

# INTELLECTUAL PROPERTY UPDATE

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## Is That Trademark Really In Use? The TTAB Provides Further Guidance After *Medinol*

The Trademark Trial and Appeal Board (“TTAB”) of the United States Patent and Trademark Office recently issued an important decision concerning the effect of an applicant’s incorrect - but not fraudulent - statement that a mark was in use on all of the specified goods or services in a trademark application. The Board in *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 78 U.S.P.Q.2d 1696 (T.T.A.B. 2006), held that where fraud is not alleged, an incorrect allegation of use about some, but not all, of the goods identified in an application will not cause the entire application to be declared void *ab initio*. Rather, the applicant will be permitted to amend its application to delete the goods on which the mark has not been used. The *Grand Canyon* case can be regarded as an instructive companion case to the Board’s decision three years ago in *Medinol Ltd. v. Neuro Vasx*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003), a cancellation proceeding that addressed the more drastic consequences of a *fraudulent* statement of use with respect to some but not all of the goods identified in a trademark registration. The remedy in *Medinol* was cancellation of the registration at issue in its entirety.

This article will discuss the circumstances and holding of the *Grand Canyon* case, contrast it with the legal issue addressed in

*Medinol*, and provide an update on cases decided since *Medinol* in 2003 involving claims of fraud.

### The Grand Canyon Case: Procedural Context

The Hualapai Tribe filed an application in January 2003 to register the mark GRAND CANYON WEST for “airport services; air transportation services; arranging for recreational travel tours and providing related transportation of passengers by air, boat, raft, rail, tram, bus, motorized on-road and off-road vehicles, non-motorized vehicles featuring bicycles, and domestic animals,” claiming February 14, 1998 as the date of first use of the mark anywhere in commerce. Opposer Grand Canyon West Ranch commenced an opposition proceeding, alleging that the applicant had not used the mark on all of the identified services as of the filing date and that the mark was descriptive.

After the opposition proceeding was instituted, the Tribe filed a motion to amend the recitation of services to delete “rail, tram, non-motorized vehicles featuring bicycles, and domestic animals” and to clarify that the mark was first used in connection with “air transportation services” on February 14, 1988. Opposer countered by filing a motion for summary judgment, arguing that if the

applicant did not use its mark on certain of its identified services prior to the filing date of the application, the application as a whole should be deemed void *ab initio*.

### Basis of the Board’s Decision – The Difference Between Fraudulent and False Statements

The Board in *Grand Canyon* began its analysis by confirming that where fraud is established – as in the *Medinol* case – or an applicant has not used the mark applied for on any of the goods or services identified in an application prior to the filing date, the appropriate remedy is to declare the application void *ab initio*. However, absent a fraud claim, the Board held that an application is not void in its entirety so long as the mark was used on *some* of the goods or services as of the filing date.

As the Board explained, there are “obvious distinctions between a claim of fraud and a claim of non-use of a mark for certain of the goods or services identified in an application.” Fraud requires a showing of a *knowingly* false statement as to a material fact, and must be proven “to the hilt” with “clear and convincing evidence.” In contrast, a defendant’s intent is not an element of a claim that a mark was not used on certain goods or services, nor is there an enhanced

standard of proof. Continuing its analysis of the distinctions between claims of fraud vs. claims of non-use, the Board noted that the appropriate remedies for each are different as well. For example, in the *Medinol* case, had there been no finding of fraud, the appropriate remedy would have been an amendment of the registration to delete the goods on which the mark had not been used, rather than cancellation of the entire registration. 78 U.S.P.Q.2d at 1697.

Applying the distinctions between fraud and non-use to the circumstances present in *Grand Canyon*, the Board held that absent an allegation of fraud, the appropriate remedy for non-use of a mark on some but not all of the goods or services in an application is to permit the applicant to amend its application to delete the goods or services on which the mark was not used prior to the filing date. *Id.* at 1697-98.

While the amendment to delete certain services from the Tribe's application in *Grand Canyon* was certainly less drastic than having its entire application declared void *ab initio*, the amendment was not without other consequences in the opposition proceeding. As the Board put it, the Tribe "has essentially agreed to accept judgment [against it] with respect to those services." In addition, the Board observed that the opposer was not precluded from moving to amend its Notice of Opposition to allege fraud based on the initial inclusion of the now-deleted services in the Tribe's application, "assuming, of course, that the opposer has a good faith belief that such a ground is warranted." *Id.* at 1698 & n.5. Thus, the applicant was not yet out of the woods with respect to the survival of its

application; presumably, if fraud was ultimately established, it might subsequently suffer a declaration of invalidity as to the application as a whole.

### Cases Adjudicating Fraud Since *Medinol*

Since the *Medinol* case was decided in 2003, there have been several other TTAB decisions holding that a registration may be cancelled where fraud has been committed during the application process. In *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q. 2d 1917 (T.T.A.B. 2006), the TTAB cancelled three registrations belonging to opposer Standard Knitting in an opposition proceeding, based on its finding that the owner had fraudulently filed inaccurate statements of use in connection with the registrations asserted as the basis of the opposer's claim of prior rights. Similar to the facts in *Medinol*, Standard Knitting attempted to amend the statements of use for the registrations by deleting certain goods after the registrations had already issued.

The TTAB rejected this attempt to cure, declining to accept Standard Knitting's contention that the inaccuracies were the result of an honest mistake. The Board's recap of the deposition testimony of George Groumoutis, Standard Knitting's chief operating officer who advised other company officers that the applications should be approved – and whose job duties included maintenance of the company's trademark portfolio – clearly reveals why the Board reached that conclusion. Mr. Groumoutis testified that when he received the applications he *did not make any effort* to confirm that the marks were being used on each of the goods

listed in the applications, nor did he even make an effort to verify what goods were being sold at all, although he admitted that there were sources he could have consulted to obtain this information. At various points in his deposition, Mr. Groumoutis stated that he *may have* discussed the goods to be included in the application with the head of the design department, and did not at first recall whether he reviewed the statement of use, but later said that he *would have* looked at it. Mr. Groumoutis further confirmed his understanding that a mark must be used in commerce before it could be registered.

The Board also noted that Standard Knitting's corporate secretary, who actually signed one of the disputed statements of use, testified at his deposition that he was not acquainted with the trademark matters of Standard Knitting, did not discuss the contents of the statement with the company's controller who sent it to him for his signature, and was not personally acquainted with the products on which the mark was used in the United States. The Board then explained that even if the mistake had been honest, it would not have been reasonable, since the application clearly stated that the mark "is now used in commerce." It also held that the person responsible for guaranteeing the accuracy of the trademark applications had a duty to inquire whether the marks were used in connection with all the goods listed in the applications if he did not have personal knowledge of such information. *Id.* at 1927.

On the other hand, the TTAB did not find fraud when it determined that a company representative had approved a trademark application with a good faith belief that it was accurate. In *Maids to Order of Ohio*,

*Inc. v. Maid-to-Order, Inc.*, 78 U.S.P.Q. 2d 1899 (T.T.A.B. 2006), the TTAB refused to cancel a registration based on the petitioner's allegation that the registrant ("MTO") misrepresented that it was using its mark in interstate commerce, noting that fraud will not be found where a false misrepresentation is made as the result of an honest misunderstanding, inadvertence or negligent omission, rather than with a willful intent to deceive.

The Board reached this decision based upon its review of the deposition testimony of MTO's president Coralee Kern, who had approved the underlying application,

Section 8 declaration, and application for renewal. When asked to define interstate commerce, she described the term as "work that involves going over state lines," and stated that she believed MTO was using the mark in interstate commerce because it rendered its services to companies with out-of-state headquarters to which MTO sent its bills, and because MTO had provided services on two occasions in a neighboring state. Ms. Kern also noted that MTO had sent business cards to companies with out-of state-addresses, and she was able to provide client lists of such companies from whom MTO had received checks for its services.

Although acknowledging that these activities were in no way conclusive as to whether MTO had in fact used the mark in interstate commerce, the Board found that it was not unreasonable for Ms. Kern, as a layperson, to believe that the above activities constituted use of the mark in interstate commerce. It

then held that this good faith belief was sufficient to negate an inference of fraud in obtaining and maintaining the registration. *Id.* at 1907.

\* \* \* \*

The lesson of *Grand Canyon*, and *Medinol* before it, is very clear - a company must be very careful and take good faith steps to verify that a mark is in use in interstate commerce on all of the goods or services in an application before a use-based application is filed or before filing a statement of current use in a renewal filing with respect to all the goods or services in a registration. Certainly, filing a multi-class application or one with a long laundry list of goods or services is fraught with risk unless the company has taken reasonable steps to verify use in interstate commerce with respect to an extensive list of goods or services.

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