

TTAB Rules That Reckless Disregard Satisfies the Intent to Deceive Standard for Fraud

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Twelve years after the Federal Circuit's landmark *In re Bose* decision on fraud, the U.S. Trademark Trial and Appeal Board ("TTAB") has answered one of the questions not reached by *Bose*: whether reckless disregard of the truth or falsity of a material statement in a PTO filing satisfies the intent to deceive standard for fraud. In the precedential decision *Chutter v. Great Management Group, LLC/Chutter v. Great Concepts, LLC*, the TTAB answered "yes" to this question and cancelled the challenged registration based on fraud.

Chutter involved a consolidated TTAB proceeding involving oppositions to two applications (**DANTANNA'S** for "spices and spice rubs" and **DATANNA'S TAVERN** for "restaurant and bar services" owned by defendant Great Management Group) and a cancellation against one registration (**DANTANNA'S** mark for "steak and seafood restaurant" by defendant Great Concepts, LLC). The defendants shared the same owner, who treated both entities interchangeably, filing the combined declaration for the **DANTANNA'S** mark owned by Great Concepts LLC in the name of Great Management Group. Because plaintiff's common law use of its **DAN TANA'S** mark for a restaurant and marinara sauce long predated any use by defendants and the TTAB separately found a likelihood of confusion between the parties' marks, the only way defendants could save their registration was to rely on its incontestable status.

The material false statement at issue in *Chutter* was the statement from the declaration of incontestability for the **DANTANNA'S** registration that there were no pending proceedings against the registration. The statement was material because without it the registration would not have been entitled to the protection of incontestability. The statement was false because when the declaration was made the registration was the subject of both an earlier cancellation proceeding and federal court litigation.

The Board found the signatory's statement was made with reckless disregard of the truth or falsity based on these facts:

- At the time the declaration of incontestability was signed, the signatory knew that the registration was subject to challenge in the cancellation proceeding and court litigation
- At the time of his signature, the signatory did not know the requirements for a declaration of incontestability and did not read the language of the declaration that explained the requirements
- Upon learning the declaration was false, the defendants did not correct it

The details behind these facts only worsened the defendants' position. The signatory was not a business person, but defendants' outside counsel. The outside counsel not only knew about the earlier cancellation proceeding, but was handling it. Once the declaration of incontestability had been filed, an employee from the signatory's office called the PTO the day after the declaration was filed to check on the status of the cancellation proceeding. That same day the signatory's paralegal sent the signatory a memo explaining what statements had been made in the filing and describing how to remedy any errors in the filing. While these facts demonstrated an awareness of the falsity, later facts showed that defendants had clear knowledge of the falsity. Plaintiff's

counsel described the falsity to defendants' counsel during a phone call and then again when petitioning to cancel the registration. While their answer to the cancellation petition admitted the statement was false, Defendants still did not correct the false declaration of incontestability. The TTAB found the totality of these facts showed "willful blindness" amounting to "reckless disregard" of the truth or falsity of the statement.

Having found reckless disregard, the TTAB next looked to case law to see if reckless disregard qualifies as willful intent and satisfies the intent to deceive standard for fraud required by *In re Bose*. The TTAB cited multiple cases from non-trademark contexts when the Supreme Court or federal appellate courts held that acting with reckless disregard for the consequences of an action satisfies the requirement for an intentional or willful act. The TTAB then concluded that "reckless disregard [was] . . . the legal equivalent of finding that [defendant] had the specific intent to deceive the [PTO]" and cancelled the **DANTANNA'S** registration on the ground of fraud.

Chutter shows that the TTAB will not tolerate the combination of a false declaration of incontestability and reckless disregard of the truth or falsity of a material statement. The conduct described above can serve as guidance on what future plaintiffs should do and what future defendants should avoid. Certainly, correction of a prior false statement in a PTO filing should be undertaken promptly once the falsity becomes known to a signatory, even if such "correction" amounts to a withdrawal because it eliminates the registrant's basis for the declaration of incontestability. Left unresolved, however, are issues such as whether *Chutter*'s precedential holding will be applied to non-attorney signatories who may have a lesser understanding of legal language and the potential consequences of a false statement, whether there can be a false declaration of incontestability without a corresponding finding of reckless disregard and what behavior constitutes reckless disregard in connection with declaration of use filings. Watch this space for discussions of future TTAB fraud cases to find out!