

Brand Protection Alert

October 2021

TTAB: Reckless Disregard Satisfies the 'Willful Intent' Element of Fraud

Chutter, Inc. v. Great Management Group, LLC
(Opposition No. 91223018)

Chutter, Inc. v. Great Concepts, LLC
(Cancellation No. 92061951)

The Trademark Trial and Appeal Board (TTAB), in a rare finding of actionable fraud, found that an attorney's false statement contained in a Combined Section 8 and 15 Declaration of Continued Use and Incontestability filed with the U.S. Patent and Trademark Office (USPTO), coupled with a party's reckless disregard for the contents of USPTO filings, could rise to the level of willful intent to deceive and could therefore be considered fraud. Though the federal court had not previously determined that reckless disregard satisfies the "willful intent" element of fraud, the TTAB has now ruled in the affirmative and has made clear that a signatory cannot hide behind willful blindness as to the contents of USPTO filings. A signatory's submission of false information, even if the signatory admits that they have failed to read and understand the documents, constitutes reckless disregard, which is the legal equivalent of finding that the signatory has specific intent to deceive the USPTO.

Key Takeaways:

- "Reckless disregard" satisfies the requisite intent for fraud on the USPTO in trademark matters and is the legal equivalent of finding that a party had specific intent to deceive the USPTO.
- Inclusion of false statements in a Section 15 affidavit/declaration is material and, if made with the relevant degree of intent, which now includes reckless disregard, constitutes fraud warranting cancellation of the involved registration of Section 14(3) of the Trademark Act.



- Documents submitted to the USPTO must be investigated and read thoroughly before filing, since a declarant, including an applicant's or registrant's counsel, can be found to have acted with reckless disregard by failing to read, understand and ascertain the importance of these documents.
- If an applicant or registrant believes, at any point, that a filing contains false information, they should immediately take steps necessary to correct the information.

Plaintiff Chutter Inc., a restaurant owner based out of Los Angeles, had been using the mark DAN TANA'S in connection with its restaurant services since the 1960s. Plaintiff's trademark application was refused based on defendant Great Concepts LLC's prior applications and registration for DANTANNA'S. Plaintiff filed a petition to cancel defendant's registration based on fraud and two oppositions against defendant's applications based on likelihood of confusion.

In its fraud claim, plaintiff alleged that defendant filed a Declaration of Incontestability under Section 15 of the Trademark Act in March 2010 that contained false information. A Declaration of Incontestability is a

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signed statement in which a trademark owner claims incontestable rights in a trademark and continuous use of the trademark for five years. One of the attestations in the Declaration of Incontestability is that “no proceeding involving said rights pending and not disposed of in either the U.S. Patent and Trademark Office or the courts exists.”

Plaintiff alleged that at the time of filing the Declaration of Incontestability, defendant’s counsel knew that both a Board proceeding and civil action were pending against Great Concepts, yet defendant submitted a Declaration of Incontestability declaring that no proceedings existed. Great Concept’s Declaration therefore contained false information. Plaintiff further alleged that even when it brought the incorrect filing to defendant’s attention, neither defendant nor its counsel took any remedial steps.

Defendant’s counsel admitted that at the time of filing of the Declaration, there were pending cases against defendant. Counsel testified, however, that he did not intend to submit false information, since he did not read the contents of the declaration closely enough to be aware that it contained a false statement. Since willful intent to deceive is an element of fraud, defendant argued that its actions were not fraudulent.

The TTAB held that counsel acted in reckless disregard for the truth by failing to ascertain and understand the importance of the document he was signing. The question then became, does reckless disregard rise to the level of “willful intent” to deceive? The TTAB concluded that it does, stating:

In matters of trademark registration and maintenance, where the USPTO relies on declarations to be complete, accurate, and truthful, we hold that reckless disregard is equivalent to intent to deceive and satisfies the intent to deceive requirement. The vast volume of trademark application and registration maintenance filings made with the USPTO is such that the agency typically cannot actively investigate the truth or falsity of individual declarations.

...

The applicable law cannot be read to permit applicants and registrants to recklessly disregard the contents of sworn declarations and sign them without consequence for the inclusion of false statements that will be relied on by the USPTO.

The TTAB held that, as a matter of law, reckless disregard satisfies the requisite intent for fraud on the USPTO in trademark matters, and at a minimum, defendant engaged in reckless disregard by not ascertaining the importance of the documents it was submitting. The Board also concluded that even after opposing counsel brought the incorrect filing to defendant’s attention, it did not take any remedial steps to correct the false information, which led the Board to believe that defendant and its counsel intended to file exactly what was filed, regardless of its accuracy.

The TTAB granted Plaintiff’s petition to cancel on the ground of fraud.

Several lessons emerge from this decision that have the potential to gravely impact trademark owners’ and practitioners’ day-to-day trademark prosecution strategies.

First, the TTAB has taken a hard-line stance against declarants claiming that they did not read or understand declarations or affidavits prior to filing with the USPTO. Registrants and their counsel have now been put on notice that the TTAB will not accept a declarant’s willful blindness and are reminded of the importance of reading and understanding the documents being filed with the USPTO.

Second, understanding the prosecution and procedural history of trademarks is a vital step in trademark prosecution, since understanding a mark’s history may be an important piece to consider when maintaining registrations.

Finally, though proving fraud carries an extremely high burden, it is not an impossible feat. While fraud is a claim that should be alleged with caution, as has been shown here, under the right facts, the TTAB does not shy away from canceling a trademark registration based on fraud.

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