

# Fraud on the Trademark and Copyright Office

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# Roadmap

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- Look at Recent Developments
  
- Focus on Three Core Components
  - Procedural Issues
  - Materiality
  - Intent

# Fraud on the Trademark Office

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# Articulations of the Test for Fraud

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- **Common Law Fraud Based Test (McCarthy):**
  - (1) a **false representation** regarding a **material fact**;
  - (2) **knowledge or belief** that the representation is false;
  - (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



# Articulations of the Test for Fraud

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- “[T]he alleged infringer to show **false representation** of a **material fact**, knowledge of its falsity, and **intent** to induce **reliance** on the misrepresentation” (TTAB, District Court)
- “[W]hen an applicant **knowingly** makes **false, material representations** of facts in connection with his application” (Fed Cir, TTAB)



# Procedural Issues -- Pleading/Proof

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- Must Plead With Rule 9(b) Particularity
  - Key is pleading specific facts to support both materiality and intent
    - Compare *Iowa Health Sys. v. Trinity Health Corp.*, 177 F. Supp. 2d 897 (N.D. Iowa 2001) (dismissing fraud claim)
    - with *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 2006 WL 2807213 (S.D.N.Y. Sept. 28, 2006) (denying motion to dismiss fraud claim)
  
- Burden of Proof – Clear and Convincing Evidence



# Procedural Issues -- Remedies

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- Remedies Available from Finding of Fraud
  - Cancellation of Federal Registration
    - Can Still Pursue Common Law-Based Claims
    - Creates Possible Priority Problems
    - Effects Whole Registration
    - Jury Issue/Damages
  - Civil Liability for False or Fraudulent Registration (15 U.S.C. § 1120)
    - Scope of Damages are Limited



# Materiality– Affirmative Statements

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- Statements Regarding Use
  - False Declaration of Continuous Use for Incontestability **Material**
    - *Pilates, Inc. v. Current Concepts, Inc.* 120 F. Supp. 2d 286 (S.D.N.Y. 2000)
  - False Date of First Use **Not Material** as Long as Before Filing
    - *Lewis v. Microsoft Corp.* 410 F. Supp. 2d 432 (E.D.N.C. 2006)
  - Failure to Disclose Prior Use When Filing ITU Application **Not Material**
    - *Stoller v. Sutech U.S.A., Inc.*, 2006 WL 2853059 (Fed. Cir. Oct. 5, 2006)



# Materiality– Affirmative Statements

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- Statements Regarding Use (cont'd) – Field of Use
  - *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003) (improper disclosure of use on both stents and catheters **material**).
  - *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 USPQ2d 1917 (TTAB 2005) (false disclosure of use for children's clothing **material**).



# Materiality– Omissions

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- Failure to Disclose Use By Others
  - Material when other user’s rights are “clearly established” (Rosso & Mastracco, Inc. v. Giant Food, Inc., 720 F.2d 1263 (Fed. Cir. 1983))
  - Aware of “a court decree, by . . . a settlement agreement, or by a [trademark] registration” (*Id.*)



# Materiality– Omissions

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- Failure to Disclose Use By Others (cont'd)

- **Non-Material Use**

- Domain Name

- *eCash Technologies, Inc. v. Guagliardo*, 127 F. Supp. 1069 (C.D. Cal. 2000)

- Descriptive Use

- *Whirlpool Properties, Inc. v. LG Electronics U.S.A., Inc.*, 2005 WL 3088339 (W.D. Mich. Nov. 17, 2005)


- Prior Use Appears Abandoned

- *General Healthcare Ltd. v. Qashat*, 364 F.3d 332 (1st Cir. 2004)

- **Material Use**

- Supplier's Use of Mark Known

- *United Phosphorus Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219 (10th Cir. 2000)



# Materiality– Omissions

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- Failure to Disclose Geographic Identity
  - Undisclosed Goods-Place Association
    - *Daesang Corp. v. Rhee Bros. Inc.*, 77 USPQ2d 1753 (D. Md. 2005) (SOON CHANG)
  
- Failure to Disclose Patents **May**
  - Undisclosed U.S. and Canadian Patents Concerning Trade Dress
    - *Roller Derby Skate Corp. v. Bauer Nike Hockey Inc.*, 2005 WL 67826 (TTAB Jan. 7, 2005)



# Intent

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- “Fraud arises only when the party making the false statement of fact knows that the fact is false” (McCarthy)
- Standard Expanded to “Gross Negligence”
  - “Reckless disregard for truth”=intent (*Medinol*)
  - Unreasonable mistakes=intent (*Standard Knitting*)
    - “[t]he specific or actual intent of [the oath signor] is not material to the question of fraud”

# How High is the Fraud Standard?

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- Small, But Deep Hole
  - Scope of Materiality Small
  - But Standard for Intent LOW
- However, §43(a) Ladder



# Fraud on the Copyright Office


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# Articulations of the Test for Fraud

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- “[T]he claimant willfully misstates or fails to state a fact that, if known, might have caused the Copyright Office to reject the application” (Nimmer, Courts)
- Some Discussion of Reliance
  - *Lennon v. Seaman*, 84 F. Supp. 2d 522 (S.D.N.Y. 2000)
  - The Ninth Circuit finds fraud in situations where the falsehood is inadvertent, but “the alleged infringer has relied to its detriment on the mistake.” (*Urantia Found. v. Maaherra*, 114 F.3d 955 (9th Cir. 1997)).



# Procedural Issues -- Pleading/Proof

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- Must Plead With Rule 9(b) Particularity
  - *Lennon*, 84 F. Supp. 2d at 525 n. 2
  
- Burden of Proof
  - “[A] party seeking to prove fraud on the Copyright Office bears a ‘heavy burden.’” (*Lennon*, 84 F. Supp. 2d at 525).



# Procedural Issues -- Remedies

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- Cancel Registration
  - Copyright still exists (17 U.S.C. § 408(a))
  - Divests district court of jurisdiction (17 U.S.C. § 411)
- Removes Rebuttable Presumption of Validity
  - If not fraud, but material
    - *Lennon*, 84 F. Supp. 2d at 525



# Materiality– Authorship/Ownership

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- Authorship Errors Are Not Material
  - Omission of co-author **not material**
    - *Shady Records, Inc. v. Source Enterprises, Inc.*, 2005 WL 14920 (S.D.N.Y. 2005)
  - Inclusion of non-author **not material**
    - *Tuff-N-Rumble Management, Inc. v. Sugarhill Music Publishing*, 99 F. Supp. 2d 450 (S.D.N.Y. 2000)



# Materiality– Authorship/Ownership

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- But Ownership Errors are Material (Sometimes)
  - Failure to identify as work for hire **material**
    - *Morgan, Inc. v. White Rock Distilleries, Inc.*, 230 F. Supp. 2d 104 (D. Me. 2002)
  - Unless
    - Registration was ultimately rejected on other grounds
      - *Morelli v. Tiffany & Co.* 186 F. Supp. 2d 563 (E.D. Penn. 2002)
    - Or ownership is ultimately correct
      - *Shady Records*, 2005 WL 14920, at \*8-9
    - Or merely technical error
      - *Huthwaite, Inc. v. Sunrise Assisted Living, Inc.*, 261 F. Supp. 2d 502 (E.D. Va. 2003)



# Materiality– Derivative Works

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- Failure to Disclose Works Upon Which the Registration is Based is **Material**
  - Prior direct mail advertisements -- *R. Ready Products, Inc. v. Cantrel*, 85 F. Supp. 2d 672 (S.D. Tex. 2000)
  - Preexisting lamp elements -- *Lamps Plus, Inc. v. Seattle Lighting Fixture Co.*, 345 F.3d 1140 (9th Cir. 2003)



# Materiality– Derivative Works

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- Some Exceptions as to Whether Material
  - Depends on whether registered work contains original material
    - *Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc.*, 220 F. Supp. 2d 289 (S.D.N.Y. 2002)
  - Depends on authority to use preexisting works
    - *Express, LLC v. Fetish Group, Inc.*, 424 F. Supp. 2d 121 (C.D. Cal. 2006)



# Materiality– Deposits

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- Failure to Deposit a “Bona Fide Copy” **May Be Material**
  - Depositing reverse engineered copy of code **may be material**
    - *Syntek Semiconductor Co. v. Microchip Technology Incorp.*, 285 F.3d 857 (9th Cir. 2002)



# Intent

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- Need Specific Intent
  - Negligence not enough
    - *Morelli*, 186 F. Supp. 2d at 565-66
  - No intent if “personally unaware”
    - *Lamps Plus*, 345 F.3d at 1145

# How High is the Fraud Standard?

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- Narrow and Not Deep
  - Narrow Scope of Materiality
  - And Need Specific Intent
- However, There May Be No Ladder



# Questions?

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