many television advertisements featured Nextel's name repeatedly and prominently. Because Nextel sells cell phones and carrier services, the TTAB explained that it is more likely that viewers of certain television ads would associate the chirp with Nextel, not Motorola.

CONCLUSION

This decision offers further insight into the burden of proof required to establish acquired distinctiveness for sound marks for products that make sound in their normal course of operation. Specifically, it suggests that significant sales and promotional efforts may not be enough on their own to meet that burden.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE®

Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

September 2009 Issue

Back to Main

TTAB Cases

Société Cooperative Vigeronne des Grandes Caves Richon-le-Zion & Zicron-Jacob Ltd. v. Albrecht-Piazza, LLC, Opp. No. 91190040 (TTAB Sept. 20, 2009)

by Julia Anne Matheson

ABSTRACT

In what is believed to be its first ruling on the issue of fraud following the Federal Circuit's *Bose* decision, the TTAB imposed a heightened pleading requirement on a fraud counterclaimant, holding that the mere allegations that an applicant had made material representations of fact that it "knew or should have known" were false or misleading were insufficient to state a claim. Emphasizing that no fraud occurs where a false misrepresentation is occasioned by an honest misunderstanding or inadvertence, the TTAB held that any supportable claim of fraud must include the allegation of "willful intent to deceive."

CASE SUMMARY

FACTS

The action in this case arose from a contested motion filed by Société Cooperative Vigeronne des Grandes Caves Richon-le-Zion and Zicron-Jacob Ltd. ("Opposers") to amend their Notice of Opposition to include an additional registration to support their dilution claim. In response to the original opposition, Albrecht-Piazza, LLC ("Applicant") filed a counterclaim seeking to cancel Opposers' pleaded registration on fraud grounds. In its counterclaim, Applicant alleged, on information and belief rather than actual knowledge, that Opposers' renewal declaration falsely claimed continued use on all existing goods although Opposers were no longer selling some of the goods listed in the registration. Applicant's fraud counterclaim alleged that Opposers "knew or should have known" that their declaration of continued use was false or misleading.

ANALYSIS

Following the lead of the Federal Circuit in its recent decision in *Bose*, the TTAB emphasized that fraud in procuring a trademark registration or renewal occurs only when a registrant *knowingly* makes false, material representations of fact. Thus, where the false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive, there is no fraud. In analyzing Applicant's counterclaim, the TTAB noted that Applicant's allegations were made solely based upon "information and belief" rather than actual knowledge, and relied upon the *implication* that Opposers "knew or should have known" that their declaration was false. The TTAB held that absent an indication in the pleadings that Applicant has actual knowledge of Opposers' willful intent to deceive and/or facts supporting such intent, Applicant's counterclaim failed to state a claim.

CONCLUSION

The decision confirms the end of the TTAB's strict rule of fraud under *Medinol* and underscores that post-*Bose*, a claim of fraud must be pled with particularity to withstand a motion to dismiss. In other words, going forward, to make out a viable claim of fraud, a litigant must have reasonable grounds to allege that the challenged applicant or registrant acted with willful intent, and not mere inadvertence, and made its false and material representation both *knowingly* and with the *intent* of deceiving the PTO.

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com

INCONTESTABLE®

Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

September 2009 Issue

Back to Main

Unregistrable

PE®SONAL FOUL

by Robert D. Litowitz

September 20, 2009, was a watershed day in the annals of popular culture. Not only did the wickedly brilliant comedy "Curb Your Enthusiasm" return to HBO after a two-year hiatus, with Larry David as deliciously kvetchy as ever, but the Dallas Cowboys unveiled their brand new football palace. Immediately, fans and the media dubbed it "Jerry World" in tribute to team owner Jerry Jones (either sincere or derisive, depending on your attitude towards "America's Team"). And this gridiron Xanadu had much to either love or loathe, depending on your appetite for wretched excess. Costing Jerry $1.2 billion, the new Cowboys Stadium seats over 80,000 and has standing room for many thousands more. It supposedly boasts every conceivable amenity, endless choices of food and beverages, lavish luxury boxes, and even ample bathroom facilities. Topping it off is a retractable roof that, when open, echoes the old stadium's signature architectural feature: a semidomed roof with a rectangular opening through which, as Cowboys fans liked to claim, the Big Fan in Heaven could watch His team play.

The centerpiece of the House That Jerry Built is a massive video-replay monitor. It spans almost the entire length of the field, weighs over 600 tons, and has a crystal-sharp, high-def display that seems more lifelike than reality itself. The $40 million video-board configuration has 30 million light bulbs and 25,000 square feet of video displays. And, oh yes, this eighth wonder of the world adds another dimension of risk to the mayhem on the field. Due to a design flaw, the screen hangs just low enough to deflect particularly well-struck punts as they reach the apogee of their booming arc. Well, as might be imagined, the TV announcers could barely contain their childlike awe. Before a TV audience of more than 25 million viewers, the broadcast team prattled breathlessly about that magnificent monitor, referring to it by the brand name JUMBOTRON. What great exposure for the manufacturer! The game, between arch NFC East rivals the Cowboys and the Giants, was a tense and entertaining affair that drew the largest TV audience for a Sunday night game in over a decade. Talk about prime product placement! You might think the manufacturer would be overjoyed. And you'd probably be wrong. You see, the screen's manufacturer is Mitsubishi Electric Diamond Vision. JUMBOTRON, however, is not a Mitsubishi trademark. It's Sony's. So, all that adulation and goodwill-generating acclaim—and its potential to drive the TV audience to their nearest big-box retailer to pick up a new HD flat screen for the rumpus room—was misdirected due to announcer-based brand error or ignorance. That the *New York Times* and other media outlets later exposed the gaffe is cold comfort for Mitsubishi, which missed out on a prime-time opportunity to have its name recognized as one of the state-of-the-art leaders in stadium-video technology. Perhaps the miscue will be corrected in a future broadcast, and all will be forgotten. But this episode illustrates the perils and pitfalls that can arise when one company's brand becomes synonymous with an entire product category either through fame or by default. To borrow some choice sports cliches, Mitsubishi gave it 110 percent, but still came up a yard short. From a branding point of view, “they was robbed!”

FINNEGAN

If you have any questions or need additional information, please contact:
Julia Anne Matheson, Editor-in-Chief
Jonathan M. Gelchinsky, Associate Editor
Kenneth H. Leichter, Assistant Editor

Washington, DC • Atlanta, GA • Cambridge, MA • Palo Alto, CA • Reston, VA • Brussels • Shanghai • Taipei • Tokyo

www.finnegan.com