Insights: Alerts

Trademark Incontestability and Fraud on the U.S. Patent and Trademark Office: The Federal Circuit Clarifies One Issue but Leaves Another Unresolved

October 25, 2023

Written by **Theodore H. Davis Jr.** and **Lauren W. Brenner**

In *Great Concepts Management Group v. Chutter, Inc.*,[1] the Federal Circuit entertained an appeal from the Trademark Trial and Appeal Board's cancellation of a federal registration based on the registrant's filing of an allegedly fraudulent declaration of incontestability under Section 15 of the Lanham Act.[2] The court reversed that disposition by confirming that the Act does not recognize such a ground for cancellation. In doing so, however, it both created a split among the federal circuit courts of appeals and left open the question of whether a declarant's reckless disregard of the truth of averments in a declaration can satisfy the otherwise strict scienter requirement for a finding of fraud on the United States Patent and Trademark Office. In the immediate short term, that question is likely of greater interest to trademark professionals than the one actually answered by the court; nevertheless, its resolution therefore will have to come in a future case.

A. The Relationship Between Section 14's Statute of Limitations and Incontestability

Prior to its fifth anniversary, a federal registration on the U.S. Patent and Trademark Office's Principal Register can be canceled for any reason that would have prevented its issuance in the first place.[3] Immediately upon that anniversary, however, the grounds for cancellation are limited to those appearing in Section 14 of the Act,[4] which include that the registration was "obtained" fraudulently; that ground can be invoked "at any time."[5]

A registration's fifth anniversary is significant for another reason. Until it is five years old, a registration on the Principal Register "shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark in commerce on or in connection with the goods and services specified in the certificate."[6] When the registration passes its fifth anniversary, however, the rights to the underlying mark can become "incontestable," provided that the registrant satisfies certain statutory requirements.[7] Among the statutory requirements for incontestability is a sworn averment that:

> (1) there has been no final decision adverse to the owner's claim of ownership of such mark for such goods or services, or to the owner's right to register the same or to keep the same on the register; and (2) there is no proceeding involving said rights pending in the United States Patent and Trademark Office or in a court and not finally disposed of . . . .[8]

Upon the filing of a declaration of incontestability under Section 15, the registration constitutes “conclusive” evidence of the underlying mark's validity and of the registrant's ownership of it, subject only to the narrowly drawn defenses set forth in subsections one through nine of Section 33(b) of the Lanham Act.[9] Those defenses include “[t]hat the registration or the incontestable right to use the mark was obtained fraudulently.”[10] Unlike a declaration of ongoing use under Section 8 of the Act,[11] which is mandatory and which is frequently filed with a Section 15 declaration as part of a combined document, the Section 15 declaration is optional.[12]

B. Fraud on the USPTO Under the Bose Standard

Since the Federal Circuit's decision in *In re Bose Corp.*,[13] showings of fraud on the USPTO in the context of proceedings before the Trademark Trial and Appeal Board have required a four-part showing:

> The relevant standard for proving fraud . . . requires a showing of the following four elements:
> (1) applicant/registrant made a false representation to the USPTO;
> (2) the false representation is material to the registrability of a mark;
> (3) applicant/registrant had knowledge of the falsity of the representation; and
> (4) applicant/registrant made the representation with intent to deceive the USPTO.[14]

Litigants have found satisfying the last of these showings to be particularly difficult. That is primarily because of *Bose's* abrogation of a line of Board decisions holding that fraud could occur when a declarant makes a false material representation that the declarant knows or should know is false.[15] In abrogating that rule, the Federal Circuit held that:

> 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 in any other case, should not be taken lightly. Thus, we hold that a trademark [registration] 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.[16]

The court then explained the showing required to satisfy this standard in the following manner:

> Subjective intent to deceive, however difficult it may be to prove, is an indispensable element in the analysis. Of course, “because direct evidence of deceptive intent is rarely available, such intent can be inferred from indirect and circumstantial evidence. But such evidence must still be clear and convincing, and inferences drawn from lesser evidence cannot satisfy the deceptive intent requirement.”[17]

Since *Bose*, the Board has rejected allegations of fraud with far greater frequency than it has accepted them.

C. *Great Concepts*

In *Great Concepts*, the Board found in a cancellation action that a registrant had filed a fraudulent declaration of incontestability under Section 15.[18] The petitioner's fraud-based challenge rested on the respondent's filing of the declaration during the pendency of both the cancellation action itself and a separate counterclaim for cancellation before a district court in an infringement action between the parties; moreover, the petitioner alleged, the respondent failed to take remedial action after the matter was called to its attention.

As a threshold matter, the Board resolved an issue that case law from both it and the Federal Circuit had long left open, namely, whether reckless disregard of the truth can constitute the required intent to deceive the USPTO. The Board concluded it can:

> A declarant is charged with knowing what is in the declaration being signed, and by failing to make an appropriate inquiry into the accuracy of the statements the declarant acts with a reckless disregard for the truth. . . .
>
> To find otherwise could encourage declarants to conclude that such disregard carries no consequence and they can fail to read documents they are signing without penalty.[19]

It then found that the conduct of the respondent's signatory satisfied the relevant standard:

> Here, [the signatory] disregarded the contents of the Combined Declaration he attested to under 18 U.S.C. Section 1001, notwithstanding that at that time he did so he was not aware of the legal requirements for a Section 15 Declaration. He filed with the USPTO a Combined Declaration of Use and Incontestability, which included both the contents required for such and a supporting sworn declaration under 18 USC Section 1001, each of which contained a statement he knew was false; but he claimed he did not read the contents or supporting declaration closely enough to be aware the false statement was in the declaration. In other words, [the signatory] paid little, or no, attention to the document he was signing under oath and thereby disregarded the significance of the benefits he was obtaining for his client. By failing to ascertain and understand the import of the document he was signing, far from conscientiously fulfilling his duties as counsel, [the signatory] acted in reckless disregard for the truth; nor did he take any action to remedy the error once it was brought to his attention. [The signatory] was especially reckless because he was admittedly unfamiliar with the requirements for filing a Section 15 Declaration.[20]

Relying on its prior authority recognizing the filing of a fraudulent Section 15 declaration as a ground for cancellation,[21] the Board granted the petition and ordered the registration's cancellation.

On appeal, however, a split panel of the Federal Circuit reversed, holding that a fraudulent Section 15 declaration cannot serve as the basis for the cancellation of a registration under Section 14,[22] a proposition pointed out by the authors of this alert nearly a decade ago.[23] The court based its conclusion on the plain meaning of Section 14(3), which explicitly restricts the grounds upon which a registration may be challenged following the registration's fifth anniversary, allowing cancellation only

> if the registered mark becomes the generic name for the goods or services . . . , or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of . . . subsection (a), (b), or (c) of section [2] for a registration under this chapter.[24]

The statute therefore allows cancellation only if the registration itself, and not the incontestable evidentiary presumptions secured by a Section 15 declaration, is obtained fraudulently.[25] The Federal Circuit emphasized this reading of the statute in Great Concepts, noting that “fraud committed in connection with obtaining incontestable status is distinctly not fraud committed in connection with obtaining the registration itself.”[26] A Section 15 declaration is not an act in the “obtaining” of a registration because it is not a prerequisite for either the maintenance of a registration or Section 14's statute of limitations on cancellation actions.[27]

After reaching that conclusion, the court also addressed a fallback argument by the petitioner, namely, that the respondent's filing of a Section 8 declaration and a Section 15 declaration as part of a single document rendered the former declaration fraudulent. The court previously had recognized that circumstance as a ground for cancellation on the theory that maintaining a registration though a Section 8 declaration was equivalent to obtaining one in the first instance.[28] Nevertheless, the court declined to attribute the allegedly fraudulent nature of the respondent's Section 15 declaration to its Section 8 counterpart. Instead, it concluded, "the happenstance that [the respondent] filed a *combined* declaration, which had one portion devoted to Section 8 and another to Section 15, does not render the Section 8 portion false or fraudulent, and neither does it make the Section 15 portion part of an effort to 'maintain' a registration."[29]

If they do not include the cancellation of the underlying registration, what, then, are the possible negative consequences of filing a fraudulent Section 15 declaration of incontestability? For one thing, if a mark holder obtained incontestability status through fraud, Section 33(b)(1) of the Act provides for a loss of incontestable status for the mark covered by the registration rather than the registration's cancellation.[30] And, for another, the Board can still deter Section 15 fraud through sanctions or even criminal prosecution against any attorney committing fraud before it.[31] The Federal Circuit therefore remanded the case for an examination of the propriety of sanctions and of the issue of whether, in light of the inaccuracies in the declaration at issue, incontestability actually attached to the mark covered by the registration.[32] A registrant finding itself in the same position as the respondent in *Great Concepts* therefore should strongly consider petitioning the Director of the Patent and Trademark Office sooner than later to withdraw the problem declaration.[33]

Whether it does or not, *Great Concepts'* treatment of the issue of fraudulent Section 15 declarations creates a circuit split. The Court of Appeals for the Ninth Circuit held in *Robi v. Five Platters, Inc.*[34] that "[a]ny false statements made in an incontestability affidavit may jeopardize not only the incontestability claim, but also the underlying registration" by supplying "a basis for canceling the registration itself."[35] The *Great Concepts* court acknowledged its disagreement with the Ninth Circuit but noted that *Robi* relied on the decision by the Court of Customs and Patent Appeals in *Duffy-Mott Co. v. Cumberland Packing Co*.[36] But the court distinguished the facts in *Duffy-Mott* and disagreed with the proposition that *Duffy-Mott* supported the Board's authority to cancel registrations under Section 14 based on the submission of a fraudulent declaration of incontestability.[37]

Having thus answered the question of whether the filing of a fraudulent Section 15 declaration is a ground for cancellation in the first instance, the court did not address the Board's holding that a reckless disregard of the truth could constitute the scienter required for a showing of fraud. Because the court found that Section 14 does not permit cancellation based on a fraudulent Section 15 affidavit, the majority found that respondent could prevail even if the court assumed fraud.[38] Thus, the question of whether reckless disregard for the truth in affidavits can satisfy the USPTO's strict scienter requirement remains an open question of law.

Conclusion

In holding that the filing of a fraudulent Section 15 declaration of incontestability is not a ground for the cancellation of a registration on the Principal Register, the Federal Circuit in *Great Concepts* has created a split in the federal circuit courts of appeals that may ultimately require resolution by the Supreme Court. Of greater significance in the immediate short term, however, the decision leaves open the question of whether a reckless

disregard of the truth can satisfy the requirement that a declarant act with an intent to deceive the USPTO. *Great Concepts* therefore cannot be considered the last word on either of these issues.

---

[1] No. 2022-1212, 2023 WL 6854647 (Fed. Cir. Oct. 18, 2023).

[2] 15 U.S.C. § 1065 (2018).

[3] Int'l Ord. of Job's Daughters v. Lindeburg & Co., 727 F.2d 1087, 1091 (Fed. Cir. 1984).

[4] 15 U.S.C. § 1064.

[5] *Id.*

[6] *Id.* §§ 1057(b), 1115(a). Sections 7(b) and 33(a) currently differ from each other in that Section 33(a), but not Section 7(b), recites that the prima facie evidence represented by a registration for which no declaration of incontestability has been filed "shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered." *Id.* § 1115(a). Section 33(a) assumed its present form through amendments enacted by the Trademark Law Revision Act of 1988. *See* Pub. L. 100-667, § 128, 102 Stat. 3935, 3944.

[7] *See* 15 U.S.C. § 1065.

[8] *Id.* § 1065.

[9] *See id.* § 1115(b)(1)-(9).

[10] *Id.* § 1115(b)(1).

[11] *Id.* § 1058.

[12] U.S. PAT. & TRADEMARK OFF., TRADEMARK MANUAL OF EXAMINATION PROCEDURE ("T.M.E.P.") § 1605 (2010) ("Filing [a declaration] of incontestability under §15 of the Trademark Act . . . is optional. An eligible registrant may choose to claim the benefits of incontestability and file an appropriate affidavit, or may elect to retain the registration without those benefits. The requirements for maintaining and renewing a federal registration are not affected.").

[13] 580 F.3d 1240 (Fed. Cir. 2009).

[14] *ShutEmDown Sports, Inc. v. Lacy*, 102 U.S.P.Q.2d 1036, 1044 (T.T.A.B. 2012).

[15] *See, e.g.*, *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1209 (T.T.A.B. 2003).

[16] *Bose*, 580 F.3d at 1244–45.

[17] *Id*. at 1245 (quoting Star Sci., Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357, 1366 (Fed. Cir. 2008)).

[18] *Chutter, Inc. v. Great Concepts Mgmt. Grp.*, 2021 U.S.P.Q.2d 1001 (T.T.A.B. 2021), *rev'd*, No. 2022-1212, 2023 WL 6854647 (Fed. Cir. Oct. 18, 2023).

[19] *Id.* at *19–20.

[20] *Id.* at *19 (footnote omitted).

[21] *See Crown Wallcovering Corp. v. Wall Paper Mfrs. Ltd.*, 188 U.S.P.Q. 141, 144 (T.T.A.B. 1975).

[22] *Great Concepts Mgmt., LLC v. Chutter, Inc.*, No. 2022-1212, 2023 WL 6854647, at *3 (Fed. Cir. Oct. 18, 2023).

[23] See Theodore H. Davis Jr. & Lauren Brenner, *Allegations of Fraudulent Procurement and Maintenance of Federal Registrations Since In re Bose Corp.*, 104 TRADEMARK REP. 933, 998 & n.298 (2014); *see also* David J. Kera & Theodore H. Davis Jr., *The Fifty-Fourth Year of Administration of the Lanham Trademark Act of 1946*, 92 TRADEMARK REP. 1, 211 (2002) ("[J]udicial creation of the extrastatutory ground for cancellation [for filing of a fraudulent Section 15 declaration of incontestability] would be particularly inappropriate in light of

congressional awareness that some registrants would, in fact, file fraudulent affidavits to obtain the benefits of incontestability under sections 15 and 33. Not withstanding this awareness, Congress expressly chose to include such fraud as an affirmative defense to the evidentiary presumptions attaching to a registration while at the same time excluding section 15 fraud as a ground for the cancellation of the registration itself under section 14(3).").

[24] 15 U.S.C. § 1064(3).

[25] *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 195 (1985) ("[Section 14(3)] allows cancellation of an incontestable [registration] at any time . . . if it was obtained fraudulently . . . .").

[26] *Great Concepts*, 2023 WL 6854647, at *5.

[27] *See id*. at *4 ("A Section 15 declaration is in no way necessary to maintaining registration of a mark."); *Imperial Tobacco Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 1579 n.6 (Fed. Cir. 1990) ("[S]ection [14] is not dependent on the filing of a declaration under § 15 which provides incontestable rights of use . . . ."); W. *Worldwide Enters. v. Qinqdao Brewery*, 17 U.S.P.Q.2d 1137, 1139 (T.T.A.B. 1990) ("[A] registration that is over five years old may be cancelled solely on the grounds set forth in Section 14[3], irrespective of whether or not the owner of the registration has filed an affidavit under Section 15.").

[28] *See Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 48 (Fed. Cir. 1986) ("Fraud in obtaining renewal of a registration amounts to fraud in obtaining a registration within the meaning of section 14[3] of the Lanham Act.").

[29] *Great Concepts*, 2023 WL 6854647, at *4.

[30] *Id.* at *6.

[31] *Id.* at *9.

[32] *Id.*

A dissenting opinion would have affirmed the Board's action based on two propositions: "First, this court should be wary not to excuse fraud that is undertaken at any stage within an administrative process. Second, this court must recognize that the grant and protection of intellectual property rights involves a pact with the general public." *Id.* at *10 (Reyna, J., dissenting).

[33] *See* 37 C.F.R. §§ 2.146(a), 2.167(i); T.M.E.P. §§ 1605.03, 1704 & 1707.

[34] 918 F.2d 1439 (9th Cir. 1990).

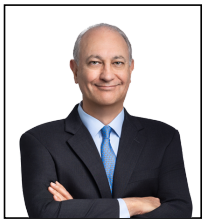
[35] *Id.* at 1444.

[36] 424 F.2d 1095 (C.C.P.A. 1970).

[37] *Great Concepts*, 2023 WL 6854647, at *6–7.

[38] *Id.* at *3 n.2.

Related People



Theodore H. Davis Jr.

t 404.815.6534

tdavis@ktslaw.com

Lauren W. Brenner

t 404.685.6796

lbrenner@ktslaw.com