

Lies Without Consequences? The Federal Circuit Seems to Think So, When it Comes to Incontestability.

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For 48 years, the Trademark Trial and Appeal Board of the U.S. Patent & Trademark Office has held that if a trademark registrant files a fraudulent declaration under Section 15 of the Lanham Act to make its registration incontestable, the registration is cancelled in its entirety, full stop. But on October 18, the U.S. Court of Appeals for the Federal Circuit put an end to that, holding that the TTAB lacks the statutory authority to cancel a registration in its entirety due to a fraudulent

incontestability filing. As to what the penalty for such a fraudulent filing is or could be, well, the Federal Circuit threw out a few ideas, but it seems it will be for TTAB to figure that out.

How did we get to this point? Picture it: West Hollywood, 1964. A young Serbian immigrant, Dobrivoje Tanasijević, who adopted the name Dan Tana not long after arriving in the United States, opens his eponymous Italian eatery. By the 1970s, Dan Tana's has become a legendary showbiz hotspot, celebrated on *The Tonight Show* and frequented by all the boldface names of the day, from John Wayne to Linda Ronstadt. The restaurant becomes so popular that the lead character in the hit ABC television show *Vega\$*, played by Robert Urich, is given the name "Dan Tanna" by the show's producer and restaurant habitué, Aaron Spelling. The restaurant continues to flourish today on Santa Monica Boulevard, under new ownership following Mr. Tana's sale of the place in 2009.

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Prior to the sale, in 2005, Mr. Tana tried to register his DAN TANA'S trademark with the PTO, but registration was refused because an Atlanta-area restaurant operated by Great Concepts LLC, had registered DANTANNA'S for restaurant services in 2003. An aggrieved Mr. Tana sought to cancel this registration, and he also sued Great Concepts for trademark infringement in 2008 in the U.S. District Court for the Northern District of Georgia; the cancellation proceeding was suspended during the pendency of the federal court action. Unfortunately for Mr. Tana, he lost the federal case before the district court in 2009, and then on appeal to the U.S. Court of Appeals for the 11th Circuit in July 2010. The cancellation proceeding was dismissed in December 2010.

End of story, right? Wrong. On March 8, 2010, Great Concepts' counsel filed with the PTO a combined declaration of use and incontestability under Sections 8 and 15 of the Lanham Act to maintain the DANTANNA'S registration (under Section 8) and to make the registration incontestable (under Section 15). In that declaration, the attorney swore, under penalty of perjury, as required for the registration to achieve incontestable status under Section 15, that "there is no proceeding involving said rights pending and not disposed of either in the U.S. Patent and Trademark Office or in the courts." The problem: this statement was obviously false, because both Mr. Tana's appeal and his cancellation proceeding were pending when the declaration was filed.

Notwithstanding this glaring untruth, nothing happened until 2015, when Mr. Tana's successor, Chutter, Inc., petitioned to cancel Great Concepts' registration based on the untrue 2010 incontestability filing. The TTAB did just that, holding that, under *Crown Wallcovering Corp. v. Wall Paper Mfrs. Ltd.*, 188 USPQ 141, 144 (TTAB 1975), when an incontestability filing is made fraudulently, the proper remedy is cancellation of the registration in its entirety. The TTAB had little trouble concluding that fraud had indeed occurred, given the concededly false statement contained in the Great Concepts declaration. The Board also noted that: (i) the attorney who filed the declaration was Great Concepts' counsel in both the then-pending federal litigation and cancellation proceeding, so he clearly knew the declaration was false; (ii) the attorney's claim that he was not aware of the legal requirements for a Section 15 declaration was no excuse; (iii) nor was his claim that a paralegal prepared the declaration, which he failed to read carefully; and (iv) Great Concepts and its counsel were aware of the false filing no later than February 2014 but failed to correct it with the PTO.

Great Concepts appealed the TTAB decision to the Federal Circuit, and that appeal succeeded last week, in a 2-1 precedential decision. Why? The majority opinion offered a variety of reasons, starting with the text of the Lanham Act. Section 14 of the Lanham Act allows for cancellation "at any time" if the "registration was **obtained** fraudulently" (emphasis in majority opinion). According to the *Great Concepts* majority, the plain meaning of the statute covers fraud occurring in the context of initial filings made in support of an application to register a mark, and Section 8 filings to maintain the protections afforded by a registration. But, per the majority, a Section 15 incontestability filing is only optional and not made to "obtain" or even to "maintain" a registration, but to enhance the rights afforded to a registrant. In addition, Lanham Act Section 33(b) provides that an accused infringer can defend against claims brought by the owner of an

incontestable registration by asserting that the owner's incontestability filings were made fraudulently, but that Section says nothing about cancellation, just loss of incontestable status. Thus, the majority concluded that the Board has no statutory authority to cancel a registration when a fraudulent incontestability filing is made. In light of this holding, the Court did not reach the issue of whether Great Concepts had actually engaged in any fraud, and it remanded to the Board the question of what consequences, if any, should result from the false incontestability filing.

In its decision, the majority rejected a series of arguments advanced by Chutter, and the dissent, as to why its holding was erroneous. First, the majority held that, notwithstanding 47 years of Board precedent to the contrary, the Lanham Act says what it says and if Congress wants to make cancellation of a registration in its entirety a remedy for a false incontestability filing, it can do so. The majority also noted that *McCarthy on Trademarks and Unfair Competition* has long agreed with the majority's statutory reading, so it's not like their holding was some sort of outlier, although the majority acknowledged that *Gilson* disagrees with *McCarthy* on this point. The majority also distinguished prior Federal Circuit cases suggesting agreement with the Board's now overturned holdings, stating that these cases never directly presented the question decided in *Great Concepts*.

Second, the majority held that the PTO's administrative decision to allow registrants to make Section 8 (maintenance) and Section 15 (incontestability) filings together, in the same document, did not cause Great Concepts' Section 8 filing to be fraudulent. The majority held that the PTO in practice treats these combined filings separately, with separate filing fees, such that the PTO's efforts to make post-registration filings more efficient and simpler for registrants did not and could not trump the Lanham Act's text.

Third, the majority rejected the policy-based arguments on which the dissent focused, rejecting the characterization of its holding as one making fraudulent incontestability filings a "costless offense." After all, the majority said, the Board could take away a registration's incontestable status as a penalty for a false Section 15 filing. Or, it could sanction the attorney who signed the declaration, even referring them to the PTO's Office of Enrollment and Discipline, and maybe even for criminal prosecution (!) The majority defended its holding by stating that:

Our ruling that a Section 14 cancellation of a registration is not an available remedy for a fraudulent Section 15 declaration – a conclusion we reach because Congress chose not to empower the Board with the ability to impose that specific consequence – is a ruling that this one remedy is unavailable, leaving the Board, we expect, with sufficient mechanisms to adequately deter fraud.

To the dissent, all of this was just words, and it argued the majority was "excus[ing] fraud" and violating the "pact" with the general public when it comes to the grant and protection of intellectual property rights. It also scoffed at the majority's seemingly preferred remedy – the loss of incontestable status – as a "no harm, no foul" solution that

was wholly inadequate to deter fraud, particularly in this case, where there was “substantial evidence” showing that Great Concepts and its counsel had perpetrated a fraud on the PTO. Indeed, the dissent claimed that the majority had constructed “a milepost in the trademark administrative continuum, at which point (Section 15) fraudulent wrongdoing is greenlighted. The majority does not provide a principled rationale for such a milepost.”

Apart from the adverse policy consequences weighing against the majority’s holding, the dissent’s view was that a Section 15 filing is part of a broader array of trademark maintenance filings that include Section 8 filings to maintain a registration and Section 9 filings to renew a registration. As a result, whenever a registrant fraudulently “obtains” any of the rights afforded to a registrant by virtue of owning a registration, cancellation of the registration is an available remedy. The fact that the PTO allows combined Section 8 and 15 filings to be made together, in one document, which states explicitly that willful false statements “may jeopardize the validity of *this document*” (emphasis added by dissent), confirms the interrelated aspects of these various filings, according to the dissent. So too does the fact that a Section 15 filing “*may also be used as* the affidavit or declaration required by section 8” (emphasis added by dissent, citing 37 CFR § 2.168).

In closing, the dissent criticized the majority for suggesting alternative penalties the Board might consider on remand, and instead invited the Board to clarify whether it considers Section 15 filings to be part of the trademark registration maintenance process.

As to what happens next in this case, your guess is as good as mine. An *en banc* review is a possibility, but given the remand to the TTAB for additional proceedings, the case may not be ripe for Supreme Court review. If there are no further, immediate appellate proceedings, the TTAB will have to decide whether to accept the dissent’s invitation to address whether a Section 15 filing qualifies as one that maintains a trademark registration. The Board will also have to consider what sort of sanctions, if any, are available when a fraudulent incontestability filing is made. Loss of incontestability? If so, forever, or could a new, fraud-free Section 15 filing be made? Sanctions on the offending attorney? If so, of what kind? What if the Section 15 declaration was filed by a non-attorney or the registrant itself? And does the *Great Concepts* decision make it more likely that registrants will run the risk of making false incontestability filings, because there is no clear penalty for such an act? Or not? Stay tuned for future updates on this esoteric, but important, issue.