



INTELLECTUAL PROPERTY | TRADEMARK | AUGUST 31, 2009

CAFC REVERSES THE BOSE CASE AND REJECTS *MEDINOL*'S "SHOULD HAVE KNOWN" STANDARD IN FRAUD CASES

In a long-awaited decision that is likely to curtail the number of USPTO-based “fraud” claims, the Court of Appeals for the Federal Circuit (“CAFC”) reversed the Trademark Trial and Appeal Board’s (“Board”) decision to cancel Bose Corp.’s WAVE registration in *Bose Corp. v. Hexawave, Inc.*, 88 USPQ 2d 1332 (TTAB 2007). In summary, the CAFC rejected the strict *Medinol* standard of fraud, under which an entire registration was vulnerable to cancellation where a registrant knowingly or negligently made false representations as to some aspect of its mark (e.g. concerning the scope of use of its mark) – whether or not there was evidence of actual intent to deceive. Instead, the CAFC adopted a more traditional test for fraud: **did the applicant [registrant] knowingly make false, material representations with the intent to deceive the PTO?**

In *Bose Corp.*, Bose opposed Hexawave’s application to register the mark HEXAWAVE based on prior rights and likelihood of confusion. Hexawave counterclaimed for cancellation of Bose Corp.’s WAVE registration on the ground it filed a Section 8 and 9 use and renewal affidavit which claimed use of the mark WAVE on all goods covered by the registration, including audio tape recorders and players which it had stopped selling some four years prior. Bose Corp.’s general counsel signed the use and renewal affidavit and, while he admitted Bose had stopped selling audio tape recorders and players, he stated he believed the mark was in use in commerce for these goods because Bose continued to service them and ship them back to customers. The Board sided with Hexawave, holding that repairing and shipping these goods was not use in commerce, that Bose Corp.’s counsel’s belief was not reasonable and that the use statement in the use and renewal affidavit was material. The Board held that Bose committed fraud on the Trademark Office and cancelled the registration in its entirety.

On appeal, the CAFC reiterated that fraud is a serious charge which must be “proven to the hilt.” The CAFC criticized the Board’s earlier *Medinol* holding, which mandated cancellation where the applicant or registrant “should have known” that its statements were false or misleading. The CAFC held “[t]he ‘should know’ language, if it signifies simple negligence or a gross negligence standard” is inconsistent with CAFC and CCPA precedent. The CAFC said, “[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.” It stated that “subjective intent to deceive, however difficult it may be to prove, is an indispensable element.” While such intent may be inferred from indirect and circumstantial evidence, it must be clear and convincing. If the false misrepresentation is due to an honest misunderstanding or inadvertence without a willful intent to deceive, there is no fraud – regardless whether that misunderstanding was “reasonable.” Thus, when Bose Corp.’s counsel had testified under oath he believed the statement was true at the time he signed the renewal application, that was enough to overcome the fraud charge, and the Board should not have discredited that explanation as “unreasonable.”

In the end, the CAFC agreed with the Board that because Bose Corp. no longer used the WAVE mark for audio tape recorders and players the registration needed to be restricted to “reflect commercial reality”

and it remanded the case to the Board to essentially strike these goods from the registration. It did not, however, strike the entire registration.

Trademark owners can now expect the battle to center on any circumstantial evidence of an intent to commit fraud on the PTO. Trademark owners must continue to exercise diligence and make accurate claims of trademark use in their applications and registrations. However, applicants and registrants can sleep soundly tonight knowing that if, despite their best efforts, they made a mistake, they have not automatically lost their federal trademark registration.

FOR FURTHER INFORMATION:

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