

Lack of Bona Fide Intent to Use and Its Consequences According to the 6th Circuit

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The Sixth Circuit Court of Appeals recently issued an important decision about the *bona fide* intent requirement when filing an intent to use (“ITU”) application and the consequences when there is a lack of *bona fide* intent as to some, but not all, of the goods or services identified in an application. While the issue of *bona fide* intent to use is typically adjudicated by the Trademark Trial and Appeal Board, the issue in *Kelly Services Inc. v. Creative Harbor LLC* arose in federal court as part of a dispute over who had priority to use the

mark WORKWIRE in connection with employment-based software applications. The appellate court decision generated both a majority and dissenting opinion as to whether an application should be voided in its entirety, or selected goods stricken, when the lack of *bona fide* intent affects only some of the goods in the application.

Creative Harbor is a start-up technology company that creates original content to be used across all media platforms. On February 19, 2014, at 6:28 and 7:56 p.m. EST, Creative Harbor filed two ITU applications for the mark WORKWIRE covering 36 different goods and services, including computer application software for a variety of functions.

Kelly Services is large staffing agency that began developing an app for its employment placement services in early 2013. Soon after, Kelly Services decided to call its app “WorkWire.” The app was released on the Apple App Store at 8:11 p.m. EST on February 19, 2014, with the first download occurring on February 20, 2014. Thus, the

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filing of Creative Harbor's ITU applications and the release of Kelly Services' app occurred within hours of each other on the exact same day, setting up a priority battle.

Less than a month after Kelly Services' app was released, Creative Harbor sent a protest letter to Kelly Services demanding that it stop using "WorkWire" as the name of its app. In response, Kelly Services filed suit in federal court in the Eastern District of Michigan seeking, among other things, a declaratory judgment that: (i) it had priority over Creative Harbor to the "WorkWire" mark; (ii) its use of "WorkWire" did not infringe upon Creative Harbor's rights; and (iii) any rights Creative Harbor had in the WORKWIRE mark were invalid. On May 2, 2014, Creative Harbor counterclaimed for declaratory judgment that it had superior rights in the WORKWIRE mark because its ITU applications for the mark were filed before Kelly Services commenced use.

Soon after Creative Harbor's applications were published for opposition, Kelly Services opposed them and the opposition proceedings were suspended pending the outcome of the district court action.

Creative Harbor's CEO, Christian Jurgensen, testified at a deposition that he instructed his attorney "to 'protect the [WORKWIRE] mark' as to different products and services for which the Mark 'could' eventually be used 'in case the brand got bigger.'" Mr. Jurgensen also testified that:

- At the time the applications were filed, Creative Harbor had "clear ideas" for some of the goods and services, and some were meant for "future exploration."
- Creative Harbor did not intend to use WORKWIRE on a computer game.
- He did not know what employee relations information services referred to.
- With regard to professional credentialing verification services, "he simply wanted to keep the option open to do that at some point."
- As to business consulting services, Creative Harbor "could perhaps perform those services at some point in the future."

On cross-motions for summary judgment on the issue of priority, based on Mr. Jurgensen's testimony, the district court concluded that Creative Harbor lacked the requisite *bona fide* intent to use the WORKWIRE mark on certain of the goods and services covered by its applications. As a result, Creative Harbor's applications were held to be void in their entirety.

On appeal, Creative Harbor argued that the district court erred in finding that it lacked a *bona fide* intent to use the WORKWIRE mark on some of the goods and services contained in the applications, but even if it did lack the requisite intent, its applications should not have been voided in their entirety.

The majority and dissenting opinions in *Kelly Services* agreed that Creative Harbor lacked a *bona fide* intent to use the WORKWIRE mark on at least some of the goods and services identified in the two applications at issue. Based on the deposition testimony of Creative Harbor's principal, the district court correctly held that Creative Harbor lacked a "firm intention" to use the mark with all of the goods and services identified in the applications and had included some of the goods and services merely to "reserve a right"

in the mark.

Where the majority and dissenting opinions diverged was in the legal consequences of lacking a *bona fide* intent to use the mark on some but not all of the goods and services in the application. The majority opinion conducted a detailed analysis of the procedural context and holdings in four decisions of the TTAB on the issue, which were not easy to reconcile. One such case was *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 78 USPQ2d 1696 (TTAB 2006), where the application at issue was filed based on use in commerce (*i.e.*, not ITU), and the applicant had failed to use the mark in connection with all of the goods listed in the application prior to the filing date. The TTAB in *Grand Canyon* held that absent proof of fraud or that an applicant failed to use its mark on all of the goods or services in a use-based application, the application will not be deemed void in its entirety. Rather, the applicant should be permitted to cure the problem by amending its application to delete the offending goods.

The 6th Circuit ultimately concluded that the approach in *Grand Canyon* was correct, and should be applied by analogy to ITU applications. Thus, the majority opinion held that absent fraud or proof that *bona fide* intent to use was lacking for all of the goods and services in an ITU application, the correct remedy is not to declare the application void *ab initio*, but rather to delete the goods or services for which an intent to use was lacking. This was deemed the appropriate result whether or not an applicant took affirmative steps to seek an amendment of its application to delete the offending goods.

The dissenting appellate judge credited the majority opinion with providing a “more-or-less accurate summary of the inconsistent landscape of TTAB precedent that has led to the dispute in this appeal....” However, the dissent read the four decisions by the TTAB differently, concluding that in order to avoid invalidation of an application in its entirety, an applicant must move to amend its application to delete goods for which *bona fide* intent to use cannot be established: “TTAB precedent suggests that it is incumbent upon the applicant to amend its application to eliminate portions of its [Section] 1(b) ITU application for which it cannot demonstrate *bona fide* intent, or else risk having the entire application voided.” Because Creative Harbor did not take advantage of this remedy, the dissent maintained that the district court had correctly voided both of Creative Harbor’s applications *ab initio*.

It will be interesting to watch for subsequent cases in the TTAB to see if the Board agrees with the majority opinion of the 6th Circuit in *Kelly Services* or further clarifies the import of the four decisions analyzed by the federal appellate court.