

Fraud on the Trademark and Copyright Office: A Review of Recent Decisions

Christopher Cotropia*

Introduction

When terms such as "inequitable conduct" or "fraud on the office" come up in the intellectual property context, one immediately thinks of patent law. The concept of inequitable conduct before the United States Patent and Trademark Office ("USPTO") is thought by many to involve only the first part of that agency's name—the Patent Office. This assumption is not without basis. Much ink has been spilt in court opinions, proposed statutory and regulatory reforms, and academic articles on the topic of inequitable conduct before the patent side of the USPTO.

However, there is a fairly robust case law on a type of inequitable conduct in trademark and copyright law. Identified as simply "fraud," the two major treatises in these two intellectual property areas devote sections to the concept of fraud on the trademark side of the USPTO ("Trademark Office"), and the United States Copyright Office ("Copyright Office").¹ Fraud on the Trademark and Copyright Office is plead with a greater regularity than one would imagine. And, as a result, many court opinions have addressed the concept of fraud in this context.

This Article serves two purposes. First, this Article introduces the main concepts behind fraud on the Trademark and Copyright Office. The basics of both of these doctrines are explored. Second, this Article will focus on recent case law in these two areas. The focus is on cases over the past six years in order to get a better understanding of the current state of these doctrines. The cases include opinions from court of appeals, district courts, and the Trademark Trial and Appeal Board ("TTAB"). Throughout this discussion, some observations will be made about these recent cases and what, if any, insight they have on possible doctrinal changes to come. In addition, to give the reader a reference point, comparisons will sometimes be made between the doctrines of fraud in trademark and copyright law and inequitable conduct in the patent law.

I. Fraud on the Trademark Office

Recent court opinions articulate the elements of proving fraud on the Trademark Office in two ways. The first requires the proof of five elements in order to establish the defense of fraud:

- (1) a false representation regarding a material fact;
- (2) knowledge or belief that the representation is false;

* Associate Professor of Law, Intellectual Property Institute, University of Richmond School of Law.

¹ See J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §§31.59-31.89 (4th Edition 2004).

Fraud on the Trademark and Copyright Office

- (3) an intention to induce the listener to act or refrain from acting in reliance upon the misrepresentation;
- (4) reasonable reliance upon the misrepresentation; and
- (5) damage proximately resulting from such reliance.²

This articulation of fraud leans heavily on the general concept of fraud under tort law. This test for fraud also focuses almost solely on "affirmative" fraud, or, a false statement to the office, as opposed to an omission.³ The test also requires an explicit showing of damages.

Other courts, and the TTAB, use different articulations of fraud on the Trademark Office. Some courts require "the alleged infringer to show false representation of a material fact, knowledge of its falsity, and intent to induce reliance on the misrepresentation."⁴ The test is still focused on affirmative, false statements, but just requires intended reliance as opposed to actual reliance. And no specific finding of damages is required.

Yet another articulation, by the Federal Circuit and the TTAB, indicates that fraud in obtaining a trademark registration occurs "when an applicant knowingly makes false, material representations of facts in connection with his application."⁵ This standard still appears to require an affirmative act, but does not mention reliance at all.

Boiled down, the test for fraud in trademark law does not vary widely, at least in its articulation, from the test for inequitable conduct in patent law. Patent law requires a proof that of an (1) affirmative misrepresentations of a material fact, failure to disclose material information, or submission of false material information and (2) an intent to deceive.⁶ The two main requirements—of materiality and intent—are common between both doctrines, regardless of the specific articulation used in trademark. The major difference, at least on its face, is that patent law explicitly includes omissions in the universe of fraudulent acts.

With the standard for fraud on the Trademark Office laid out, the rest of this section explores recent cases concerning three areas—procedural aspects of the doctrine, materiality both in the context of false representations and fraudulent omissions, and intent. These three areas will be taken in turn.

² Federal Treasury Enter. Sojuzplodoimport v. Spirits Int'l N.V., 425 F. Supp. 2d 458, 467-68 (S.D.N.Y. 2006) (citing McCarthy, *supra* note 1, at § 31:96).

³ McCarthy, *supra* note 1, at § 31:61.

⁴ Whirlpool Props., Inc. v. LG Elecs. U.S.A., Inc., 2005 WL 3088339, *25 (W.D. Mich. Nov. 17, 2005).

⁵ Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha, 77 USPQ2d 1917 (TTAB 2006) (citing Torres v. Cantine Torresella S.r.L., 808 F.2d 46 (Fed. Cir. 1986)).

⁶ Alza Corp. v. Mylan Labs., Inc., 391 F.3d 1365, 1373 (Fed. Cir. 2004).

A. Procedural Aspects

1. Must Plead with Rule 9(b) Particularity

A claim of fraud on the Trademark Office must be pled with the particularity required by Federal Rule of Civil Procedure 9(b).⁷ "The party pleading fraud on the Patent and Trademark Office must 'specify the statements that [it] contends were fraudulent' and 'explain why the statements were fraudulent.'"⁸ This requirement applies when pleading fraud in a district court action or in an opposition or cancellation proceeding before the TTAB.⁹

Over the last six years, courts have dismissed defenses of fraud for failing to meet the Rule 9(b) standard. In *Iowa Health System v. Trinity Health Corp.*, Iowa Health System asserted that the mark "Trinity Healthcare Services," U.S. Registration No. 1,783,699 (the "'669 mark") should be cancelled because, in part, it was procured by fraud.¹⁰ Iowa Health claimed that the original owner of the '669 mark "was aware that third parties had superior rights to the mark, but failed to disclose that fact to the [Trademark Office], and that the applicant knew that its listing of the services it intended to provide under the mark as 'healthcare services' was overbroad and misleading."¹¹ Trinity Health argued that these allegations were merely conclusory and seek to dismiss the claim under Rule 9(b).

The court initially found that Iowa Health properly alleged the "'circumstances' of the fraud"—they alleged the time, place, content of the false representations, identity of the person who made the misrepresentations, and what was obtained by the misrepresentations (the '669 mark).¹² The problem with Iowa Health's pleading, however, was they failed to identify a "factual basis" for their assertion that the original owner of the '669 trademark was both aware of a third party with superior rights and that the declaration of intended use was overbroad and misleading.¹³ Iowa Health plead these conclusions upon "information and belief" and Eighth Circuit case law requires such a pleading on information and belief to be "accompanied by a statement of the facts on which the belief was founded."¹⁴ Iowa Health failed to identify the third party with superior rights that the '669 trademark owner both knew of and failed to disclose.¹⁵ Iowa Health also plead that Trinity Health provided "health care services"—both failing to support the later allegation of fraud and, in turn, rebutting such an allegation.¹⁶

⁷ *San Juan Prods., Inc. v. San Juan Pools of Ka., Inc.*, 849 F.2d 468, 472 (10th Cir. 1988); *Iowa Health Sys. v. Trinity Health Corp.*, 177 F. Supp. 2d 897, 914-15 (N.D. Iowa 2001).

⁸ *Federal Treasury*, 425 F. Supp. 2d at 468 (quoting *Shields v. Citytrust Bancorp, Inc.*, 25 F.3d 1124, 1128 (2d Cir. 1994)).

⁹ *Id.*; *Ohio State Univ. v. Ohio Univ.*, 51 USPQ2d 1289, 1293 (TTAB 1999).

¹⁰ *Iowa Health*, 177 F. Supp. 2d at 913-14.

¹¹ *Id.* at 913.

¹² *Id.* at 915.

¹³ *Id.* at 916-17.

¹⁴ *Id.* at 916 (quoting *Fl. State Bd. of Admin. v. Green Tree Fin. Corp.*, 270 F.3d 645, 668 (8th Cir. 2001)).

¹⁵ *Id.* at 916-17.

¹⁶ *Id.* at 917.

Fraud on the Trademark and Copyright Office

A claim of fraud was also dismissed under Rule 9(b) in *Federal Treasury Enterprise Sojuzplodoimport v. Spirits International N.V.*¹⁷ The mark at issue was "Stolichnaya" for vodka and the plaintiff argued that the defendants did not have a rightful claim to the trademark, in part, because their registration was invalid due to fraud on the office.¹⁸ Plaintiff alleged that defendant's declarations of incontestability and continued use in commerce were false because there were Russian judicial proceedings concerning title to the mark pending.¹⁹

The court noted, however, that the only allegation in plaintiff's complaint was that defendants "knowingly present[ed] and cause[ed] false information to be presented to the [Patent and Trademark Office], in reliance on which the Patent and Trademark Office recorded the STOLICHNAYA Second Generation Marks as belonging to [defendants]."²⁰ No specific allegations of fraud were presented. The court went on to note that even if the complaint contained the specific allegations, they could not support a claim of fraud.²¹

These two cases are contrasted with the court's holding in *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*²² Louis Vuitton alleged that Dooney & Bourke infringed its "S Lock" trademark by using the mark on Dooney's handbags and other products. Dooney responded, in part, by alleging that Louis Vuitton committed fraud on the Trademark Office by intentionally changing its drawing of its mark in a later office submission and making a fraudulent statement regarding the mark's use.²³ The court found the pleading regarding these two basis for fraud to be sufficiently specific. The court noted that Dooney's pleadings identified the specific filings in which the fraud was contained and facts that showed that Louis Vuitton knew the representations were false.²⁴

2. Burden of Proof

A party trying to prove a claim of fraud on the Trademark Office carries a heavy burden. Fraud must be proven by clear and convincing evidence.²⁵ "Fraud . . . must be 'proved to the hilt' with little or no room for speculation or surmise; considerable room for honest mistake, inadvertence, erroneous conception of rights, and negligent omission; and any doubts resolved against the charging party."²⁶ As McCarthy puts it, "[b]oth the

¹⁷ 425 F. Supp. 2d 458, 467-69 (S.D.N.Y. 2006).

¹⁸ *Id.* at 467-68.

¹⁹ *Id.* at 468.

²⁰ *Id.* at 468 (quoting the Second Amended Complaint).

²¹ *Id.* at 468-69 (noting that the allegations amounted to an allegation of a defective chain of title underlying an assignment and that "[p]laintiffs have cited no authority for the proposition that the mere recording of an assignment may constitute fraud on the Patent and Trademark Office").

²² 2006 WL 2807213 (S.D.N.Y. Sept. 28, 2006).

²³ *Id.* at *4.

²⁴ *Id.* at *5.

²⁵ *Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 670 (7th Cir. 1982).

²⁶ *Yocum v. Covington*, 216 USPQ 210, 216 (TTAB 1982).

Fraud on the Trademark and Copyright Office

courts and the Trademark Board regards charges of fraud in procurement of trademark registration as a disfavored defense."²⁷

3. Section 38 of the Lanham Act (15 U.S.C. § 1120)

Not only can fraud on the Trademark Office be a defense, it can also be an affirmative claim that can vest, by itself, the district court with jurisdiction. Section 38 of the Lanham Act, 15 U.S.C. § 1120, creates civil liability for a false or fraudulent registration. Section 38 reads:

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

The case law regarding § 38 relies heavily on the case law regarding the traditional defense of fraud on the trademark office. The major differences are two.

First, as noted in the recent case *Philadelphia v. EMI Earthmate, Inc.*, § 38 authorizes a civil action "by any person" who makes allegations of fraud on the Trademark Office.²⁸ The City of Philadelphia alleged that it entered into a contract with the defendants that required them to register any trademark established for the contracted product to be registered in the name of the City.²⁹ Defendants did file an application and receive a trademark, but did not assign it to the City. The City sued the defendants alleging, in part, that defendants falsely registered the trademark "under its own name when it knew that its contract with the City required it to register the trademark under the City's name."³⁰

Defendants argued that the City did not have standing under the Lanham Act. The court found otherwise, noting that "the owner or registrant of a trademark is not the only party with standing to bring a civil action under the Lanham Act."³¹ Section 38 allows anyone who is injured by a fraudulent registration to sue in federal court under the Act.³²

The second difference between fraud as a defense and fraud under § 38 is that § 38 requires injury from the registration.³³ Attorneys fees and costs expended in trying to cancel the fraudulently procured mark do not qualify as damages under § 38.³⁴ Nor does

²⁷ McCarthy, *supra* note 1, § 31:68.

²⁸ 72 USPQ2d 1761, 1763 (E.D. Penn. 2004).

²⁹ *Id.* at 1762.

³⁰ *Id.* at 1763 (quoting the Complaint).

³¹ *Id.*

³² *Id.*

³³ 15 U.S.C. § 1120.

³⁴ McCarthy, *supra* note 1, at § 31:86.

any harm, such as an injunction or damages, resulting from a finding of trademark infringement based on a common law trademark under § 43(a) or a state law trademark.³⁵

4. Limit to Remedies from Finding of Fraud

Notably, even if one succeeds on a claim of fraud on the Trademark Office, the only result is cancellation of the mark from the federal registry.³⁶ The court in *Far Our Productions v. Oskar* recently noted that even if the mark is cancelled due to fraud, "the appellees could (and did) still bring suit alleging common law trademark infringement."³⁷ Fraud can result in an increase in damages, stemming from § 38, but in a trademark infringement case, one must still succeed against the infringement claim.³⁸

Such a limitation has led McCarthy to conclude that "[i]t is difficult to understand why defendants in many trademark infringement suits expend so much time, effort and money in vigorously pursuing the claim that plaintiff's federal registration was obtained by fraud."³⁹ The defense does not operate the same way as in patent cases where a successful claim of inequitable conduct renders the whole patent, including unasserted claims, unenforceable, leaving the patentee with nothing upon which to continue their assertion of infringement.⁴⁰

However, there are some benefits. Cancelling a federal registration may put the defendant in a better position regarding priority because the basis for constructive use nationwide is now gone.⁴¹ In addition, fraud's impact is wide enough that fraud regarding the false disclosure of use on certain goods and services will void the complete registration, even if some of the uses listed were correct.⁴² So, in a way, trademark fraud is not that far from inequitable conduct in that fraud regarding one use has the same effect as fraud regarding one patent claim—it invalidates all of the rights stemming from the fraudulently procured instrument.

In addition, fraud on the Trademark Office is a factual question tried to the jury.⁴³ A court recently decided in *Minnesota Mining & Manufacturing Co. v. Shurtape Technologies* that a claim of fraud is to be tried to a jury, not the court.⁴⁴ The court noted that many of the cases involving fraud on the Trademark Office have been given to the

³⁵ *Id.*

³⁶ See *Far Out Productions, Inc. v. Oskar*, 247 F.3d 986, 996 (9th Cir. 2001); McCarthy, *supra* note 1, at § 31:60.

³⁷ 247 F.3d at 996.

³⁸ *Gilber/Robinson, Inc. v. Carrier Beverage-Missouri, Inc.*, 989 F.2d 985 (8th Cir. 1993).

³⁹ McCarthy, *supra* note 1, at § 31:60.

⁴⁰ *Agfa Corp. v. Creo Prods. Inc.*, 451 F.3d 1366, 1379 (Fed. Cir. 2006) (noting that "inequitable conduct early in the prosecution may render unenforceable all claims which eventually issue from the same or a related application").

⁴¹ McCarthy, *supra* note 1, § 31:60.

⁴² *Grand Canyon West Ranch, LLC v. Haulapai Tribe*, 78 USPQ2d 1696 (TTAB 2006) (noting that without a finding of fraud, the trademark registration is simply amended to remove the uses that are not truly in use).

⁴³ *Minnesota Mining & Mfg. Co. v. Shurtape Techs. Inc.*, 62 USPQ2d 1606, 1607-08 (D. Minn. 2002).

⁴⁴ *Id.*

jury.⁴⁵ Furthermore, there is no prudential reason to bifurcate the fraud claim from the rest of the trademark litigation.⁴⁶ Getting facts regarding fraud before a jury has a high likelihood of influencing the jury's views on other issues regarding the litigation.

B. Materiality

In order to establish fraud on the Trademark Office, one must prove that the false statement or omission was material to the office. That is, "but for the misrepresentation, the federal registration either would not or should not have issued."⁴⁷ This section breaks up the materiality discussion into two categories. The first deals with affirmative statements that are material. That is, false statements to the office. The second considers omissions that are material to the office. Notably, the later is not explicitly set forth as a possible basis for fraud in most recitations of the required elements for fraud on the Trademark Office. However, courts and the TTAB clearly allow such omissions, given their materiality and the requisite intent, to support a finding of fraud.

1. False Statements Regarding "Use"

There are two types of false statements regarding use that can be material. The first involves representations of whether the mark is in use or not and when that use started. The second, assuming the mark is actually in use, are representations regarding on which products or services the mark is used.

Use in commerce must be established to obtain a federal trademark.⁴⁸ A declaration of use is required upon first filing a trademark registration and then to maintain the mark on the registry.⁴⁹ A common charge of fraud is that the trademark holder told the office the mark was in use when, in actuality, it was not.

Such claims have come up recently in the context of incontestability affidavits. Part of an affidavit to support a claim of incontestability is a declaration of continuous use for five consecutive years and that it is still in use in commerce.⁵⁰ In *Pilates, Inc. v. Current Concepts, Inc.*, the defendant claimed that the registration of the plaintiff's service mark for PILATES was obtained by fraud because the incontestability affidavit was false.⁵¹ Specifically, the defendant alleged that the plaintiff did not use the mark in interstate commerce for four of the five year period.⁵² The court agreed that this was material because failure to file an affidavit including these representations would have resulted in cancellation of the mark.⁵³

⁴⁵ *Id.* at 1608.

⁴⁶ *Id.*

⁴⁷ McCarthy, *supra* note 1, at § 31:67.

⁴⁸ *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499 (7th Cir. 1992).

⁴⁹ 15 U.S.C. § 1051.

⁵⁰ 15 U.S.C. § 1065(3).

⁵¹ 120 F. Supp. 2d 286, 312-13 (S.D.N.Y. 2000).

⁵² *Id.*

⁵³ *Id.* at 312 (citing 15 U.S.C. § 105(a)-(b)).

Fraud on the Trademark and Copyright Office

In other instances, however, false statements regarding use are not material. For example, the allegations in *Lewis v. Microsoft Corp.* recite a common false statement that is not material.⁵⁴ Lewis alleged that Microsoft's registration for WINDOWS was obtained by fraud, and thus the underlying act for a RICO claim, because the trademark application contained an incorrect "first use date."⁵⁵ The court noted, in line with previous case law, that this statement of first use, even if it is false, cannot be material "as long as the actual first use occurred prior to the application date."⁵⁶

Another example of a non-material false statement regarding use arose in *Stoller v. Sutech U.S.A., Inc.*⁵⁷ Stoller claimed that Sutech obtained its STEALTH mark for its lawnmower by fraud. Specifically, Stoller claimed that Sutech made false statements regarding its prior use in an intent-to-use application.⁵⁸ The court found that such statements, if truly false, could not be material because "[a]n intent-to-use application does not rely on or require any prior use of the mark, and Sutech was not required to prove any priority date based on its first use of the mark."⁵⁹ Furthermore, there is nothing that prevents an applicant from filing an intent-to-use application when that applicant has actually used the mark in the past.⁶⁰

The second category of use cases involve situations where the mark is truly in use, but not on all of the goods and services listed in the application. There are two recent examples of such claims in cases before the TTAB. In *Medinol Ltd. v. Neuro Vasx, Inc.*, Medinol sought to cancel Neuro Vasx mark NEUROVASX.⁶¹ The application for NEUROVASX identified two goods—stents and catheters.⁶² However, even when Neuro Vasx filed its statement of use in response to the notice of allowance, the mark was not in use on stents.⁶³ That is, it was only being used on catheters. The TTAB found such a false representation to the office material because use is required to get a registration for each good or service listed.⁶⁴

A similar finding of materiality was made in *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*.⁶⁵ Standard opposed Toyota's registration of the mark TUNDRA for "automobiles and structural parts thereof."⁶⁶ In response, Toyota argued, in part, that Standard's registrations for the marks TUNDRA and TUNDRA SPORT

⁵⁴ 410 F. Supp. 2d 432, 439 (E.D.N.C. 2006).

⁵⁵ *Id.*

⁵⁶ *Id.* The court also found that Lewis's RICO claim failed because there was no evidence that the alleged fraudulent activity was directed at Lewis. *Id.*

⁵⁷ 2006 WL 2853059 (Fed. Cir. Oct. 5, 2006).

⁵⁸ *Id.* at *2.

⁵⁹ *Id.*

⁶⁰ *Id.* (citing *Corporate Document Servs. Inc. v. I.C.E.D. Mgmt. Inc.*, 48 USPQ2d 1477, 1479 (TTAB 1998)).

⁶¹ 67 USPQ2d 1205 (TTAB 2003).

⁶² *Id.* at 1209-10.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ 77 USPQ2d 1917 (TTAB 2005).

⁶⁶ *Id.* at 1919.

Fraud on the Trademark and Copyright Office

should be cancelled due to fraud.⁶⁷ Toyota argued, and the TTAB agreed, that while these marks identified certain children's clothing in their registrations, there was never any use of the marks by Standard on children's clothing.⁶⁸ These false statements of use are material. "There is no question that the USPTO would not have granted registrations covering goods on which the mark is not being used."⁶⁹

2. Omissions

As noted above, omission of material information is not explicitly set forth as a grounds for fraud on the Trademark Office. However, as seen below, the courts and TTAB seem willing to at least entertain the possibility that an omission can form the foundation for a finding of fraud.

a. Failure to Disclose Use By Others

McCarthy has stated that claims of fraud that rely on an applicant's failure to disclose use of the mark by others non-disclosure "have uniformly been rejected."⁷⁰ This statement is transformed by some into the belief that there is no duty to disclose other's use of a mark to the Trademark Office. While close to the truth, this conclusion of "no duty" goes a bit farther than the case law indicates. There are instances where an applicant must disclose another's use of the mark—those instances where another user has "clearly established" rights to the mark.⁷¹ That is, one must disclose any knowledge they have of someone else's *rights* in the mark, not mere use. The basis for this distinction, and for the affirmative obligation of disclosure, albeit limited, is the required application oath that one "believes himself, or the firm, corporation or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered."⁷²

The TTAB, in *Ohio State University v. Ohio University*, set forth four facts that need to be established to prove fraud due to failure to disclose.⁷³ These facts are:

- (1) there was in fact another use of the same or a confusingly similar mark at the time the oath was signed;
- (2) the other user had legal rights superior to applicant's rights;
- (3) applicant knew that the other user had rights in the mark superior to applicant's, and either believed that a likelihood of confusion would result from applicant's use of its mark or had no reasonable basis for believing otherwise; and

⁶⁷ *Id.*

⁶⁸ *Id.* at 1926-27.

⁶⁹ *Id.* at 1928.

⁷⁰ McCarthy, *supra* note 1, § 31:76.

⁷¹ *Rosso & Mastracco, Inc. v. Giant Food, Inc.*, 720 F.2d 1263, 1266 (Fed. Cir. 1983).

⁷² 15 U.S.C. § 1051(a).

⁷³ 51 USPQ2d 1289 (TTAB 1999)

Fraud on the Trademark and Copyright Office

(4) applicant, in failing to disclose these facts to the Patent and Trademark Office, intended to procure a registration to which applicant was not entitled.⁷⁴

The Federal Circuit has also indicated the extent of the duty to disclose. The court noted that other user's rights are "clearly established," and thus need to be disclosed, when they are identified by "a court decree, by . . . a settlement agreement, or by a [trademark] registration."⁷⁵

In *eCash Technologies, Inc. v. Guagliardo*, the defendant alleged that the plaintiff's mark ECASH should be cancelled for failing to disclose the defendant's ownership of the domain name ecash.com.⁷⁶ The court noted that the trademark applicant only need a "good faith" belief that it is the senior user.⁷⁷ In addition, the court stated that there is "no duty to investigate and report to the PTO all other possible users of the same or similar mark."⁷⁸ The court then noted that mere registration of a domain name does not convey trademark rights.⁷⁹ Thus, the non-disclosure of another's ownership of a domain name that uses the mark is not material.⁸⁰

The court in *Whirlpool Properties, Inc. v. LG Electronics U.S.A., Inc.* came to a similar conclusion, not placing an affirmative duty to investigate and disclose similar marks to the office.⁸¹ The defendant alleged that the mark WHISPER QUIET was obtained fraudulently due, in part, because of plaintiff's failure to disclose other's uses of the mark that would indicate the mark is generic or merely descriptive.⁸² Other's usage did not clearly establish another's equal or superior right to the mark. "The fact that other parties had been using the words whisper quiet, either in common speech or in commerce, did not disable Whirlpool from attempting to show that the words had acquired secondary meaning for KitchenAid dishwashers and washing machines."⁸³ The court concluded that "[l]ike most allegations of fraud in this area, defendants' assertions are weak and ill-founded."⁸⁴

The court's decision in *General Healthcare Ltd. v. Qashat* deviates a little from previous case law, suggesting that knowledge of prior use in commerce may prompt some duty of investigation to support non-disclosure.⁸⁵ The plaintiff alleged, among other things, that the defendant was aware of prior use of the KENT mark when he

⁷⁴ *Id.* at 1293 (finding that all of these facts were plead with enough specificity to survive a Rule 9(b) inquiry).

⁷⁵ *Rosso*, 720 F.2d at 1266.

⁷⁶ 127 F. Supp. 1069, 1079 (C.D. Cal. 2000).

⁷⁷ *Id.*

⁷⁸ *Id.* at 1079-80 (citing *Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 670 (7th Cir. 1982)).

⁷⁹ *Id.* at 1080.

⁸⁰ *Id.*

⁸¹ 2005 WL 3088339, *25 (W.D. Mich. Nov. 17, 2005)

⁸² *Id.* (noting this is the best way to characterize the argument by defendant, for any other way would simply be dealing with characterization to the office, not the presentation of facts).

⁸³ *Id.*

⁸⁴ *Id.* at *26.

⁸⁵ 364 F.3d 332 (1st Cir. 2004).

registered.⁸⁶ The court found that the defendant was aware of prior use of the KENT mark.⁸⁷ However, the defendant had a reasonable basis "that he was simply appropriating an abandoned mark."⁸⁸ The defendant only knew of use of the mark in the Middle East. He even investigated the prior use of the KENT mark and found that an earlier application for registration of the mark was rejected, the file was subsequently destroyed, and the prior user had stopped all operations.⁸⁹ These facts helped support a good faith belief that the defendant had rights to the mark.

Courts have found fraud based on a failure to disclose. In *United Phosphorus Ltd. v. Midland Fumigant, Inc.*, the court upheld a jury verdict of fraud on the Trademark Office based on a failure to disclose a prior use.⁹⁰ The mark at issue was QUICK-PHOS and the jury was presented with evidence that the defendant, the mark holder, knew about another company, United, using the same mark for the same product when they filed for their registration.⁹¹ Evidence was produced that the defendant bought the QUICK-PHOS marked product from United and that United had notified the defendant they owned the QUICK-PHOS mark.⁹² While there was no federal registration or prior judgment, the court concluded that "[g]iven these facts, the jury was free to find [defendant's] representatives knew United owned the QUICK-PHOS mark and had the right to use the mark in interstate commerce."⁹³

Based on these cases, the standard for materiality regarding omissions is not terribly different than that in patent law. There is no affirmative duty to search, which exists in patent law as well. The major difference is the quantity and quality of the information that one knows that must be disclosed. In patent law, materiality is defined broadly enough to prompt disclosure of anything known that is even minimally relevant to patentability. However, in trademark law, the law on disclosure of prior uses prompts a high degree of materiality on the ultimate issue of priority—requiring disclosures only in those instances where it is clear the other user has either equal or superior rights in the mark.⁹⁴

b. Failure to Disclose Geographic Identity

An interesting recent case placed an affirmative duty on an applicant to disclose the specific geographic identity of a mark. In *Daesang Corp. v. Rhee Bros. Inc.*, the plaintiff claimed the defendant fraudulently procured the mark SOON CHANG for a Korean condiment or sauce commonly known as hot pepper paste or hot bean paste.⁹⁵ This condiment is also known as Gochujang and is very popular among Koreans and the

⁸⁶ *Id.* at 338.

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ 205 F.3d 1219, 1226-27 (10th Cir. 2000).

⁹¹ *Id.* at 1227.

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Whirlpool Props.*, 2005 WL 3088339, at *25.

⁹⁵ 77 USPQ2d 1753, 1755 (D. Md. 2005).

Soon Chang province of Korea "has been well known for and associated with producing high quality gochujang for centuries."⁹⁶ The defendant-applicant failed to inform the Trademark Office of "Soon Chang's geographical identity [or its] association with high quality gochujang."⁹⁷ Instead, the defendant told the office that Soon Chang meant "pure spear."⁹⁸

The court found that the defendant's representations to the office, and failure to inform the office of the goods-place association between Soon Chang and gochujang, amounted to a material omission.⁹⁹ The defendant had knowledge of this goods-place association amongst the relevant consuming public—Korean-Americans.¹⁰⁰ The failure to tell the office more than the fact that Soon Chang is a town in Korea "is simply insufficient to satisfy [the defendant's] duty to make a full disclosure as to all relevant facts of which it had knowledge bearing on the PTO's decision to grant the registration."¹⁰¹ This omitted information is material because if disclosed, "the PTO would certainly have denied the registration on the ground that this association rendered the mark deceptive and primarily geographically deceptively misdescriptive."¹⁰²

c. Failure to Disclose Related Patents

In *Roller Derby Skate Corp. v. Bauer Nike Hockey Inc.*, Roller Derby opposed registration of a particular design, in part, because of fraud on the trademark office.¹⁰³ Roller Derby's specific allegation is based on Bauer's failure to disclose three United States patents and two Canadian patents to which the mark was the subject.¹⁰⁴ The argument, presumably, is that these patents would be material to the issue of functionality. The TTAB did not rule on this claim in the January 7, 2005 opinion. However, one can envision such a claim to meet the requirement of materiality, particularly given the Supreme Court's decision in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*¹⁰⁵

C. Intent

Traditionally, the intent required to establish fraud on the trademark office is willful intent.¹⁰⁶ That is, "[f]raud arises only when the party making the false statement of fact knows that the fact is false."¹⁰⁷ However, as of late, the standard has broadened to

⁹⁶ *Id.*

⁹⁷ *Id.* at 1760.

⁹⁸ *Id.*

⁹⁹ *Id.* at 1761.

¹⁰⁰ *Id.*

¹⁰¹ *Id.* at 1762.

¹⁰² *Id.*

¹⁰³ 2005 WL 67826 (TTAB Jan. 7, 2005).

¹⁰⁴ *Id.* at *1.

¹⁰⁵ 532 U.S. 23 (2001).

¹⁰⁶ *Smith Int'l, Inc. v. Olin Corp.*, 209 USPQ 1033, 1043 (TTAB 1981); McCarthy, *supra* note 1, at § 31:66.

¹⁰⁷ McCarthy, *supra* note 1, at § 31:66.

encompass both situations where they knew the falsehood and *should have known* the falsehood.¹⁰⁸

The relaxing of the standard is seen in the recent TTAB decision in *Medinol*, discussed earlier.¹⁰⁹ The material false statement at issue regarding the goods listed for use, with the applicant listing both stents and catheters, while the mark NEUROVSAX was not used on stents.¹¹⁰ The applicant asserted that the inclusion of stents was "apparently overlooked" and thus the President of Neuro Vasx, who signed the declaration of use.¹¹¹

The TTAB concluded that all that was required to establish intent to commit fraud on the trademark office is a "reckless disregard for the truth."¹¹² That is, as long as one can establish that the trademark applicant "should have known" the statement was false, then intent is established.¹¹³ The TTAB noted that the "appropriate inquiry is therefore not into the registrant's subjective intent, but rather into the objective manifestations of that intent."¹¹⁴ The TTAB supported this standard for intent by citing an earlier Federal Circuit case, *Torres v. Cantine Torresella S.r.L.*¹¹⁵

The TTAB found that the applicant should have known about the false statement of use due to many factors. First, there were only two goods identified, making it easy for the applicant to know what use they were alleging.¹¹⁶ In addition, the oath of use includes statements, such as the possibility of imprisonment or fine for false statements, that inject "such degree of solemnity" to prompt thorough investigation before signature and submission to the Trademark Office.¹¹⁷ The TTAB also noted that the oath was not lengthy and that the president of Neuro Vasx, who signed the oath, was "clearly in a position to know (or to inquire) as to the truth of the statements therein."¹¹⁸ This was all enough, without any regard for the applicant's subjective beliefs, to establish the necessary intent.

The TTAB continued application of the "should have known" standard in *Standard Knitting*.¹¹⁹ The claim of fraud was again on a false statement of use. However, in this case there were many goods listed under use as opposed to just the two in *Medinol*.¹²⁰ The TTAB cited the standard of intent set forth in *Medinol*.¹²¹ It inquired

¹⁰⁸ Karen P. Severson, *Filer Beware: Medinol Standard Set Forth by the United States Patent and Trademark Office*, 96 Trademark Reporter 758, 758-59 (2006).

¹⁰⁹ 67 USPQ2d 1205 (TTAB 2003).

¹¹⁰ *Id.* at 1207-08.

¹¹¹ *Id.* at 1210.

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.* at 1209.

¹¹⁵ *Id.* (citing 808 F.2d 46 (Fed. Cir. 1986)).

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ 77 USPQ2d 1917 (TTAB 2006).

¹²⁰ *Id.* at 1926-27.

¹²¹ *Id.* at 1926.

as to whether, even if the false statements were mistakes, they were "reasonable one[s]."¹²² Furthermore, the TTAB noted that, even assuming the signor of the oath of use—the president of Standard Knitting—"did not personally know whether the marks were in use . . . in the United States, he was obligated to inquire and to the extent he did inquire, by looking at prior registrations, relying on his attorney's representations, and asking [two others in the company], those inquiries were grossly insufficient."¹²³ The TTAB found that the president "had no idea" where the mark was in use and that this lack of knowledge evidenced a "reckless disregard for the truth."¹²⁴ As in *Medinol*, the TTAB found that "[t]he specific or actual intent of [the oath signor] is not material to the question of fraud."¹²⁵

This lowered standard for intent evidences a noticeable deviation from the level of intent required to prove inequitable conduct in patent law. As the Federal Circuit, sitting en banc, explicitly set forth in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, neither "gross negligence" or "acts indicating an intent to deceive," can support a finding of intent to prove inequitable conduct.¹²⁶ The Federal Circuit has frequently repeated this holding, noting that "grossly negligent conduct" is not enough to establish intent.¹²⁷ In contrast, the TTAB in *Medinol* and *Standard Knitting* specifically find that "reckless disregard," which amounts to gross negligence, can be the basis for fraud on the trademark office. The TTAB in *Standard Knitting* specifically reject the holding in *Kingsdown*, noting that patent cases have no relevance to the issue of trademark fraud.¹²⁸

As a result, while there the scope of materiality is quite narrow, what amounts to intent is quite large.¹²⁹ This low bar for intent imposes a duty to inquire not found in patent law. Thus, trademark practitioners need to consider whether there are facts they should know and get to know those facts in order to avoid a finding of trademark fraud.

II. Fraud on the Copyright Office

Fraud on the Copyright Office, like trademark fraud and inequitable conduct in patent law, consists of two major components, materiality and intent. However, like trademark, the specific articulations of the doctrine vary among circuits and district courts. Nimmer, in his treatise, says fraud exists if "the claimant willfully misstates or fails to state a fact that, if known, might have caused the Copyright Office to reject the application."¹³⁰ This articulation requires subjective intent, not merely gross negligence, and includes omissions in the actions that can possibly be fraud. In this way, copyright fraud is much more like inequitable conduct than trademark fraud.

¹²² *Id.* at 1972.

¹²³ *Id.* at 1927.

¹²⁴ *Id.* at 1927-28.

¹²⁵ *Id.* at 1928.

¹²⁶ 863 F.2d 867, 872 (Fed. Cir. 1988).

¹²⁷ *Ulead Sys., Inc. v. Lex Comp. & Mgmt. corp.*, 351 F.3d 1139, 1145 (Fed. Cir. 2003).

¹²⁸ *Standard Knitting*, 77 USPQ2d at 1927 n.13.

¹²⁹ Severson, *supra* note 108, at 767-68.

¹³⁰ Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 7.20[B] (2005).

Fraud on the Trademark and Copyright Office

Courts follow this standard, adding small glosses of their own here and there. The Second Circuit's standard parrots Nimmer's, indicating that fraud on the Office is "the knowing failure to advise the Copyright Office of facts which might have occasioned a rejection of the application."¹³¹ Some courts add the requirement of reliance by the Office. In *Lennon v. Seaman*, a district court in the Southern District of New York stated that "the party asserting the fraud must establish that the application for copyright registration is factually inaccurate, that the inaccuracies were willful and deliberate, and that the Copyright Office relied on those misrepresentations."¹³²

The Ninth Circuit finds fraud in situations where the falsehood is inadvertent, but "the alleged infringer has relied to its detriment on the mistake."¹³³ This additional way to find fraud mimics, to an extent, § 38 of the Lanham Act that allows fraud to be actionable if there is actual damage to someone else. The main difference being that § 38 still requires a finding of intent, while this form of "detrimental reliance" fraud does not require a finding of intent.

With the basics of fraud on the Copyright Office established, the rest of this section looks at the specifics, proceeding in the same fashion as the Article did with trademark fraud. First, some procedural aspects of copyright fraud are identified. Then, the two main requirements for a finding of fraud, materiality and intent, are explored in turn.

A. *Procedural Aspects*

1. Must Plead with Rule 9(b) Particularity

As was noted with regards to trademark fraud, fraud on the Copyright Office, at least with some courts, must meet the heightened pleading requires of Rule 9(b).¹³⁴

2. Burden of Proof

Many courts and commentators have said that "a party seeking to prove fraud on the Copyright Office bears a 'heavy burden.'"¹³⁵ As recent as the *Lennon* case in the Southern District of New York, courts have identified this strong presumption against a finding of fraud.¹³⁶ Thus, "courts generally follow a liberal approach to upholding even erroneous registration applications."¹³⁷ The court in *Lennon* went so far as to note the possible additional requirement, beyond materiality and intent, that the party alleging fraud has "been prejudiced, or suffered some damage, as a result of the alleged fraud."¹³⁸

¹³¹ *Eckes v. Card Price Update*, 736 F.2d 859, 861 (2d Cir. 1984).

¹³² 84 F. Supp. 2d 522, 525 (S.D.N.Y. 2000).

¹³³ *Urantia Found. v. Maaherra*, 114 F.3d 955, 963 (9th Cir. 1997).

¹³⁴ *Lennon*, 84 F. Supp. 2d at 525 n. 2 (citing other Southern District of New York cases).

¹³⁵ Nimmer & Nimmer, *supra* note 130, at § 7.20[B].

¹³⁶ *Lennon*, 84 F. Supp. 2d at 525.

¹³⁷ Nimmer & Nimmer, *supra* note 130, at § 7.20[B].

¹³⁸ *Id.* (citing cases).

3. Available Remedy

One of the unique aspects of fraud on the Copyright Office is the remedy available and the impact that remedy can have on a copyright infringement action.

A copyright can exist in a particular work regardless of whether that work is registered with the Copyright Office.¹³⁹ However, § 411 of the Federal Copyright Act indicates that "no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made."¹⁴⁰ A copyright holder must, therefore, register the work upon they are alleging infringement in order to vest the federal court with jurisdiction.¹⁴¹ Furthermore, registration creates a rebuttable presumption that the copyright is valid.¹⁴²

The result of a finding of fraud on the Copyright Office is an invalidation of the registration.¹⁴³ In turn, this robs the federal court of jurisdiction and forces the suit to be dismissed.¹⁴⁴ The fraud cannot be cured by a supplemental registration because a supplemental registration "augments" but does not "supersede" the original registration.¹⁴⁵ The original registration cannot be "retroactively chang[ed]."¹⁴⁶ Furthermore, in *Queenie, Ltd. v. Nygard International*, a finding of fraud also supported an award of attorney fees.¹⁴⁷

Even if fraud is not found, a material misstatement can still have the effect of removing the presumption of validity.¹⁴⁸ The court still has jurisdiction, because there was no fraud due to lack of intent. However, the rebuttable presumption has disappeared.¹⁴⁹

An interesting question not answered by the courts is whether a copyright owner can, after a finding of fraud, just go back and refile their copyright registration and file suit again. Presumably this is possible given that registration is merely a formality to create jurisdiction and does not speak to the underlying copyright's validity. However, even if this is a viable option, it is not a situation in which one would want to find themselves.

¹³⁹ 17 U.S.C. § 408(a).

¹⁴⁰ 17 U.S.C. § 411(a).

¹⁴¹ *See, e.g., Raquel v. Education Mgmt. Corp.*, 196 F.3d 171, 179 (3d Cir. 1999), vacated on other grnds, 531 U.S. 952 (2000); *Morgan, Inc. v. White Rock Distilleries, Inc.*, 230 F. Supp. 2d 104, 107 (D. Me. 2002).

¹⁴² 17 U.S.C. § 410(c); *Whimsicality, Inc. v. Rubie's Costume Co.*, 891 F.2d 452, 455 (2d Cir. 1980).

¹⁴³ *Nimmer & Nimmer, supra* note 130, at § 7.20[B].

¹⁴⁴ *Raquel*, 196 F.3d at 179; *Eckes v. Card Prices Update*, 736 F.2d 859, 861-62 (2d Cir. 1984) (concluding that the knowing failure to "advise the Copyright Office of facts which might have occasioned a rejection of the application" is enough to preclude infringement action").

¹⁴⁵ 37 C.F.R. § 201.5(b)(2)(ii)A), 201.5(d)(2); *Shady Records, Inc. v. Source Enterps., Inc.*, 2005 WL 14920, *11 (S.D.N.Y. 2005).

¹⁴⁶ *R. Ready Prods., Inc. v. Cantrell*, 85 F. Supp. 2d 672, 692 (S.D. Tex. 2000).

¹⁴⁷ 321 F.3d 282, 289 (2d Cir. 2003).

¹⁴⁸ *Lennon*, 84 F. Supp. 2d at 525.

¹⁴⁹ *Id.*

B. Materiality

As previously noted, for a misstatement or omission to be considered as fraud it must be material. For a misstatement or omission to be material, it must be relevant to the question of registration. Almost all allegations of fraud center on the question of ownership. Either ownership in the sense of whether the registrant is an author or whether the work is based on preexisting, copyrighted works. Such a narrow focus of materiality is expected given that copyrights are simply registered, not examined.

1. Misstatement of Authorship or Ownership

One of the most common allegations of fraud on the Copyright Office focuses on a misstatement as to authorship and/or ownership. In most cases, fraud is based upon listing someone as an author who is, in truth, not a co-author or the opposite—failing to list someone as a co-author who is, in truth, a co-author. For example, in *Shady Records, Inc. v. Source Enterprises, Inc.*, one of the allegations of copyright fraud argued that the registrations for the song "So Many Styles" failed to include two co-authors.¹⁵⁰ The court noted that the plaintiff admitted that both of these omitted individuals did "participat[e] in the creation of 'So Many Styles,'" and thus were co-authors.¹⁵¹

The court still found the omission of these co-authors as immaterial and thus, as a matter of law, their absence did not invalidate the registration.¹⁵² The court noted that material information goes to questions of originality, the nature of the copyright work, and contested claims of authorship or ownership.¹⁵³ Here, the failure to cite additional authors was not material because the Copyright Office specifically allows for the augmentation of the original registration through supplemental registration.¹⁵⁴ That is, the Office freely allows the addition of authors, and thus the Office clearly does not see such omissions as being material.¹⁵⁵

In *Tuff-N-Rumble Management, Inc. v. Sugarhill Music Publishing*, the court found the opposite immaterial—the original inclusion of someone who was not, in actuality, an author.¹⁵⁶ One of the allegations of fraud in *Tuff-N-Rumble* was that Tuff City Records was incorrectly listed as an author on the registration for the song "Spoonin' Rap."¹⁵⁷ The court concluded that there was no reason as to why the Copyright Office would have rejected the registration application had Tuff City Records not been listed as

¹⁵⁰ 2005 WL 14920, at *10.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ *Id.* at *11 (citing cases).

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ 99 F. Supp. 2d 450, 455-56 (S.D.N.Y. 2000).

¹⁵⁷ *Id.*

an author.¹⁵⁸ The court found no authority suggesting the Office would have even questioned the application if it knew of this error.¹⁵⁹

In contrast to authorship errors, courts have found errors as to ownership material. The correctness of ownership does effect "the ability of the Copyright Office to properly register the copyright to the true owner."¹⁶⁰ And issues of ownership can be tied to issues of authorship.

For example, an improper statement as to whether the work was a work for hire can be material. In *Morgan*, the individual photographer of the work at issue registered the photograph in his own name, not the company for which he was working.¹⁶¹ Thus, the copyright registration as issued was incorrect, with him listed as the author, and therefore, owner.¹⁶² If the work was a work for hire, the author and owner is the company for which he worked.¹⁶³ This error in ownership was material because it rendered the registration invalid.¹⁶⁴

Not all courts, however, find mistakes as to whether a work is for hire material. In *Morelli v. Tiffany & Co.*, the court found the failure to identify the jewelry designs as works for hire to not be material.¹⁶⁵ The facts are similar to those in *Morgan*, with the designer registering the works as his own as the author and failing to identify the company who was the true author under the work for hire doctrine.¹⁶⁶ The crucial difference between the two cases is two-fold. First, the Copyright Office actually rejected the incorrect application because of lack of originality, and thus the plaintiff was not able to use the registration to gain a presumption of validity.¹⁶⁷ In addition, the Copyright Office intervened in the case and said that the correct designation of authorship, and thus ownership, would not "have negatively influenced any decision made by [the] Office."¹⁶⁸ There was also good evidence of no intent, which will be discussed below.

In *Shady Records*, the court found a mistake regarding a work for hire designation as immaterial where the error went the other way—a work was identified as a work for hire when it was not.¹⁶⁹ With regards to the registration of the song "Oh Foolish Pride," the registration incorrectly identified the work as a work for hire for a company that was not formed at the time of the work's creation.¹⁷⁰ Thus, the correct owner was not the company, but the authors themselves. However, there was information that at the time of

¹⁵⁸ *Id.* at 456.

¹⁵⁹ *Id.*

¹⁶⁰ *Shady Records*, 2005 WL 14920, at *11.

¹⁶¹ 230 F. Supp. 2d at 108.

¹⁶² *Id.*

¹⁶³ 17 U.S.C. § 201(b).

¹⁶⁴ *Morgan*, 230 F. Supp. 2d at 108.

¹⁶⁵ 186 F. Supp. 2d 563, 565-66 (E.D. Penn. 2002).

¹⁶⁶ *Id.* at 565.

¹⁶⁷ *Id.* at 566.

¹⁶⁸ *Id.*

¹⁶⁹ *Shady Records*, 2005 WL 14920, at *8-9.

¹⁷⁰ *Id.* at *8 (noting that the company, Shady Records, was formed ten years later).

registration, the company was an owner due to assignments, not a work for hire arrangement.¹⁷¹ The error was not material because, while how the company was an owner was incorrect, the ultimate conclusion as to ownership was correct.¹⁷²

Finally, on the general issue of ownership, the court in *Huthwaite, Inc. v. Sunrise Assisted Living, Inc.*, found that incorrect identification of ownership by an exclusive licensee was not material.¹⁷³ The registrant only had an exclusive right to publish the book and thus was not an author or owner of the copyright for registration purposes.¹⁷⁴ The author did give the registrant the authority to register the copyright on his behalf.¹⁷⁵ The court simply found this error to be "technical" and "immaterial," providing little additional analysis.¹⁷⁶

2. Failure to Identify the Work as Derivative

Another common allegation of fraud is the failure to notify the Copyright Office that the work at issue is a derivative work. That is, failing to inform the Office that part of the work borrows from prior works.

Two courts recently found material the failure to inform the Office of the existence of a prior work upon which the applied for work is based. In *R. Ready Products, Inc. v. Cantrell*, the defendant alleged that the plaintiff committed fraud on the Copyright Office.¹⁷⁷ The defendants alleged that plaintiff's direct mail advertising copied elements from advertisements by two other companies, and the plaintiff failed to disclose this fact to the Office.¹⁷⁸ The court found this omission material.¹⁷⁹ The court found the existence of prior works upon which the plaintiff's was based "crucially material," in part because it went to plaintiff's claim of authorship of the "entire text" of the registered work.¹⁸⁰

The court in *Lamps Plus, Inc. v. Seattle Lighting Fixture Co.* considered another allegation of fraud based on failure to disclose the derivative nature of the work.¹⁸¹ The registration at issue was for a Victorian Tiffany lamp. The defendant alleged that the registration for lamp design was invalid due to fraud. The lamp consisted of lamp component parts that were preexisting works of others.¹⁸² As the court noted, the plaintiff "did not hold a copyright for the lamp base or any of the four elements that were assembled to form the shade."¹⁸³ The plaintiff failed to either "identify the designers or

¹⁷¹ *Id.* at *9.

¹⁷² *Id.*

¹⁷³ 261 F. Supp. 2d 502, 510-11 (E.D. Va. 2003).

¹⁷⁴ *Id.* at 510.

¹⁷⁵ *Id.* at 509.

¹⁷⁶ *Id.* at 510-11.

¹⁷⁷ 85 F. Supp. 2d 672, 691-92 (S.D. Tex. 2000).

¹⁷⁸ *Id.* at 692.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

¹⁸¹ 345 F.3d 1140, 1144-45 (9th Cir. 2003).

¹⁸² *Id.* at 1144.

¹⁸³ *Id.*

the source of any of the preexisting works incorporated in the Victorian Tiffany table lamp in its application."¹⁸⁴ The court did not speak directly to materiality, the court relied on a finding of no intent to support its conclusion of no fraud.¹⁸⁵ However, the court did note that case law exists that the failure to disclose preexisting works is material.¹⁸⁶

Some courts see the crucial question regarding the materiality of the failure to notify the Office of the work's derivative nature is whether the work contains the necessary originality to be copyrightable as a derivative work.¹⁸⁷ In *Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc.*, Marvel sought to declare Fox's copyright registrations for X-Men logos invalid due to fraud.¹⁸⁸ Marvel specifically alleged that it was fraud to fail to inform the Office that the logos were derivatives of Marvel's.¹⁸⁹ The court found, however, that the logos contained the requisite level of additional originality to make it copyrightable as a derivative work over Marvel's pre-existing works.¹⁹⁰ As such, "Fox's failure to identify its logos as derivative does not affect the validity of Fox's copyright registrations," and thus the omission was not material.¹⁹¹

Nimmer suggests another variation on the materiality standard for failure to disclose the derivative nature of the work. Such a failure should only be material "if the claimant was for some reason ineligible to register the derivative work."¹⁹² Some courts have come close to following this standard, finding that derivative aspects of a work need only be disclosed if this pre-existing material is copyrightable.¹⁹³ In *Express, LLC v. Fetish Group, Inc.*, the court found no materiality based, in part, on the fact that the pre-existing elements were in the public domain and thus not copyrightable.¹⁹⁴

3. Incorrect Deposit

Fraud has also been alleged based on the incorrectness of the deposit made with the copyright registration. In *Syntek Semiconductor Co. v. Microchip Technology Incorp.*, Syntek alleged that Microchip's registration of computer program was fraudulently obtained.¹⁹⁵ Microchip, when registering its computer program, did not have possession of the original source code for the program.¹⁹⁶ So, Microchip "deposited source code that it had decompiled from the object code embedded in" one of its computer chips.¹⁹⁷ Microchip informed the Office as to the nature of the deposit.¹⁹⁸

¹⁸⁴ *Id.* at 1144-45.

¹⁸⁵ *Id.* at 1145.

¹⁸⁶ *Id.*

¹⁸⁷ *Russ Berrie & Co. v. Jerry Elsner Co.*, 482 F. Supp. 980, 988 (S.D.N.Y. 1980).

¹⁸⁸ 220 F. Supp. 2d 289, 298 (S.D.N.Y. 2002).

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ *Id.*

¹⁹² Nimmer & Nimmer, *supra* note 130, at § 7.20[B].

¹⁹³ *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068, 1078 (9th Cir. 2000) (noting that only copyrightable material need to be disclosed as pre-existing material).

¹⁹⁴ 424 F. Supp. 2d 1211, 1223 n.8.

¹⁹⁵ 285 F.3d 857, 861 (9th Cir. 2002).

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

Syntek still claimed fraud on the Copyright Office because the deposit "did not comply with the applicable regulations as it is not a bona fide copy of the original source code."¹⁹⁹ The Ninth Circuit did not reach the issue of fraud because Syntek did not sufficiently raise the claim below.²⁰⁰

C. Intent

Most of the copyright fraud case law follows the same standard for intent required for inequitable conduct in patent law—specific evidence of intent. Gross negligence, while a basis for intent in trademark fraud, does not have as clear a foothold in copyright fraud.

A perfect example of the need for a direct finding of intent to establish fraud on the Copyright Office is the court's analysis in *Morelli*.²⁰¹ In *Morelli*, the applicant improperly identified himself as the author instead of correctly labeling the company he worked for as the author via the work for hire doctrine.²⁰² The court noted that this omission was material, but found the misstatements inadvertent.²⁰³ The court noted that the maker of the jewelry being registered had little to no knowledge about the nuances of copyright law.²⁰⁴ His attorney, who helped fill out the form, focused mainly on the dates of the work's creation and asked little about the relationship between the designer and his company.²⁰⁵ The court noted that the attorney was not careful and the conduct of both the designer and the attorney may have been "negligent."²⁰⁶ But it did not rise to the level of intentional.²⁰⁷

Other courts have required a finding of actual intent. In *Lamps Plus*, the court found support for a finding of no intent based on a statement by the applicant that "he was personally unaware" of the questions as to whether the work was based on pre-existing works.²⁰⁸ The court in *Berg v. Symons* found no fraud because there was no evidence that the applicant "intended to defraud the Copyright Office."²⁰⁹

This standard for intent falls in line with the case law regarding inequitable conduct in patent law. There must be a specific finding of the state of mind of the applicant, not objective evidence that they acted recklessly. In this regard, copyright fraud lines up more closely with patent law than trademark law.

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ *Id.* n.1.

²⁰¹ 186 F. Supp. 2d at 565-66.

²⁰² *Id.* at 565.

²⁰³ *Id.* at 566.

²⁰⁴ *Id.* at 565.

²⁰⁵ *Id.*

²⁰⁶ *Id.*

²⁰⁷ *Id.*

²⁰⁸ *Lamps Plus*, 345 F.3d at 1145.

²⁰⁹ 393 F. Supp. 2d 525, 542 (S.D. Tex. 2005).

Conclusion

Both fraud on the Trademark Office and fraud on the Copyright Office are growing areas of law. Parties appear to be alleging them at an increasing rate and, as a result, more case law on these doctrines is developing. While neither has reached the breadth or impact that inequitable conduct in patent law has, practioners should still be aware of the doctrines and take preventive measures to avoid such claims when the trademark or copyrights registrations they help obtain become the subject of litigation.