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The Second Kind of Sin: Making the Case for a Duty to Disclose Facts Related to Genericism and Functionality in the Trademark Office

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The Second Kind of Sin: Making the Case for a Duty to Disclose Facts Related to Genericism and Functionality in the Trademark Office

Susan M. Richey*

Abstract

Fraud jurisprudence in the federal Trademark Office encourages trademark holders to remain ignorant—or worse, silent—regarding facts that may reveal the generic or functional nature of their marks. If that failure to investigate or to voluntarily disclose relevant information results in the award or maintenance of a federal trademark registration for invalid subject matter, the public suffers an injury. The injury is particularly acute because numerous amendments to the 1946 Lanham Act in the decades since its passage have substantially increased the evidentiary utility and power of a federal registration. Although procedures exist to allow a challenger to oppose or cancel an improvidently granted registration, unless and until a successful challenge is mounted, the registration effectively cordons off matter as proprietary that properly should inhabit the public domain.

This Article urges imposition of a duty of disclosure in the Trademark Office which could be enforced upon a showing that the applicant or registrant failed to conduct a reasonable investigation for facts related to genericism or functionality and to disclose the same to the Trademark Office. The proposed duty would require amendment of the Lanham Act as it would shift the burdens of production and proof on the issues of genericism and functionality from the Trademark Office to the applicant; it would persist throughout the life of any resulting registration requiring correction of the record should facts related to

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those issues arise. The remedy for failure to comply with an affirmative duty of disclosure would be a refusal to issue a registration or cancellation of the relevant part of any existing registration.

The move away from a fraud standard toward an affirmative duty of disclosure in the Trademark Office would promote fair dealing with a government agency, would not burden holders of valid trademark rights unduly, and would preserve the public domain.

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"It is the sin of omission, the second kind of sin,
That lays eggs under your skin."¹

I. Introduction

Almost half a century ago, the Court of Customs and Patent Appeals (C.C.P.A.) decided *Bart Schwartz International Textiles, Ltd. v. FTC*² and determined that applicants for federal trademark registration have no affirmative duty to disclose facts material to registration proceedings before the United States Patent and Trademark Office (USPTO).³ The Court pointed out

1. OGDEN NASH, *MANY LONG YEARS AGO* 31 (Little, Brown & Co. 1945) (1931).

2. *See* *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 289 F.2d 665, 671–72 (C.C.P.A. 1961) (agreeing with the lower court that the trademark registration of the petitioner was obtained fraudulently within the meaning of the Lanham Act, and, therefore, had to be canceled). Prior to October 1, 1982, appeals from the Trademark Trial and Appeal Board lay before the Court of Customs and Patent Appeals, which was subsequently merged into the Court of Appeals for the Federal Circuit. *See* *S. Corp. v. United States*, 690 F.2d 1368, 1370–71 (Fed. Cir. 1982) (en banc) (discussing the merger of the Court of Customs and Patent Appeals into the Court of Appeals for the Federal Circuit). Decisions of the C.C.P.A. are binding on the Federal Circuit. *See id.* at 1369 ("We hold that the holding of our predecessor courts . . . before the close of business September 30, 1982, shall be binding precedent in this court.").

3. *See Schwartz*, 289 F.2d at 669 (stating that the Lanham Act does not require an applicant to volunteer to the Patent Office the fact that its purported mark has a specific meaning in another language). Federal trademark registration was administered by the United States Patent Office until the name of the agency was changed to the United States Patent and Trademark Office (USPTO) in 1975. United States Patent and Trademark Office, *General Information Concerning Patents* (Jan. 2005), <http://www.uspto.gov/go/pac/doc/general/> (last visited Feb. 23, 2010) (on file with the Washington and Lee Law Review). Within the USPTO, the Commissioner of Patents handles applications for patents and related matters and the Commissioner of Trademarks has similar responsibility for trademark registration applications. *Id.* For ease of reference, "the Trademark Office" and "the Patent Office" will be used

that the sole source of such an obligation would be the Lanham Act, and the Act is silent in this regard.⁴ Moreover, Section 2 of the Lanham Act places the burden of proof on the Trademark Office to show that a requested registration falls within one of the bars referenced in that section and, therefore, should not be issued.⁵ Applicants, then, are free to stand mute and rely on the statutory burden of proof to avoid one of the bars to registration. When the purported mark is a generic term or symbol, or functional trade dress, rewarding the failure to disclose with a federally issued registration not only subverts notions of fair dealing with a government agency but also impedes fair competition that flows from free access to public domain terms, symbols, and design features.

Since *Schwartz*, the Trademark Trial and Appeal Board⁶ (the T.T.A.B. or the Board) has voided registrations for fraud in the Trademark Office, but, in so doing, the Board generally relies upon intentional misstatements of material fact and rarely invokes intentional omissions of material fact, presumably, because the applicant has no affirmative duty to disclose.⁷ In *Schwartz* itself, the C.C.P.A. declared the registration void for fraud based not on applicant's failure to disclose unprompted what it knew about the generic nature of its mark, but on the form oath accompanying the application verifying that no other individual or entity had a right to use the mark in commerce.⁸ Because

throughout to distinguish between the two administrative schemes.

4. See *Schwartz*, 289 F.2d at 669 (noting that any duty to disclose would need to arise out of Section 1(a) of the Lanham Act, in particular, and that provision only requires that the applicant refrain from making knowingly false or misleading statements in the verified declaration accompanying the application).

5. The prefatory language in Section 2 of the Lanham Act reads as follows: "No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless" one of the listed bars to registration pertains. Lanham Act § 2, 15 U.S.C. § 1052 (2006). The burden is on the Trademark Office to prove that registration is barred under Section 2. See *In re Mavety Media Group Ltd.*, 33 F.3d 1367, 1371 (Fed. Cir. 1994) (interpreting the statutory burden of proof (citing *In re Standard Elektrik Lorenz Akiengesellschaft*, 371 F.2d 870, 873 (C.C.P.A. 1967))).

6. The Trademark Trial and Appeal Board is an administrative body organized under the authority of the USPTO to hear appeals from the denial of registrations by examining attorneys, as well as certain *inter partes* proceedings, including oppositions to registrations or cancellations of previously issued registrations. United States Patent and Trademark Office, Glossary (Apr. 23, 2009), <http://www.uspto.gov/main/glossary/index.html#TTAB> (last visited Feb. 23, 2010) (on file with the Washington and Lee Law Review).

7. Several cases refer to "a duty of candor" in proceedings before the Trademark Office. See *infra* notes 270–85 and accompanying text (discussing federal district court and appellate decisions that reference an affirmative duty of candor on the part of registration applicants). Because the obligation not to lie is different than an affirmative obligation to produce relevant information, this Article uses the phrase "duty to disclose" throughout to indicate the latter.

8. See *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 289 F.2d 665, 669 (C.C.P.A. 1961)

generic terms are free for all to use, and because testimony had been elicited by the T.T.A.B. showing applicant's knowledge that its purported mark constituted the generic name of the goods in issue, the appellate court construed applicant's signature on the oath to be an intentional misstatement of material fact and, therefore, fraud in the Trademark Office.⁹ Relying on the verified statement, however, only works where evidence of applicant's knowledge has been adduced so that fraudulent intent may be inferred. Without such evidence, a fact-finder is faced with the ambiguity of silence and its equally plausible dual inferences: an intention to deceive or, simply, a lack of knowledge.

In light of the statutory burden of proof, an applicant's sanctioned silence is particularly troubling because, as between the Trademark Office and the applicant, it is the applicant who will have ready access to facts relevant to the issues of genericism and functionality.¹⁰ Lacking familiarity with the applicant's products or service industry, the examining attorney may not think to inquire regarding generic uses of a term or symbol for which registration is being sought, or the functionality of a design feature that is the subject of an application. If an inquiry is made, it triggers disclosure only of that which the applicant actually knows. Added to the fact-finding challenge is the ever-increasing volume of applications each examining attorney is expected to process.¹¹ These obstacles argue for a duty of disclosure on the part of applicants before the strong competitive advantage of a federal registration is placed in their hands.

The primacy of federal trademark registrations over their underlying common law rights has become more obvious with each new amendment of the Lanham Act. A registration is a powerful evidentiary tool that gives its owner a substantial advantage in proceedings before the Trademark Office, in a court of

(determining that the appellant was not acting in good faith because he possessed knowledge of facts that were contrary to the form oath accompanying the application).

9. See *id.* at 671 (referencing the testimony of the appellant and concluding that there was a factual misrepresentation made by the appellant in the declaration).

10. See, e.g., *Deflecta-Shield Corp. v. Kar-Rite Corp.*, 229 U.S.P.Q. 743, 747 (N.D. Ill. 1986) (rejecting registrant's argument that it is impossible to hide the generic nature of a trademark from an examining attorney); *In re Witco Corp.*, 14 U.S.P.Q.2d 1557, 1560 (T.T.A.B. 1989) (acknowledging that evidence of a technical nature as it bears on the question of functionality is more accessible to applicants than to the examining attorneys in the Trademark Office).

11. The USPTO estimates that trademark registration application filings will increase by six to eight percent each year through 2012. UNITED STATES PATENT AND TRADEMARK OFFICE, 2007-2012 STRATEGIC PLAN 13, available at <http://www.uspto.gov/web/offices/com/strat2007/stratplan2007-2012.pdf>.

law, and in domain name arbitration.¹² The presumption of validity that accompanies a registration can have an *in terrorem* effect that deflects others from pursuing registrations or from staying the course of either administrative proceedings or litigation to challenge the validity of such a registration.¹³ Additionally, federal trademark registrations can be used to halt purportedly infringing goods at the border or to exact criminal penalties in counterfeiting cases.¹⁴ In sum, the grant of a federal trademark registration has taken on the aura of other intellectual property grants from the federal government and should not be conferred without a trademark holder's full disclosure of facts necessary for the Trademark Office to make an informed issuance decision.

This Article argues that Section 2 of the Lanham Act should be amended to shift the burden of proof with regard to the issues of genericism and functionality, allowing the Trademark Office to impose an affirmative duty of disclosure on those issues. The duty would apply to applicants for federal trademark registration and to registrants during incontestability and renewal proceedings. The duty would extend to relevant information that the applicant or registrant can reasonably discover, whether or not the information is uniquely within the purview of that entity and all facts that a reasonable examining attorney might find to be important or relevant for registration purposes.¹⁵ Given the extensive case law detailing the types of proof submitted in genericism and functionality challenges, requiring applicants to come forward at the outset of the application process with the same types of facts should not unduly burden them and should result in more informed issuance decisions on the part of the Trademark Office.¹⁶ The justification for imposing

12. See Lanham Act § 33, 15 U.S.C. § 1115 (2006) (listing the benefits of registration, including that registration shall be "prima facie evidence of the validity of the registered mark" in a subsequent action).

13. Cf. Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585, 589 (2008) (arguing that the primary motivation for trademark lawsuits against competitors is to increase their cost of entering or continuing in the market; this is on the rise as evidenced by statistics showing the number of Lanham Act filings is increasing while the number of dispositive dispositions is decreasing).

14. See Lanham Act § 42, 15 U.S.C. § 1124 (forbidding the importation of goods bearing infringing marks).

15. Cf. *infra* text accompanying note 299 (discussing the effects of shifting the burden of proof to the applicant for registration).

16. Shifting the initial burden of production would comport with federal law which requires the party seeking enforcement of its *unregistered* mark or trade dress to make a prima facie case that the mark is nongeneric or nonfunctional before the burden shifts to the challenger; of course, the trademark holder bears the ultimate burden of proof on the issue of validity in litigation, whether or not a registration exists for the mark or trade dress in question. See, e.g., *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 783 (9th Cir. 2002) (noting that the plaintiff in a federal trademark enforcement action defending against a charge of functionality

a duty to disclose arises from the power of the federal registration, coupled with the adverse effect that registration of generic terms and symbols or functional trade dress works upon the public interest.

Violation of the duty to disclose would void the application or cancel the registration without the need to prove fraudulent intent.¹⁷ Incorporating a duty to disclose in trademark proceedings in such a way directly addresses the potential harm of a registration improvidently granted for a generic term or symbol or for functional trade dress and does not unfairly impact the trademark holder. If an applicant or registrant violates the duty and the mark is not generic or functional, the trademark holder may continue to rely on its common law rights and reapply for a registration in compliance with the duty of

retains the ultimate burden of proving infringement of a *valid* mark irrespective of registration); *Yellow Cab Co. v. Yellow Cab of Elk Grove, Inc.*, 419 F.3d 925, 928 (9th Cir. 2005) (noting that the plaintiff in a federal trademark enforcement action defending against a charge of genericism retains the ultimate burden of proving infringement of a *valid* mark irrespective of registration). Several cases have discussed the burdens of proof in genericism challenges, although the cases often conflate the concepts of initial burden of production and ultimate burden of proof. *See, e.g.*, *Am. Online Corp. v. AT&T Corp.*, 243 F.3d 812, 819 (4th Cir. 2001) ("AOL has not registered 'You Have Mail' with the PTO, and therefore it must carry the burden of establishing the validity and its ownership of the mark as part of its larger burden in a trademark infringement action."); *Filipino Yellow Pages, Inc. v. Asian Journal Publ'ns Inc.*, 198 F.3d 1143, 1146 (9th Cir. 1999) ("In cases involving properly registered marks, a presumption of validity places the burden of proving genericness upon the defendant. If a supposedly valid mark is not federally registered, the plaintiff has the burden once the defendant asserts genericness as a defense." (citations omitted)); *Mil-Mar Shoe Co. v. Shonac Corp.*, 75 F.3d 1153, 1156 (7th Cir. 1996) ("When the mark claimed as a trademark is not federally registered . . . the burden is on the claimant to establish that it is not an unprotectable generic mark."); *Blinded Veterans Ass'n v. Blinded Am. Veterans Found.*, 872 F.2d 1035, 1041 (D.C. Cir. 1989) ("Because 'blinded veterans' is not a registered trademark, the burden was on BVA to prove that the term is not generic."); *Reese Publ'g Co. v. Hampton Int'l Commc'ns, Inc.*, 620 F.2d 7, 11 (2d Cir. 1980) ("If a mark has been registered with the United States Patent and Trademark Office, the defendants in an infringement action do bear the burden of overcoming the presumption that the mark is not generic."). The Second Circuit went on to state that "where, as here, the mark is not registered, this presumption of validity does not come into play. Instead, the burden is on plaintiff to prove that its mark is a valid trademark, . . . this necessarily implies that plaintiff must bear the burden of proving that its unregistered mark is not generic." *Id. But see* *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 100–01 (2d Cir. 1989) (creating an exception to the general rule and placing the burden of proof on the party asserting genericism when previously protectable unregistered subject matter has become generic over time through improper use). The functionality challenges are discussed in the Lanham Act. *See* Lanham Act § 43(a)(3), 15 U.S.C. § 1125(a)(3) (2006) (concerning trade dress infringement); *id.* § 43(c)(4)(a), 15 U.S.C. § 1125(c)(4)(A) (concerning trade dress dilution); *infra* text accompanying notes 247–51 (commenting on how claims for the dilution of famous marks are governed by the Lanham Act).

17. Note that conforming amendments of the Lanham Act would be needed to include failure to disclose as a basis for challenging registrations improvidently granted or maintained for generic and functional subject matter.

disclosure. If an applicant's mark is adjudicated to be generic or functional, a finding of fraudulent intent is superfluous because the terms, symbols, or trade dress will be publicly available in any event. Administrative proceedings or litigation premised on fraud in the Trademark Office would no longer occupy the landscape, particularly in cases focused on genericism or functionality and, most importantly, the power of trademark registrations would be balanced by mandated disclosure of relevant facts.¹⁸

Although this Article proposes imposition of an affirmative duty of disclosure in federal registration proceedings, the violation of which would not implicate proof of fraudulent intent, examination of how the T.T.A.B. and the courts currently address fraud in the Trademark Office is critical to understanding the drawbacks posed by the fraud standard in the context of generic or functional subject matter. Part II of this Article reviews current T.T.A.B. case law in which fraud is charged in *inter partes* proceedings, and Part III considers case law from the T.T.A.B. and the courts, in which fraud in the Trademark Office is alleged to have resulted in registrations granted for generic terms or functional trade dress. Part IV reviews several amendments to the 1946 Lanham Act that have enhanced the power of federal trademark registrations to a degree justifying imposition of the proposed duty. Part V examines the policy reasons that have justified a difference between the Patent Office and the Trademark Office in disclosure obligations in the past. Part VI posits creation of an affirmative duty of disclosure in the Trademark Office and outlines how it would operate to provide a more effective means of preventing and remedying issuance of registrations for generic and functional subject matter.

II. Current Law of Fraud in the Trademark Office

When considering an allegation that a registration was obtained or maintained through fraud in the Trademark Office, trademark decisions sometimes rely upon the axiom that "fraud is a serious charge"¹⁹ but generally

18. Fraud is an appropriate charge in *inter partes* proceedings before the T.T.A.B. as is invalidity of the mark by virtue of genericism or functionality. See Lanham Act § 13, 15 U.S.C. § 1063 (2006) (concerning opposition to registration); *id.* § 14(3), 15 U.S.C. § 1064(3) (concerning cancellation of registration). Any of the foregoing grounds may also form the basis for a counterclaim for cancellation in Lanham Act litigation. See *id.* § 37, 15 U.S.C. § 1119 (addressing counterclaims for cancellations).

19. See, e.g., *San Juan Prods., Inc. v. San Juan Pools of Kan., Inc.*, 7 U.S.P.Q.2d 1230, 1233 (10th Cir. 1988) (emphasizing that the charge of fraud is serious and not easily proven); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 229 U.S.P.Q. 890, 896 (S.D.N.Y. 1986) ("[I]t is clear that a court should not lightly undertake the cancellation of a trademark on the basis of

make the same point by noting that proof must be clear and convincing, leaving no room for speculation, conjecture, or surmise, and leaving any doubt as to an applicant's or a registrant's belief to be resolved against the charging party.²⁰ Decisions often sum up this articulation with the statement that fraud must be proven "to the hilt."²¹

In reality, fraud does not appear to be a particularly serious charge in the context of such proceedings.²² A noted commentator argues forcefully that charges of fraud carry little weight because common law rights in a valid mark survive a registration voided for fraud, and they cannot be countered with an unclean hands defense based upon that fraud.²³ If the purported mark is adjudicated to be either generic or functional, fraud is irrelevant in any event as the mark is invalid *in toto*.²⁴ Nonetheless, charges of fraud continue to swirl

fraud."), *aff'd*, 818 F.2d 254 (2d Cir. 1987); *ABC Moving Co. v. Brown*, 218 U.S.P.Q. 336, 338 (T.T.A.B. 1983) (rejecting the petitioner's argument of fraud and declaring that fraud is a very serious charge); *see also* Saul Lefkowitz, *Fraud upon the Patent and Trademark Office—An Exception*, 66 TRADEMARK REP. 268, 278 (1976) ("[T]he pleading of fraud is a serious matter and should not be undertaken as a matter of course.").

20. *See, e.g., In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *5 (Fed. Cir. Aug. 31, 2009) (discussing the strict evidentiary standards necessary to arrive at a finding of fraud); *Hurley Int'l L.L.C. v. Volta*, 82 U.S.P.Q.2d 1339, 1343 (T.T.A.B. 2007) ("A party making a fraud claim is under a heavy burden because fraud must be proved by clear and convincing evidence, leaving nothing to speculation, conjecture, or surmise."); *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917, 1926 (T.T.A.B. 2006) ("Fraud must be proven with clear and convincing evidence, and any doubt must be resolved against a finding of fraud."); *Woodstock's Enters., Inc. (CA) v. Woodstock's Enters., Inc. (OR)*, 43 U.S.P.Q.2d 1440, 1443-44 (T.T.A.B. 1997) ("It does appear that the very nature of fraud requires that it be proven . . . with clear and convincing evidence."); *First Int'l Servs. Corp. v. Chuckles, Inc.*, 5 U.S.P.Q.2d 1628, 1634 (T.T.A.B. 1987) (same); *Smith Int'l, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, 1044 (T.T.A.B. 1981) (same).

21. *E.g., Bose*, 2009 U.S. App. LEXIS at *2; *Woodstock's Enters.*, 43 U.S.P.Q.2d at 1443; *First Int'l Servs.*, 5 U.S.P.Q.2d at 1634; *Smith Int'l*, 209 U.S.P.Q. at 1044.

22. *See* 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:60, at 31-140 (4th ed. 2009) [hereinafter MCCARTHY ON TRADEMARKS] ("The approach of the courts in finding that even proven fraud in obtaining a registration does not affect plaintiff's right to prevail on its common law rights seems quite correct.").

23. *See id.* and cases cited therein (suggesting that a charge of fraud is not necessarily determinative in the context of patent and trademark litigation); *see also Orient Express Trading Co. v. Federated Dep't Stores, Inc.*, 842 F.2d 650, 653-54 (2d Cir. 1988) (finding that even if the appellants' registered marks are canceled on the grounds of fraud, the use of the name could still be protected from unfair competition).

24. *See* discussion *infra* Part III.A (explaining why generic and functional subject matter are not afforded trademark status irrespective of fraud). Perhaps the seriousness of the charge inures only to the hapless attorney who participates in the fraud and, as a result, may be suspended or excluded from practice before the Trademark Office. *See* 37 C.F.R. §§ 10.23(b)(4), 10.156(b) (2008) (outlining misconduct and discussing the subsequent decision-making process of the Trademark Office).

among trademark litigants accompanied by challenges to the validity of their respective trademarks.

Fraudulent trademark registrations will only result when an applicant or a registrant knowingly makes false, material representations of fact in connection with an application for registration or maintenance of a registration.²⁵ Generally, cases involving fraud on the Trademark Office revolve around statements that were either wholly or partially false at the time they were made or, if true when they were made, became false over time and were not corrected.²⁶ Silence as to material facts in procurement or maintenance of a registration, however, becomes actionable only when it can be coupled with proof of knowledge that the requested registration is invalid or the requested renewal or incontestable status is inappropriate, or when the facts reveal a reckless disregard as to these matters. Such proof counters language in the verification that accompanies submissions to the Trademark Office and paves the way for an inference of fraudulent intent.²⁷ Conversely, the absence of such proof blocks a finding of fraudulent intent.

A. Subjective Nature of the Oath or Declaration

Section 1 of the Lanham Act requires an applicant for registration to execute an oath affirming that "to the best of verifier's knowledge and belief"

25. *E.g.*, *In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *2 (Fed. Cir. Aug. 31, 2009); *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 48 (Fed. Cir. 1986). Materiality of the representation—generally interpreted to mean that, but for the statement, the registration would not have issued—is often assumed and rarely discussed. *See, e.g.*, *Hachette Filipacchi Presse v. Elle Belle, L.L.C.*, 85 U.S.P.Q.2d 1090, 1093 (T.T.A.B. 2007) ("[T]here is no question that the application for registration under Section 1(a) of the Trademark Act would have been refused but for respondent's misrepresentation regarding its use of its mark on all the identified goods in the application."); *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917, 1926 (T.T.A.B. 2006) (emphasizing that fraud occurs when an applicant knowingly makes false, material representations of fact in connection with the application); *First Int'l Servs. Corp. v. Chuckles, Inc.*, 5 U.S.P.Q.2d 1628, 1636 (T.T.A.B. 1987) ("We find that applicant committed fraud in its statement regarding the use of the mark on goods for which it only intended to use the mark. There is no question that this statement was material to the approval of the application by the Examining Attorney.")

26. *Cf.* Kimberly D. Krawiec & Kathryn Zeiler, *Common-Law Disclosure Duties and the Sin of Omission: Testing the Meta-Theories*, 91 VA. L. REV. 1795, 1851 (2005) (concluding that fraudulent silence cases decided under common law theories generally require disclosure where silence was preceded or accompanied by an intentional misstatement of material fact that was not corrected by the speaker or, if true when made, became false over time and was not updated by the speaker).

27. *See infra* notes 28–30 and accompanying text (discussing the oath required by the Lanham Act).

he has the exclusive right to use the mark in commerce on the specified goods or services.²⁸ The Trademark Office may accept the application oath or any oath required by the Lanham Act, affidavits in support of registration continuation, incontestable status, or renewal, by way of unsworn declaration.²⁹ When a declaration is used in lieu of an affidavit, the declarant must generally acknowledge the penalty for perjury under federal law and that "all statements made of his/her own knowledge are true . . . and all statements made on information and belief are believed to be true."³⁰ Whether by way of affidavit or declaration, the necessary language reflects only a good faith, subjective belief that tends to moderate the flow of fraud allegations based upon the language.³¹ Specifically, the focus on "belief" places a heavy burden on challengers who would void registrations for fraud in the Trademark Office. For example, proof that an applicant or registrant did not in fact possess an exclusive right to use the mark would not carry the day; only proof that the party lacked an honestly held belief at the time he made the oath or declaration would prevail.³²

28. Lanham Act § 1, 15 U.S.C. § 1051(a)-(b) (2006).

29. See 35 U.S.C. § 25 (2006) (authorizing the Trademark Office to accept declarations in lieu of oaths submitted under the authority of either 37 C.F.R. § 2.20 or 28 U.S.C. § 1746).

30. The Trademark Office prefers declarations submitted pursuant to 37 C.F.R. § 2.20 (2008), a regulation relating specifically to proceedings before the Trademark Office, as opposed to 28 U.S.C. § 1746 (2006), a statute of general applicability relating to verification upon penalty of perjury, because the former specifically requires declarants to acknowledge that willful false statements in the declaration may jeopardize the validity of the application or other document or any registration resulting therefrom. TRADEMARK MANUAL OF EXAMINING PROCEDURE § 804.01(b) (6th ed. 2009) [hereinafter TMEP].

31. See, e.g., *Woodstock's Enters., Inc. (CA) v. Woodstock's Enters., Inc. (OR)*, 43 U.S.P.Q.2d 1440, 1444 (T.T.A.B. 1997) ("The first thing that should be noted about the application oath is that it is phrased in terms of a subjective belief, thereby making it extremely difficult to prove fraud so long as the signer has an honestly held, good faith belief."); *Kemin Indus., Inc. v. Watkins Prods., Inc.*, 192 U.S.P.Q. 327, 329 (T.T.A.B. 1976) (stating that the subjective nature of the oath aims to "preclude a definitive statement by the affiant that could be ordinarily used to support a charge of fraud").

32. See *Am. Sec. Bank v. Am. Sec. & Trust Co.*, 571 F.2d 564, 568 (C.C.P.A. 1978) ("Appellant misreads the cited statute and rules. They require the statement of beliefs about exclusive rights, not their actual possession. Appellant has produced no evidence impugning appellee's beliefs."); *Maid to Order of Ohio, Inc. v. Maid-to-Order, Inc.*, 78 U.S.P.Q.2d 1899, 1906-07 (T.T.A.B. 2006) (finding that solicitation of corporate clients with out-of-state headquarters and receipt of payments from out-of-state companies for cleaning in-state apartments constitutes reasonable basis for registrant to believe it was engaging in interstate commerce when it submitted statements in support of incontestability); *Intellimedia Sports, Inc. v. Intellimedia Corp.*, 43 U.S.P.Q.2d 1203, 1207 (T.T.A.B. 1997) (stating that the fact that cancellation petitioner informed applicant that it had superior rights in the subject mark, after filing of the application and prior to issuance of the registration, establishes only petitioner's belief and is insufficient to prove applicant had reason to believe petitioner possessed superior

B. Knowing Misstatement of Material Fact in a Verified Submission

When the alleged fraud arises from an affirmative misstatement by an applicant, the question for the fact-finder is the following: Did the applicant intend to deceive the Office in order to obtain or maintain a registration to which, but for the false statement, it would not be entitled? Plainly, the applicant's knowledge as to the subject matter of the statement is critical. *In re Bose*,³³ a recent decision from the Court of Appeals for the Federal Circuit, affirms that fraud must be proven with evidence that the statement was made with knowledge of its falsity.³⁴ *Bose* rejects the fraud standard announced by the T.T.A.B. in *Medinol Ltd. v. Neuro Vasx, Inc.*,³⁵ which extended to statements that the applicant knew or "should have known" were false.³⁶ Specifically, the Federal Circuit denounced the "should have known" language from *Medinol* as articulating a negligence standard and pointed out that negligence reflects only a failure to use reasonable care in statements made to the Trademark Office and does not rely upon proof of deceptive intent underlying the statements.³⁷ The appellate court did approve language from *Medinol* noting that it is often necessary to resort to objective manifestations of an applicant's mindset at the time of the statement in question in order to prove

rights); see also Martin Petrin, *Cancellation of Fraudulent Trademark Registrations Under the Lanham Act and the European Community Trade Mark Regulation*, 11 INTELL. PROP. L. BULL. 161, 182–83 (2007) (contrasting the focus on the veracity of any sworn statement submitted to the USPTO in U.S. cancellation proceedings with the emphasis on the presence or absence of an intent to hinder a competitor in E.U. Community Trade Mark Regulation cancellation claims).

33. See *In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *10 (Fed Cir. Aug. 31, 2009) (determining that there is no substantial evidence that Bose intended to deceive the PTO in the renewal process at issue).

34. See *id.* at *2 ("[W]e hold that a trademark 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.").

35. See *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1208 (T.T.A.B. 2003) (discussing whether a registrant knowingly or negligently making a material misrepresentation to the USPTO constitutes fraud).

36. See *id.* at 1209 (finding that fraud occurs when an applicant or registrant makes a false material representation that he knew or should have known was false).

37. Note that the *Bose* court rejected both simple negligence and gross negligence as a basis for fraud in the Trademark Office. *In re Bose*, 2009 U.S. App. LEXIS 19658, at *13; see Linda McLeod, *Knew or Should Have Known, Reckless Disregard for the Truth, and Fraud Before the Trademark Office*, 34 AIPLA Q.J. 287, 306–07 (2006) (positing that the T.T.A.B.'s *Medinol* decision and its progeny articulate a "strict rule of fraud" that encompasses gross negligence, a standard of care previously exempted from liability for fraud on the Trademark Office).

fraud.³⁸ In other words, it is rare that an applicant will supply direct evidence—for example, the applicant's own words—that the statements were made with knowledge of their falsity, so that indirect or circumstantial evidence may be needed to prove the requisite intent.³⁹ Practically speaking, that may include related statements by the applicant or factual circumstances surrounding the statements in question.

The misstatement at issue in *Bose* was made by the company's general counsel in a combined Section 8 affidavit of continued use and a Section 9 renewal application.⁴⁰ He averred that the mark in question, "WAVE," had been in continuous use, and was in current use, on a variety of electronic audio equipment including audio tape recorders and players.⁴¹ In fact, Bose had ceased manufacturing and selling audio tape recorders and players approximately five years prior to filing of the combined affidavit.⁴² The company had, however, continued to accept previously sold recorders and players for repair and to ship back the repaired product.⁴³ In testimony admitted during cancellation proceedings before the T.T.A.B., Bose's general counsel explained that he understood repair and return shipment to constitute "use" of the mark for purposes of federal trademark law.⁴⁴ The Board found his understanding to be erroneous and determined that his affidavit constituted a fraudulent filing.⁴⁵ Although he admitted in the cancellation proceedings that the subject goods were no longer manufactured and sold by Bose, the record was not clear as to when he gained that knowledge, indicating that he may have signed the affidavit without bothering to check, or investigate, the reasonableness of his understanding as to trademark use.⁴⁶ The Federal Circuit reversed the Board's order, citing a dearth of evidence to support an inference of deceptive intent and noting that the

38. *In re Bose*, 2009 U.S. App. LEXIS 19658, at *8.

39. *See* First Int'l Servs. Corp. v. Chuckles, Inc., 5 U.S.P.Q.2d 1628, 1636 (T.T.A.B. 1987) (acknowledging the impracticality of proving the subjective intent required for fraud in the Trademark Office and the need to infer intent from indirect and circumstantial evidence). *Cf.* LaBounty Mfg., Inc. v. U.S. Int'l Trade Comm'n, 958 F.2d 1066, 1076 (Fed. Cir. 1992) ("Direct proof of wrongful intent [in patent cases] is rarely available but may be inferred from clear and convincing evidence of the surrounding circumstances.").

40. *In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *2 (Fed. Cir. Aug. 31, 2009).

41. *Id.*

42. *Id.* at *3.

43. *Id.*

44. *Id.*

45. *Id.* at *4.

46. *Id.*

reasonableness of general counsel's belief cannot provide that support.⁴⁷ In other words, general counsel's failure to investigate whether his understanding of trademark use was correct would, at best, evidence negligence or that he "should have known" of the falsity of the statements. A failure to take reasonable care in submissions to the Trademark Office is not the same as an intention to deceive the Office with regard to material facts.

The *Medinol* fraud standard, now overturned, signals a concern on the part of the T.T.A.B. that applicants and registrants have found a way to be less than candid in their dealings with the Trademark Office.⁴⁸ *Medinol* involved a cancellation proceeding brought with regard to the mark "Neurovasx" registered for use in conjunction with "medical devices, namely, neurological stents and catheters," following the filing of a statement of use for the subject goods.⁴⁹ Neuro Vasx admitted that the mark was not in use on stents when it made the filing and explained the misstatement as a clerical error on its part.⁵⁰ Although the T.T.A.B. accepted the explanation as true, the Board declined to view the action as mere negligence and characterized it minimally as reckless disregard for the truth even if not actual knowledge of falsity.⁵¹ Specifically, the Board took the position that the president/CEO who signed the verified statement of use "was clearly in a position to know (or to inquire) as to the truth of the statements made therein."⁵² As a corporate officer, his failure to investigate whether the company used the mark on stents and his subsequent failure to correct the error in response to the mailed registration certificate,

47. See *id.* at *16 (holding that Bose did not commit fraud and that the Board erred in canceling the mark in its entirety).

48. See, e.g., *Grand Canyon W. Ranch L.L.C. v. Hualapai Tribe*, 88 U.S.P.Q.2d 1501, 1509 (T.T.A.B. 2008) ("[A]s a practical matter, the USPTO depends on the accuracy of information provided by applicants and registrants regarding an applicant's or registrant's goods and services. The USPTO has no ability to verify the truth of identifications and other critical information independently."); *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917, 1928 n.14 (T.T.A.B. 2006) ("It is important to note that the United States Patent and Trademark Office relies on the thoroughness, accuracy and honesty of each applicant."); see also Joseph R. Dreitler, *Why the TTAB Got It Right in Medinol*, ALLEN'S TRADEMARK DIG., Sept. 2009, at 1, 9 (pointing out that USPTO personnel have neither the time nor the resources to investigate the veracity of a trademark holder's sworn statements regarding use of its mark and suggesting that abandonment of the *Medinol* fraud standard would encourage intentional ignorance or dishonesty by those seeking or holding registrations).

49. *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1205 (T.T.A.B. 2003).

50. *Id.* at 1207.

51. *Id.* at 1210.

52. *Id.*

which listed stents as a covered good, constituted objective manifestations of fraudulent intent.⁵³

In a line of cases immediately following *Medinol*, the T.T.A.B. reiterated the obligation to investigate the veracity of statements made to the Trademark Office. The thrust of these cases involves the notion that ignorance, or a misunderstanding as to facts uniquely within the possession of the applicant or registrant, is simply not a credible defense to the charge of fraud; if ignorance or misunderstanding exists, it is incumbent upon the applicant or registrant and his counsel to establish the truth of the matter stated before making a submission to the Trademark Office.⁵⁴ Such is the rationale for the "should have known" language in *Medinol* and its progeny; however, those cases, which bottom a finding of fraud on a negligent failure to investigate facts within the purview of the applicant or registrant, do not survive the Federal Circuit's holding in *Bose*.⁵⁵

The Federal Circuit acknowledged that the T.T.A.B. borrowed the "should have known" language from the appellate court's own 1986 decision in *Torres v. Cantine Torresella S.r.l.*,⁵⁶ but cautioned against extracting that language from the factual backdrop of the case.⁵⁷ *Torres* involved an appeal from the T.T.A.B.'s decision to cancel a registration for fraud.⁵⁸ The registrant was charged with knowingly submitting a false specimen in support of a renewal application and averring that the specimen was currently in use.⁵⁹ The

53. See *id.* (determining that the trademark holder's knowledge that its mark was not used on stents is all that is required to establish intent to commit fraud).

54. See, e.g., *Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, 86 U.S.P.Q.2d 1572, 1578 (T.T.A.B. 2008) (finding that Xel's material misrepresentations in this case were fraudulent); *Hachette Filipacchi Presse v. Elle Belle, L.L.C.*, 85 U.S.P.Q.2d 1090, 1094 (T.T.A.B. 2007) (reiterating that fraud occurs when an applicant or registrant makes a false representation that he knew or should have known was false); *Sinclair Oil Corp. v. Kendrick*, 85 U.S.P.Q.2d 1032, 1036 (T.T.A.B. 2007) (suggesting that ignorance or misunderstanding is not enough to avoid a finding of fraud); *Hurley Int'l L.L.C. v. Volta*, 82 U.S.P.Q.2d 1339, 1345 (T.T.A.B. 2007) (emphasizing that proof of specific intent is not required for a finding of fraud); *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917, 1928 (T.T.A.B. 2006) ("The specific or actual intent of Mr. Wang and Mr. Yarnell is not material to the question of fraud.").

55. See *In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *15 (Fed. Cir. Aug. 31, 2009) ("There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.").

56. See *id.* at *11 (stating that the T.T.A.B. relied on the court's holding in *Torres* to justify a "should have known" standard).

57. See *id.* at *12-13 (stating that the particular facts of each case should be carefully considered in determining whether a registrant "knows" or "should know").

58. *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 47 (Fed. Cir. 1986).

59. *Id.*

registrant admitted to the Board that the mark had been altered five years earlier and had not been in use as depicted on the specimen since that earlier date, although he attempted to excuse his misstatement to the Trademark Office as a good-faith belief on his part that alteration of the mark had not been a material change.⁶⁰ The Board concluded as a matter of law that the changes to the mark materially altered the mark as registered and, so, the original registration could not be renewed.⁶¹ Moreover, the Board found that the registrant made the misstatement knowing of its falsity.⁶² The appellate court affirmed the finding of fraud because, if registrant's belief had been an honest misapprehension, he would have submitted a current specimen showing the alteration rather than a specimen that admittedly had not been in use for the preceding five years.⁶³ The "should have known" language in the *Torres* decision does not suggest negligence on the part of the registrant; it seems to be a reference to the inferential nature of the proof used to establish fraud. The Federal Circuit concluded that the only logical inference to make from the registrant's otherwise inexplicable behavior is that the registrant intentionally made a false representation to the Trademark Office in order to obtain a benefit to which he knew he was not entitled.⁶⁴

Interestingly, the *Bose* court declined to address whether a reckless disregard for the veracity of a statement made to the Trademark Office could support a finding of fraud.⁶⁵ Reckless disregard is a standard of fault that requires proof of some subjective intent and can be defined as "conscious indifference to the consequences of an act."⁶⁶ If reckless indifference is a viable standard of fault for proof of fraud in the Trademark Office in the wake of *Bose*, the issue becomes how one proves conscious indifference to the truth or falsity of statements made to the Trademark Office; and specifically, whether

60. *Id.*

61. *Id.* Prior to 1999, the practice of the Trademark Office was to deny renewal of registration if specimens submitted with the renewal application revealed that the mark had been materially altered subsequent to registration. See TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1605.08 (2d ed. 1993) ("A material alteration of the mark will result in refusal of the application on the ground that the mark currently in use is a new mark and that the registered mark is no longer in use."). Statutory amendments in 1999 changed the requirement that specimens be submitted in support of renewal applications. Trademark Law Treaty Implementation Act, Pub. L. No. 105-330, 112 Stat. 3064 (1998).

62. *Torres*, 808 F.2d at 47.

63. *Id.* at 49.

64. *See id.* (concluding that the registrant knowingly attempted to mislead the PTO).

65. *In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *13 (Fed. Cir. Aug. 31, 2009).

66. BLACK'S LAW DICTIONARY 506 (8th ed. 2004).

failure to investigate facts in such statements can ever rise to the level of reckless indifference. Trademark jurisprudence might find enlightenment on this question by analogy to defamation law. For example, in order to prevail in a libel suit for damages, public officials must prove actual malice, defined as knowing or reckless falsehood.⁶⁷ A failure to investigate or verify alone will not support a finding of reckless disregard for purposes of a defamation charge,⁶⁸ but intentional avoidance of investigation or failure to verify suspicious facts may be sufficient.⁶⁹ Although Patent and Trademark Office Rule 10.18(b)(2) states that presenting information to the Office in reliance upon information and belief constitutes certification that "an inquiry reasonable under the circumstances" preceded presentation,⁷⁰ the Federal Circuit's holding in *Bose* suggests that more than a mere violation of the rule may be required in order to rise to the level of intentional avoidance of investigation or failure to verify suspicious facts and, therefore, reckless indifference to the veracity of the submission.⁷¹

67. See *N.Y. Times Co. v. Sullivan*, 376 U.S. 254, 279–80 (1964) (holding that actual malice, defined as a falsehood made with "knowledge that it was false or with reckless disregard of whether it was false or not," must be shown in order for a public official to recover damages for defamation related to her official conduct).

68. See *id.* at 287–88 (distinguishing between recklessness and negligence); see also *St. Amant v. Thompson*, 390 U.S. 727, 733 (1968) ("Failure to investigate does not in itself establish bad faith.").

69. See *Harte-Hanks Commc'ns v. Connaughton*, 491 U.S. 657, 692 (1989) ("Although failure to investigate will not alone support a finding of actual malice, the purposeful avoidance of the truth is in a different category." (citations omitted)); see also Gyong Ho Kim, *Evidentiary Behaviors Constituting Reckless Disregard for the Truth*, 20 COMM. & L. 39, 41 n.13 (1998) (discussing behaviors that evidence reckless disregard for the truth). Professor Lackland Bloom identified several factors considered in finding reckless failure to investigate in a media defamation case, including lead time, seriousness of charge, inherent improbability, awareness of consistent information, no source, obvious reason to doubt source, failure to consult an obvious source, failure to consult experts, and no further verification following denial. Lackland Bloom, Jr., *Proof of Fault in Media Defamation Litigation*, 38 VAND. L. REV. 247, 267–89 (1985).

70. 37 C.F.R. § 10.18(b)(2) (2008). Note that the rule's reference to presenting information encompasses the acts of "signing, filing, submitting or later advocating." *Id.* § 10.18(b).

71. See *In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *16 (Fed. Cir. Aug. 31, 2009) (holding that a false statement made because of an honest misunderstanding did not constitute fraud and, therefore, cancellation of a trademark in its entirety was improper).

*C. Knowing Misstatement of Material Fact in Response
to a Specific Inquiry*

No question exists that a party before the Trademark Office has a duty to respond honestly to an office request for specific information. In *Global Maschinen GmbH v. Global Banking Systems, Inc.*,⁷² a cancellation proceeding brought by a German manufacturing company to establish ownership of the mark "Global" for use on coin handling machinery, the T.T.A.B. found that the registrant secured its registration based upon a fraudulent response to an inquiry by the examining attorney.⁷³ Registrant distributed machinery in the United States bearing the "Global" mark affixed by the German manufacturer for approximately one year before filing an application for registration.⁷⁴ Advertising submitted in support of the application showed foreign manufacture of the goods and prompted the examining attorney to inquire whether "to applicant's knowledge, the mark is used anywhere by the foreign manufacturer or producer as owner of the mark."⁷⁵ The registrant responded that it had no such knowledge.⁷⁶ The Board found this response to be "wholly lacking in credibility" based upon the fact that the manufacturer did not transfer any trademark rights to the registrant in the written distribution agreement, the fact that a reasonable business person would not enter into an important distribution agreement with a manufacturer that had no record of prior sales, and evidence showing prior U.S. sales by the manufacturer in connection with which registrant had made numerous inconsistent statements during the cancellation proceeding.⁷⁷ Although noting the false claim of ownership in the oath accompanying the application, the Board viewed the registrant's disavowal of knowledge in response to a specific inquiry from the examining attorney to be more serious and to provide unequivocal evidence of fraud.⁷⁸ Whether

72. See *Global Maschinen GmbH v. Global Banking Sys., Inc.*, 227 U.S.P.Q. 862, 868 (T.T.A.B. 1985) (canceling the federal trademark registration for "Global").

73. *Id.* at 867.

74. *Id.* at 865.

75. *Id.* at 866.

76. *Id.*

77. *Id.* at 867.

78. *Id.*; see also *Otokoyama Co. v. Wine of Japan Imp., Inc.*, 175 F.3d 266, 273 (2d Cir. 1999) (finding that there was sufficient indicia of fraud when registrant knew the word "otokoyama" was a Japanese term for sake but repeatedly averred in response to specific inquiry from the Trademark Office that it is "an arbitrary, fanciful" term that "has no meaning and cannot be translated"); *Specialized Seating v. Greenwich Indus., L.P.*, 474 F. Supp. 2d 999, 1018 (N.D. Ill. 2007) (refusing to disclose all utility patents involving the proposed mark in response to a direct inquiry from the examining attorney, coupled with misrepresentations as to the utility of the design in question, amounted to fraud in the Trademark Office).

viewed as a knowing misstatement of material fact or a knowing omission of material fact, registrant's actions plainly reveal fraudulent intent on its part.⁷⁹

The difficulty with the rule announced in *Global Maschinen* is that it requires the examining attorney or other representative of the Trademark Office to ask a specific question in order to trigger conduct that may be viewed as fraudulent.⁸⁰ A more general inquiry—for example, is there any additional material information of which the Trademark Office should be aware?—would not be helpful either as it would only compel disclosure of information that the applicant or registrant knows. A list of standard questions from the examining attorney specifically probing the issues of genericism and functionality would suffer from the same deficiency. In short, neither approach would address intentional ignorance on the part of the responding party.⁸¹

D. Knowing Failure to Correct the Record

*Smith International, Inc. v. Olin Corp.*⁸² is generally cited as the only precedent in which the T.T.A.B. based a fraud finding on failure to make an affirmative disclosure to the Trademark Office. Initiated as an opposition proceeding by Smith International against Olin Corp.'s registration of the mark "Dyna Drill" for use on hand-held rotary hammers, the case resulted in cancellation of Smith International's incontestable registration of the mark "Dyna-Drill" for use on well drilling equipment on the grounds of fraud on the Trademark Office.⁸³ Smith International had filed a document entitled, "Section 8 Affidavit," making the proper statements to result in continued registration by virtue of current use of the mark.⁸⁴ The text of the affidavit, however, also contained a statement that one would find in a Section 15

79. See *Global Maschinen GmbH v. Global Banking Sys., Inc.*, 227 U.S.P.Q. 862, 867–68 (T.T.A.B. 1985) ("That the record contains no direct evidence of respondent's intent does not mitigate the fraud nor preclude us from holding that respondent's conduct was fraudulent.").

80. See *id.* at 867 ("[R]espondent's statement in answer to the Examining Attorney's specific request in regard to ownership was recklessly false [T]he unmistakable inference which we draw from these facts is that the statements to this Office were made with fraudulent intent.").

81. Cf. *Petrin*, *supra* note 32, at 180 ("[I]t could be argued that the oath and verification statement requirements under the Lanham Act reduce an applicant's propensity to perform a trademark search. This is because the applicant would fear that knowledge of certain prior use could lead to a finding of fraud").

82. See *Smith Int'l, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, 1056 (T.T.A.B. 1981) (canceling the trademark registration for "Dyna-Drill").

83. *Id.* at 1051–52.

84. *Id.* at 1040.

affidavit seeking incontestable status, verifying that the mark had been in continuous use for a five-year period following the date of registration.⁸⁵ The Trademark Office treated the document as a combined Sections 8 and 15 affidavit, continuing the registration and acknowledging incontestability.⁸⁶ Smith International admitted the falsity of the Section 15 language but characterized it as mere surplusage and urged a lack of fraudulent intent because the document had not been titled a combined affidavit.⁸⁷ The T.T.A.B. based a finding of fraud, not on the filing of the affidavit, but on Smith International's failure to correct its own misstatements, however innocently made, that led the Office to confer a benefit to which the company knew it was not entitled but accepted nonetheless.⁸⁸

Perhaps, rather than viewing *Smith International* as imposing a duty of disclosure, it would be more accurate to see it as condemning silence when the registrant has set in motion a process that confers a benefit to which it is not entitled. Indeed, in this case the T.T.A.B. focused not on the registrant's silence in the face of a mistake by the Trademark Office but on the registrant's false statements upon which the Trademark Office correctly relied and the registrant's knowing silence in response to this reliance.⁸⁹

In a post-*Medinol* decision, *Grand Canyon West Ranch L.L.C. v. Hualapai Tribe*,⁹⁰ the Board found fraud in applicant's silence in the face of an examiner's amendment that misidentified the services offered in conjunction with the subject mark because applicant had set the mistake in motion.⁹¹

85. *Id.* at 1040–41.

86. *Id.* at 1047.

87. *Id.*

88. *Id.* at 1047–48.

89. The T.T.A.B. has clarified that *Smith International* does not stand for the proposition that a party commits fraud by willfully retaining a benefit caused by an error of the Trademark Office:

The Board, in [*Smith International*], was careful to stress that the error was not on the part of the Office in accepting and acknowledging the affidavit for what it appeared to be in substance, i.e., a combined affidavit under Sections 8 & 15, but rather was on the part of the registrant or its counsel in drawing up the document as such and on the part of the affiant signing it.

Space Base Inc. v. Stadis Corp., 17 U.S.P.Q.2d 1216, 1219 (T.T.A.B. 1990); *cf. Mister Leonard, Inc. v. Jacques Leonard Couture, Inc.*, 23 U.S.P.Q.2d 1064, 1066 (T.T.A.B. 1992) (holding that registrant's lack of any attempt to correct fraudulent statements made in the incontestability portion of its combined Sections 8 and 15 affidavit during a cancellation proceeding would not be excused, and noting that the same result would pertain even if those statements had been innocently made).

90. See *Grand Canyon W. Ranch, L.L.C. v. Hualapai Tribe*, 88 U.S.P.Q.2d 1501, 1510 (T.T.A.B. 2008) (refusing registration for service mark "Grand Canyon West").

91. *Id.* at 1509–10.

Applicant's original description of transportation services advertised under the mark "Grand Canyon West" was considered indefinite by the examining attorney and, in an effort to assist applicant, the examining attorney suggested including the phrase, "arranging for recreational travel tours and providing related transportation of passengers by air, boat, rail or bus," in the description.⁹² After a telephone conversation with applicant, the examining attorney issued an amendment with the following salient language: "Arranging for recreational travel tours and providing related transportation of passengers by air, boat, raft, rail, tram, bus, motorized on-road and off-road vehicles, non-motorized vehicles featuring bicycles, and domestic animals."⁹³ The examiner indicated that no response to the amendment was necessary unless applicant wished to object to the language, and applicant did not object or otherwise respond.⁹⁴ During the course of opposition proceedings, the Board granted opposer's motion for summary judgment with regard to certain services that had never been offered in conjunction with the mark and, correspondingly, it granted applicant's motion to delete references to "rail, tram" and "non-motorized vehicles featuring bicycles, and domestic animals" from the identification of services in the application.⁹⁵ Immediately thereafter, opposer amended its notice of opposition to assert fraud based on the misstatement in the identification of services.⁹⁶ The Board sustained the opposition, pointing to the fact that applicant did not adopt the original language suggested by the examining attorney and appeared to have provided input during the telephone conversation that led to the misstatement in the examiner's amendment.⁹⁷ Further, the examining attorney invited prompt correction when he issued the amendment, but applicant stood silent and, in fact, did not attempt to correct the record until embroiled in an opposition proceeding.⁹⁸

92. *Id.* at 1508.

93. *Id.* at 1509.

94. *Id.* at 1508.

95. *Id.*

96. *Id.*

97. *Id.* at 1509.

98. *Id.* at 1510; *cf. Zanella, Ltd. v. Nordstrom, Inc.*, 90 U.S.P.Q.2d 1758, 1761 (T.T.A.B. 2009) (finding that "timely proactive corrective action" created a genuine issue of material fact as to deceptive intent precluding summary judgment on a claim that registrations had been procured by fraud).

E. Knowing Failure to Disclose Clearly Established Rights

Applicants for registration and registrants bear no obligation to disclose other claims to use of the same or similar mark unless those claims represent "clearly established rights."⁹⁹ The Federal Circuit has suggested that clearly established rights might take the form of "a court decree, settlement agreement, or registration"¹⁰⁰ and stated in dictum that an applicant has a duty to "continuously review and amend the oath" to reflect such rights.¹⁰¹

It is unlikely that clearly established rights as envisioned by the Federal Circuit would be needed to support a charge of fraud unless the rights had arisen subsequent to filing an application for registration or a request for continuation or renewal of a registration or for incontestable status. If clear rights had been established before these actions, the verified statement that must accompany each such action would be sufficient to support a charge of fraud assuming the requisite knowledge on the part of the applicant or registrant.¹⁰² If clearly established rights arose sometime after these actions,

99. *Rosso & Mastracco, Inc. v. Giant Food, Inc.*, 720 F.2d 1263, 1266 (Fed. Cir. 1983) (finding that an oath for an application for registration may not be truthful when a senior user fails to acknowledge the rights of a junior user, but in these cases "the rights of a junior user must be clearly established"); *see also* *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 671 (7th Cir. 1982) (noting that requiring disclosure of all other users would place a burden of investigation that runs counter to the federal trademark administrative scheme, which is structured to uncover conflicting uses as early as possible and to allocate part of the obligation to protect their rights to senior users).

100. *Rosso & Mastracco*, 720 F.2d at 1266.

101. *Id.*; *see also* *Skippy, Inc. v. CPC Int'l, Inc.*, 674 F.2d 209, 216 (4th Cir. 1982) (finding that registrant's admitted knowledge of successful opposition to registration of its mark in 1933 rendered affidavit in which it sought incontestable status for a registration obtained in 1947 fraudulent because the affidavit stated that there had been no final decision adverse to registrability of the mark). Note that a court decree will not support a charge of fraud if it is susceptible of several interpretations, only one of which would give rise to third party rights in a mark. *See, e.g., Tex. Pig Stands v. Hard Rock Café Int'l*, 951 F.2d 684, 693-94 (5th Cir. 1992) (holding that cancellation of the registered mark "pig sandwich" was not required when a previous court decision regarding the issue was unclear).

102. *See, e.g., Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th Cir. 1990) (finding that registrant's knowledge of a prior state court judgment rejecting its claim to rights in "The Platters" trademark in favor of another party rendered its Section 15 affidavit, which verified no final decision adverse to its claim of ownership, fraudulent, and capable of supporting cancellation of the registration); *see also* *eCash Techs., Inc. v. Guagliardo*, 210 F. Supp. 2d 1138, 1150 (C.D. Cal. 2000) (pointing out that the concept of clearly established rights is the converse of the good faith basis for an applicant's oath, so if such rights exist at the time the oath is filed and applicant knowingly asserts an exclusive right to use the mark, good faith cannot exist). *But see* *Far Out Prods., Inc. v. Oskar*, 247 F.3d 986, 995-96 (9th Cir. 2001) (finding that failure to disclose a state court judgment adverse to a service mark ownership claim in an incontestability affidavit did not constitute fraud because registrant had not been a party to the state court proceeding and the judgment had been vacated prior to submission of the

they could only form the basis for fraud on the Trademark Office if an affirmative duty to correct the record inures to an applicant or registrant despite its lack of involvement in creating an incorrect record.¹⁰³ Such an ongoing duty of disclosure seems to be at odds with the T.T.A.B.'s focus in *Smith International* on the applicant's responsibility for creating an incorrect record in the first instance, and, presumably, would arise only if applicant had some involvement in the development of such rights.¹⁰⁴ No case stands for the proposition that an affirmative duty exists to continuously review and amend the oath if the facts surrounding clearly established rights arise outside of applicant's or registrant's purview.¹⁰⁵

F. Remedy in Fraud Cases

When fraud forms the basis of an application or results in issuance or maintenance of a registration, the T.T.A.B. will void the application or cancel the registration, but only as to those international classes in which fraud has been committed.¹⁰⁶ Single class applications or registrations tainted by fraud, however, will be void in their entirety, even if fraud involves only some of the goods or services listed in a particular class.¹⁰⁷ Disallowing partial cancellation,

affidavit to the Trademark Office).

103. See *eCash Techs.*, 210 F. Supp. 2d at 1149–50 (noting that a trademark should be canceled when clearly established rights are shown prior to the application, but that after that point the applicant for federal trademark has no duty to investigate and report to the PTO other users of the mark).

104. See *Rosso & Mastracco*, 720 F.2d at 1266 (finding no fraud for failure to disclose settlement of federal litigation subsequent to filing of application but prior to issuance of the registration, in which both parties agreed to geographic division of trade areas irrespective of likelihood of confusion, because settlement did not impact Section 2(d) bar to registration); see also *eCash Techs.*, 210 F. Supp. 2d at 1151 n.16 (suggesting that knowing failure to disclose defendant's domain name—composed of plaintiff's trademark and obtained after filing of the application but before issuance of the trademark registration—might conflict with applicant's continuing duty to review the application if the name registration had given rise to clearly established trademark rights).

105. Indeed, a number of cases in this area expressly disavow such a duty. The most notable of these decisions is *Money Store*, where the court held the following: "Nowhere does the Lanham Act specifically mandate a preapplication search by one who seeks federal registration of a mark." *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 671 (7th Cir. 1982).

106. See *G & W Labs., Inc. v. G W Pharma, Ltd.*, 89 U.S.P.Q.2d 1571, 1574 (T.T.A.B. 2009) (canceling registration as to one class in each of two contested multiclass registrations); *Hurley Int'l L.L.C. v. Volta*, 82 U.S.P.Q.2d 1339, 1346 (T.T.A.B. 2007) (declaring single class application void *ab initio*).

107. See, e.g., *Hachette Filipacchi Presse v. Elle Belle, L.L.C.*, 85 U.S.P.Q.2d 1090, 1095

and, hence, partial survival of an application or registration covering a single class of goods or services, puts some teeth into the Trademark Office's fraud rules. If a party could defraud the Trademark Office and emerge with a registration covering subject matter to which it was entitled before the fraud, no incentive would exist to avoid fraud in the first instance. At the same time, confining the remedy to the international class in which fraud occurred supports the Trademark Office's interest in encouraging multi-class applications over multiple single class applications.¹⁰⁸

Although most federal courts follow the T.T.A.B.'s lead when granting a petition for cancellation of a trademark registration for fraud, many courts are reluctant to enter a finding of fraud due to the high standard of proof required to support such a finding.¹⁰⁹ Unfortunately, that reluctance does not protect the public interest against registrations improvidently granted for generic or functional subject matter, nor does it advance the goal of fair dealing with a government agency.

III. Opposing or Canceling Registrations of Generic or Functional Subject Matter on the Ground of Fraud

Attacking an application or a registration covering generic or functional subject matter on the ground of fraud on the Trademark Office has the aura of

(T.T.A.B. 2007) ("[T]he law is clear that an applicant may not claim a Section 1(a) filing basis unless the mark was in use in commerce on or in connection with *all* the goods or services covered by the Section 1(a) basis as of the application filing date."); *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917, 1928 (T.T.A.B. 2006) ("We find that opposer committed fraud on the USPTO in procuring each of the three registrations. Accordingly the registrations will be canceled in their entireties. Fraud cannot be cured by the deletion of goods from the registrations."); *Medinol, Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1208 (T.T.A.B. 2003) (refusing to allow registrant to amend petition to delete goods on which the mark had not been in use in order to cure fraud and retain registration as to remaining goods)

108. See *G & W Labs.*, 89 U.S.P.Q.2d at 1574 n.3 ("[H]ad Labs instead sought and obtained two separate registrations—one in Class 5 and one in Class 35, its Class 5 registration would effectively be insulated from a claim of fraud, even if we held that fraud as to one class taints other classes in the same registration.").

109. See *supra* notes 19–21 and accompanying text (noting that courts see fraud as a serious charge, and that the standard of proof is clear and convincing evidence, with little consideration given for speculation, conjecture, or surmise); cf. Meryl Rothchild, *Ruling with an Iron Fist: The TTAB's Strict Standard for Fraud for Trademark Registrants and Its Sanctions for Fraudulent Registrations*, 26 CARDOZO ARTS & ENT. L.J. 845, 865–871 (2009) (proposing that the T.T.A.B. draw a distinction between fraudulent and false statements in proceedings before the Trademark Office in order to preserve an alternative to a finding of deceptive intent for which amendment of the application or registration would be preferred over forfeiture).

beating a dead horse. The motivation for such a challenge must lie somewhere other than in the anticipated consequence, that is, the voidance of an application or cancellation of a registration, for the simple reason that generic or functional subject matter cannot attain trademark significance, and, so, may not be protected under federal, state, or common law.¹¹⁰ In other words, the same result pertains whether the federal registration is attacked for fraud in the procurement or for genericism or functionality.

A. *Generic and Functional Subject Matter*

Generic subject matter includes words or phrases, and sometimes symbols,¹¹¹ which denote an entire category or subcategory of goods or services.¹¹² Some case law draws a distinction between words, phrases, and symbols that are generic *ab initio*—that is, from the moment of adoption by the purported trademark owner—and valid trademarks that become generic over time through improper use.¹¹³ Subject matter that is generic *ab initio*, for example, the words "shredded wheat" for breakfast cereal made from wheat that has been processed into thin shreds, should not be registered because the mark cannot distinguish the cereal made from shredded wheat from the same type of cereal offered by one provider, and, therefore, fails to function as a valid trademark.¹¹⁴ Similarly, registrations for formerly valid trademarks that have

110. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 15 cmt. a (1995) ("Generic designations are not subject to appropriation as trademarks at common law and are ineligible for registration under federal and state trademark registration statutes."); *id.* § 17 cmt. a ("If a design is functional under the rule stated in this Section, it is ineligible for protection regardless of its inherent or acquired distinctiveness."). But see Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1818 (2007) (citing the general rule that generic words and terms are unprotectable under the common law but noting that some states protect generic subject matter from unfair competition if such subject matter has attained secondary meaning).

111. See *Kendall-Jackson Winery, Ltd. v. E. & J. Gallo Winery*, 150 F.3d 1042, 1049 (9th Cir. 1998) (holding the grape leaf symbol to be generic for wine because it is a widely used emblem on wine bottle labels).

112. See *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985) ("A generic term is one that refers to the genus of which the particular product is a species.").

113. See, e.g., *Forschner Group, Inc. v. Arrow Trading Co.*, 904 F. Supp. 1409, 1417 (S.D.N.Y. 1995) (making reference to the various origins of genericism); see also Norman H. Zivin, *Understanding Generic Words*, 63 TRADEMARK REP. 173, 175 (1973) (citing cases that distinguish between words that are inherently generic and words that become generic over time).

114. See *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 116 (1938) ("[P]laintiff has no exclusive right to the use of the term 'Shredded Wheat' as a trade name. For that is the generic term of the article, which describes it with a fair degree of accuracy; and is the term by which the biscuit in pillow-shaped form is generally known . . .").

become generic over time—"escalator," a word that has ceased to denote one brand of moving stairs and now refers to all such stairs, is a frequently cited example—may be canceled because the underlying marks no longer perform the distinguishing function that would give them trademark significance.¹¹⁵ It is essential for all competitors to be able to use generic terms, phrases, or symbols, in an informational, nonbranding sense, to apprise consumers of the category or subcategory of goods or services in which they trade.¹¹⁶ The legal test for genericism is satisfied when a majority of a defined class of consumers understands a particular term to denote an entire category or subcategory of goods or services.¹¹⁷

The law of trade dress incorporates functionality, a concept considered analogous to genericism, in that its presence prevents trade dress from being protectable under the trademark laws.¹¹⁸ "Trade dress" may refer to product labels or packaging, product configuration, or the phrase may be used loosely to refer to the overall look and feel of a business, and it is protectable if it acts as an indicator of commercial origin.¹¹⁹ If a design feature "is essential to the use

115. *See* Haughton Elevator Co. v. Seeberger, 85 U.S.P.Q. 80, 81 (Comm'r Pat. & T.M. 1950) (holding that the registrant's course of conduct has caused the term "escalator" to lose its significance as indication of origin and that the word has become a common descriptive term).

116. *See, e.g.,* Ty, Inc. v. Softbelly's, Inc., 353 F.3d 528, 531–32 (7th Cir. 2003) ("The problem is not that language is so impoverished that no other words could be used to denote these products [cellophane, escator, thermos, etc.], but that if no other words *have* emerged as synonyms it may be difficult for a seller . . . to communicate effectively with consumers."); *In re* Merrill Lynch, Pierce, Fenner & Smith, Inc., 828 F.2d 1567, 1569 (Fed. Cir. 1987) ("To allow trademark protection for generic terms, i.e., names which describe the genus of goods being sold, even when these have become identified with a first user, would grant the owner of the mark a monopoly, since a competitor could not describe his goods as what they are."); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) ("[N]o matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name."); *see also* Ralph H. Folsom & Larry L. Teply, *Trademarked Generic Words*, 89 YALE L.J. 1323, 1328–29 (1980) ("[W]hen no name other than the trademarked word is available to the public or competitors to indicate the type or class of product on which the trademark is used, exclusive control of the trademarked word has not been permitted.").

117. *See, e.g.,* Ty, 353 F.3d at 530–31 (finding that defendant did not produce enough evidence that consumers understood the term "Beanies" to denote the entire category of small plush toys); *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579–80 (2d Cir. 1963) (holding that registrant's word "thermos" became generic after a substantial majority of the public did not know that the word had trademark significance).

118. *See, e.g.,* Desai & Rierison, *supra* note 110, at 1851 (commenting on the analogous nature of the purposes underlying the law's refusal to protect generic terms and functional trade dress).

119. *See* Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 765 n.1 (1992) (reciting with approval the definition of trade dress in the district court's jury instructions and amplification of

or purpose of an article or if it affects the cost or quality of the article," then that trade dress is functional and is freely available for all to copy.¹²⁰ As an example, the shape of a baby bottle that optimizes cleaning of the bottle and that is readily grasped by a small hand would be considered functional and not capable of trademark protection.¹²¹ When the trade dress at issue is composed of multiple useful features, it is the functionality of the whole that governs protection under the trademark laws and not functionality of the individual features.¹²² An important policy reason underlying the prohibition against trademark protection of functional design is avoiding the grant of "a back door patent" under the trademark laws.¹²³ If a design feature renders a product the most cost effective alternative or optimizes the usefulness of an article over comparative products, public policy mandates that the feature be protected as proprietary only if it has undergone the Patent Office's stringent examination procedure to assure that the feature is novel, useful, and nonobvious, and thereby deserves the grant of a utility patent.¹²⁴

Additionally, if a design feature makes a product so aesthetically pleasing that its protection would put competitors "at a significant non-reputation-related disadvantage," the aesthetic feature may be nonprotectable under the trademark laws.¹²⁵ Just such a feature is the color black for outboard boat motors because

the definition provided by the appellate court).

120. *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33 (2001); *see also* *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1277 (Fed. Cir. 2002) ("[E]ffect upon competition 'is really the crux' of the functionality inquiry." (quoting *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1341 (C.C.P.A. 1982))).

121. *See In re Babies Beat, Inc.*, 13 U.S.P.Q.2d 1729, 1730 (T.T.A.B. 1990) ("[W]e find that the degree of design utility encompassed by applicant's design is so great such that applicant's design is de jure functional, and hence not entitled to registration as a trademark.").

122. *See, e.g., Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1119 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992) (holding that a Mexican-themed restaurant's trade dress composed of various aspects of interior décor and exterior design was inherently distinctive and protectable, even without a showing that it had acquired secondary meaning); *cf.* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 17 cmt. b (1995) ("The fact that the overall design or combination contains individual features that are themselves functional does not preclude protection for the composite.").

123. *See* Margreth Barrett, *Consolidating the Diffuse Paths to Trade Dress Functionality: Encountering TraFFix on the Way to Sears*, 61 WASH. & LEE L. Rev. 79, 146–51 (2004) (discussing the rationale of not undercutting the patent system as a policy consideration supporting the functionality doctrine).

124. *See, e.g., Talking Rain Bev. Co. v. S. Beach Bev. Co.*, 349 F.3d 601, 604 (9th Cir. 2003) ("The requirement of nonfunctionality is based on the judicial theory that there exists a fundamental right to compete through imitation of a competitor's product, which right can only be temporarily denied by the patent or copyright laws." (emphasis omitted) (quoting *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 785 (9th Cir. 2002))).

125. *TraFFix Devices*, 532 U.S. at 32.

the color is preferred by consumers who want an unobtrusive color that minimizes the size of the motor and is compatible with several different boat color schemes.¹²⁶ Granting trade dress protection for the color black in this instance would unfairly disadvantage competitors, and, so, is disallowed under the doctrine of aesthetic functionality.¹²⁷

B. Fraudulent Failure to Disclose Material Facts Related to Genericism or Functionality

Just two years before the T.T.A.B. decided *Schwartz*, the Board addressed a trademark registrant's failure to disclose facts related to genericism in *G. Levor & Co. v. Nash, Inc.*¹²⁸ Petitioner sought to cancel the registration for "Cabretta" for use in conjunction with leather billfolds, key cases, and change purses, citing fraud in the Trademark Office as a result of a registration application filed in 1943.¹²⁹ The Board found "Cabretta" to be a generic term for a type of leather made from the skins of hair sheep and cited the following evidence in the record:

The term has, since 1925, been defined as such in sundry trade dictionaries and glossaries of terms used in the leather industry. It has been widely used in the primary sense in articles appearing in publications directed to the leather industry, in military specifications for leather products, in bulletins

126. See *Brunswick Corp. v. British Seagull Ltd.*, 35 F.3d 1527, 1533 (Fed. Cir. 1994) ("In this case, the Board did not improperly deny registration to Mercury merely because black served purely aesthetic functions. Color compatibility and ability to decrease apparent motor size are not in this case mere aesthetic features. Rather these non-trademark functions supply a competitive advantage.").

127. See *id.* (stating that the Board correctly found that black is a color that should be available for use by all manufacturers of boat engines in order to compete effectively). The Ninth Circuit has yet to embrace the concept of aesthetic functionality. See *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1073-74 (9th Cir. 2006) (limiting aesthetic functionality to product features that serve an aesthetic purpose wholly independent of any source-identifying function); *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1260 (9th Cir. 2001) ("[N]or has this circuit adopted the 'aesthetic functionality' theory, that is, the notion that a purely aesthetic feature can be functional."). The Supreme Court's decision in *TraFFix Devices* seems to have bolstered the doctrine. See Barrett, *supra* note 123, at 151 ("Indeed, *TraFFix* gives the aesthetic functionality doctrine a degree of legitimacy that it never enjoyed in the past.").

128. See *G. Levor & Co. v. Nash, Inc.*, 123 U.S.P.Q. 234, 235 (T.T.A.B. 1959) (citing fraudulent procurement as grounds for cancellation of the trademark holder's registration).

129. *Id.*

and the like issued by various governmental regulatory agencies, and in the advertising of leather goods in consumer and trade publications.¹³⁰

Apart from ample evidence of genericism prior to filing of the application for registration, the most damning evidence of fraud was supplied by the registrant itself in the specimen it submitted to the Trademark Office, bearing the notation, "Genuine Cabretta," a phrase that the Board equated with such generic designations as "genuine cowhide" or "genuine pigskin."¹³¹ The decision not only highlighted registrant's failure to bring evidence of genericism to the attention of the Trademark Office at the time of application but also recited petitioner's charge that the oath accompanying the application was false and fraudulent because the registrant did not have the exclusive right to use of the term "Cabretta."¹³²

The decision in *Bart Schwartz International Textiles, Ltd. v. F.T.C.*¹³³ seems designed to put to rest any implication from *Levor* that a duty of disclosure exists in proceedings before the Trademark Office and to reinforce the importance of the oath to support a charge of fraud. The facts of *Schwartz* parallel those in *Levor*.¹³⁴ Cancellation was sought for a registration of the word "Fiocco," Italian for "spun nylon," the types of fabric for which the registration had been issued.¹³⁵ Once again, the Board turned to evidence that the mark had been used generically in the industry long before application for registration was filed.¹³⁶ Additionally, the Board cited testimony of registrant's president that illustrated actual knowledge of the generic nature of the term prior to signing the oath accompanying the application, in which the company asserted exclusive rights to use "Fiocco" to market spun nylon.¹³⁷ As discussed earlier, the Board rejected any obligation on the registrant's part to disclose facts regarding the generic nature of the mark to the Trademark Office but

130. *Id.*

131. *Id.*

132. *Id.* at 234.

133. See *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 129 U.S.P.Q. 258, 262 (C.C.P.A. 1961) (focusing on breach of the application oath to support a charge of fraud).

134. See *id.* at 261–62 (finding that the mark "fiocco" is a term common in the textile industry to identify a type of fiber content for fabrics and applicant knew this upon filing); *G. Levor & Co. v. Nash, Inc.*, 123 U.S.P.Q. 234, 234–35 (T.T.A.B. 1959) (finding that the mark "Cabretta" is a term common in the leather industry to identify a type of sheep skin and that applicant knew this upon filing).

135. See *Bart Schwartz*, 129 U.S.P.Q. at 259–60 (describing the history of the word "Fiocco" in relation to the case and the fabric industry).

136. *Id.* at 261.

137. See *id.* at 262 ("The record also clearly establishes that Bart Schwartz had knowledge of this use of the word 'fiocco' by others at the time he signed the declaration.")

identified fraudulent intent based upon the oath claiming exclusive rights to a term squarely in the public domain.¹³⁸

Note that the trademark registrations in *Levor* and *Schwartz* were not canceled for genericism; both cancellations were based on fraudulently filed applications.¹³⁹ At the time, genericism was a ground for cancellation under the Lanham Act only if a registered mark became generic after expiration of a patent on the associated goods.¹⁴⁰ In each case, the mark was generic *ab initio* and not apparently the subject of an expired patent, so a charge of fraud as the basis for cancellation was petitioner's only viable option.¹⁴¹ One year after *Schwartz* was decided, Congress amended Section 14 of the Lanham Act to authorize cancellation of registered generic subject matter generally.¹⁴²

A case decided several years after amendment of Section 14, *Electrical Information Publications, Inc. v. C-M Periodicals, Inc.*,¹⁴³ suggests that remedies beyond cancellation may motivate a charge of fraud on the Trademark Office, even though the additional ground of genericism, if proven, will nullify common law and federally granted rights and seemingly render the fraud

138. *See id.* (finding fraudulent procurement of the registration due to applicant's false assertion of exclusive rights in the word "fiocco").

139. *See id.* (focusing on breach of the oath for registration to support a charge of fraud); *G. Levor & Co. v. Nash, Inc.*, 123 U.S.P.Q. 234, 235 (T.T.A.B. 1959) (stating that petitioner's grounds for cancellation of his registration was that the registration was fraudulently obtained).

140. Lanham Act § 14(c), 60 Stat. 433 (1946) (codified at 15 U.S.C. § 1064 (2006)).

141. *See, e.g.,* *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 129 U.S.P.Q. 258, 260 (C.C.P.A. 1961) (characterizing "fiocco" as a word "in long and common usage in Italy to mean spun or short staple rayon"); *G. Levor & Co.*, 123 U.S.P.Q. at 234 (describing decades of use of "Cabretta" as the "common descriptive name for leather made from the skins of hair sheep").

142. Pub. L. No. 87-772, 76 Stat. 769 (1962) (codified as amended in scattered sections of 15 U.S.C.). The amendment's legislative history reveals that Congress, at the urging of the FTC, was responding to the T.T.A.B.'s inability in *Schwartz* to cancel the mark on the ground of genericism:

[I]n numerous instances the Patent Office has registered words as trademarks which were descriptive at the time and not recognized as such, because relating to special fields or industries. The need for action in the public interest to terminate trademark monopolies occurs most frequently in connection with marks which are in fact descriptive of the products to which they are applied. In the appeal of . . . [*Schwartz*], it was held that the Commission could not cancel the registration of "fiocco" merely because it was descriptive and in common use at the time of registration. . . . [L]egislative change will be necessary to permit the cancellation of trademark registrations upon proof of the same facts that would have prevented registration if known to the Patent Office.

S. REP. NO. 2107, at 2855 (1962) (attached letter from the Chairman of the FTC utilizing the term "descriptive" to indicate the common or generic name of the product or service).

143. *See* *Electrical Info. Publ'ns, Inc. v. C-M Periodicals, Inc.*, 163 U.S.P.Q. 624, 632 (N.D. Ill. 1969) (holding that the term "food service" is generic).

inquiry pointless.¹⁴⁴ *Electric Information Publications* involved a counterclaim in a trademark infringement litigation for cancellation of a plaintiff's registration of the words "Food Service News" used on magazines directed to the food service industry.¹⁴⁵ In order to clear the path for registration of "Food Service News," plaintiff had purchased two other registrations containing the words "food service" from a competitor, although he was unable to obtain a going publication or customer lists associated with the marks as they had not been in continuous use in commerce.¹⁴⁶ Despite the lack of business goodwill associated with the purchased registrations, plaintiff filed affidavits with the USPTO asserting continuous and current use of the marks pursuant to Sections 8 and 15 of the Lanham Act.¹⁴⁷ Plaintiff then used the two purchased registrations and the registration for "Food Service News" to threaten infringement litigation against numerous potential competitors who sought to use the words "food service" in their publications.¹⁴⁸ This conduct, combined with plaintiff's knowledge of third party use of the mark at the time it averred the right to exclusive use of the mark in its application for registration and plaintiff's admission in the litigation that the words "food service" are generic and that it had used "Food Service News" in a generic fashion in its own publications, led the district court to conclude that the mark was generic and the registration had been obtained by fraud.¹⁴⁹ In addition to cancellation of the registration, the court ordered an accounting for damages sustained as a result of plaintiff's fraud in the Trademark Office¹⁵⁰ and ordered that plaintiff would

144. *See id.* at 626 (stating that the defendant counterclaimed in a trademark infringement and unfair competition case for damages for false or fraudulent trademark registration and cancellation of plaintiff's trademark).

145. *Id.*

146. *See id.* at 630 (stating that the plaintiff attempted unsuccessfully to show abandonment of third party blocking registrations of the mark "Food Service," but eventually bought the registrations without the accompanying goodwill). The Lanham Act prohibits assignments in gross, requiring that purchase of a trademark be accompanied by the business goodwill that it represents, and, in the event that a transfer violates the rule, the assignment is void. 15 U.S.C. § 1060(a)(1) (2006). The statute codifies the common law rule "that a trademark can only be transferred with the business or part of the business which it symbolizes." *Avon Shoe Co. v. David Crystal, Inc.*, 171 F. Supp. 293, 301 (S.D.N.Y. 1959), *aff'd*, 279 F.2d 607 (2d Cir. 1960).

147. *See Electrical Info. Publ'ns*, 163 U.S.P.Q. at 630-31 (stating that the plaintiff filed false affidavits with the Patent Office alleging that the registrations were based on valid continuing use).

148. *Id.* at 631-32.

149. *Id.* at 633.

150. *See id.* (directing an accounting for damages pursuant to 15 U.S.C. § 1120). Section 38 of the Lanham Act establishes civil liability for false and fraudulent procurement of a federal trademark registration "by any person thereby for any damages sustained in consequence thereof." 15 U.S.C. § 1120 (2006).

be denied all relief for its unclean hands and would pay reasonable attorneys' fees.¹⁵¹

*Aromatique, Inc. v. Gold Seal, Inc.*¹⁵² revolved around similar egregious conduct on the part of a plaintiff in a trade dress infringement case who made false representations to competitors and the Trademark Office regarding its rights in packaging used for potpourri.¹⁵³ In an en banc decision, the appellate court found the trade dress in question, pillow-shaped double cellophane bags filled with potpourri, tied at the top with a cord, to be functional because the double bag promoted the aesthetic appeal of the product by allowing it to be viewed while preventing the corrosiveness of the product to weaken the container, and the gathered top allowed the fragrance to escape thereby encouraging impulse consumer purchases.¹⁵⁴ The appellate court reversed the lower court's finding of nonfunctionality and canceled the registrations on functionality grounds.¹⁵⁵ Fraud was placed in issue because, in order to overcome refusals to register the subject trade dress for lack of distinctiveness, the plaintiff had submitted declarations to the Trademark Office swearing to long and exclusive use of the trade dress despite its knowledge of numerous other users of virtually identical packaging.¹⁵⁶ Plaintiff's knowledge was made manifest by the several cease and desist letters it sent to competitors during pendency of its applications for registration in which it falsely stated that it was the owner of federal registrations for the packaging.¹⁵⁷ Worse, plaintiff supported its claim of acquired distinctiveness in the Trademark Office by submitting a verified statement indicating that parties who had been informed of their trade dress rights had ceased using that dress, but plaintiff did not

151. See *Electrical Info. Publ'ns, Inc. v. C-M Periodicals, Inc.*, 163 U.S.P.Q. 624, 633 (N.D. Ill. 1969) (holding that the plaintiff should be denied all relief for its unclean hands and pay for the defendant's attorney's fees). Although the decision is silent as to the basis for the attorney's fee award, evidence of fraudulent procurement of the registration asserted by plaintiff in an infringement action may establish the exceptional circumstances required by statute to justify such an award against the registrant. See, e.g., *Orient Express Trading Co. v. Federated Dep't Stores, Inc.*, 842 F.2d 650, 655 (2d Cir. 1988) (stating that attorney's fees are justified if the losing party prosecuted or defended a claim in bad faith).

152. See *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 879 (8th Cir. 1994) (per curiam) (holding that potpourri packaging did not identify the manufacturer's product and did not have a secondary meaning).

153. *Id.* at 877.

154. See *id.* at 873-74 (finding that trade dress of the pillow-shaped cellophane bags as a whole to be "clearly functional").

155. *Id.* at 874.

156. See *id.* at 875-79 (focusing on finding fraud in order to show conduct of the plaintiff sufficiently exceptional to justify recovery of attorney's fees).

157. *Id.* at 877.

reveal its improper assertion of federal registration.¹⁵⁸ Although counterclaimant did not prevail in its request for reasonable attorneys' fees, it pointed to plaintiff's fraudulent conduct in procuring registration of functional subject matter in support for its request.¹⁵⁹

A more recent case, *Specialized Seating v. Greenwich Industries, L.P.*,¹⁶⁰ dealt with a registrant's failure to disclose all utility patents of which the trade dress of its folding chair was the subject despite the examining attorney's request for the same.¹⁶¹ The registrant urged that several expired patents it had owned were not responsive to the examining attorney's inquiry because the purported trade dress was not claimed in those patents, and, accordingly, the registrant did not disclose the existence of those patents.¹⁶² Although the court disagreed with the registrant as to the scope of the patent claims in question, the court noted that the examining attorney's inquiry was not limited to claimed subject matter but encompassed any patents "involving the proposed mark."¹⁶³ Based upon registrant's failure to make disclosure when faced with a direct inquiry from the examining attorney, coupled with misrepresentations regarding the functional purpose of the design for which it received a federal registration, the court invalidated the registration for fraudulent procurement and held that no common law trademark rights existed in the functional design of the folding chair.¹⁶⁴

Finally, registrant's failure to alert the Trademark Office to facts related to the generic nature of its purported mark may weaken any presumption of validity created by the resulting registration for purposes of preliminary motions in trademark enforcement litigation. In *Otokoyama Co. v. Wine of Japan Import, Inc.*¹⁶⁵ the reviewing court vacated a preliminary injunction in a trademark infringement case because evidence of a prior Japanese Patent Office ruling that the word "otokoyama" is a generic designation for sake was

158. *Id.*

159. *Id.* at 875-78.

160. *See* *Specialized Seating v. Greenwich Indus., L.P.*, 472 F. Supp. 2d 999, 1018 (N.D. Ill. 2007) (holding that defendant's trademark registration was fraudulently obtained).

161. *See id.* at 1004-09 (describing the court's focus on the registrant's failure to reveal its utility patents that had expired, plaintiffs attempt to extend these patents utilizing trademark protections, and the court's analysis of fraud based on this failure to reveal).

162. *Id.* at 1009.

163. *Id.* at 1017.

164. *See id.* at 1018-19 (finding that the registrant committed fraud on the USPTO, which invalidates the trademark registration).

165. *See* *Otokoyama Co. v. Wine of Japan Imp., Inc.*, 175 F.3d 266, 273 (2d Cir. 1999) (holding that the improperly excluded evidence of the mark's genericism cast sufficient doubt on the validity of plaintiff's trademark).

improperly excluded from evidence by the lower court.¹⁶⁶ The ruling had been issued in response to registrant's application for Japanese registration of a mark containing the word "otokoyama," but twenty years later in proceedings before the Trademark Office, registrant claimed in a sworn statement that "otokoyama" was not susceptible to translation but was an arbitrary, fanciful term representing a brand of sake.¹⁶⁷ The court noted that genericism remained an open issue for proof at trial but held that the improperly excluded evidence cast enough doubt as to the validity of plaintiff's trademark as to overcome its showing of likelihood of success.¹⁶⁸

*C. Nonfraudulent Failure to Disclose Material Facts Related
to Genericism or Functionality*

One of the difficulties in relying on the law of fraud to cancel trademark registrations is that courts, when considering evidence of a failure to disclose facts related to genericism or functionality, may look for proof that the applicant or registrant had knowledge tantamount to a legal conclusion on the issues. When the trademark holder exhibits lesser knowledge or when the knowledge can be interpreted to reflect equally bad faith or a more innocent mindset, courts decline to endorse the interpretation that would lead to a conclusion of fraud in the Trademark Office. The following cases illustrate the point.

*Nissen Trampoline Co. v. American Trampoline Co.*¹⁶⁹ involved patent and trademark infringement litigation over a portable tumbling device marketed by plaintiff under the federally registered trademark "Nissen trampoline" and related versions of that mark.¹⁷⁰ The defendant charged fraud in the procurement of the federal registration and counterclaimed for

166. *Id.*

167. *Id.* at 268–69.

168. *See id.* at 273 (remanding the case for further evidence on the term's genericism); *see also* *Deflecta-Shield Corp. v. Kar-Rite Corp.*, 229 U.S.P.Q. 743, 747 (N.D. Ill. 1986) (stating that the fraudulent procurement counterclaim in infringement litigation that was based upon the allegation that registrant did not disclose generic nature of purported mark to Trademark Office at time of application would survive motion to dismiss); *cf.* *T.A.D. Avanti, Inc. v. Phone-Mate, Inc.*, 199 U.S.P.Q. 648, 655 (C.D. Cal. 1978) (stating that the fraudulent failure to present evidence of generic nature of purported trademark when seeking registration voids statutory presumption of validity in enforcement litigation).

169. *See Nissen Trampoline Co. v. Am. Trampoline Co.*, 193 F. Supp. 745, 755–56 (S.D. Iowa 1961) (holding that trademarks containing the word "tramp" or "trampoline," not as part of a combination mark, are invalid).

170. *Id.* at 746.

cancellation based upon the strong inference that George Nissen, plaintiff's president and a former collegiate tumbling champion, knew of the long prior use of the term "trampoline" to refer to a similar apparatus by vaudeville and circus entertainers, before he signed the oath accompanying the registration application.¹⁷¹ Counterclaimant also cited testimony of Nissen's former partner that Nissen had acknowledged seeking a competitive advantage by virtue of registering the mark.¹⁷² Although agreeing that "trampoline" is a generic term and ordering cancellation of the relevant registrations, the trial court concluded that Nissen's knowledge did not rise to the level of knowledge required for fraud in the Trademark Office.¹⁷³ The court was particularly influenced by the fact that, at the time Nissen signed the oath, his patented device was the only one of its kind on the market and the only one commercially marketed in conjunction with the term "trampoline."¹⁷⁴ In other words, although the court viewed the relevant product market to extend to the devices used by vaudeville and circus performers, it was unwilling to charge Nissen with that knowledge and seems to have accepted that he may have viewed the relevant product market to be limited to the specific device marketed by his company because it was novel enough to have been granted a U.S. patent.¹⁷⁵

In *Donald F. Duncan, Inc. v. Royal Tops Manufacturing Co.*,¹⁷⁶ the appellate court affirmed a lower court's dismissal of a counterclaim in a trademark infringement case for fraudulent procurement of a registration for the word "Yo-Yo," despite its holding in an earlier appeal that "Yo-Yo" is a generic designation for a type of top that returns on itself.¹⁷⁷ The appellate court found registrant's statements in applications to the Trademark Office that it was entitled to registration of "Yo-Yo" and "Genuine Duncan Yo-Yo" to be

171. *Id.* at 750–51.

172. *Id.*

173. *Id.* at 751–56.

174. *See id.* at 751 (noting the fact that "Nissen was the only commercial manufacturer of this type of portable gymnastic equipment and the only user of the term 'trampoline' as the name for said commercially manufactured equipment").

175. *See id.* (finding that Nissen did not make any false and fraudulent declarations in obtaining the trademark registration).

176. *See Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 381 F.2d 879, 883–84 (7th Cir. 1967) (affirming lower court's dismissal of counterclaims that the plaintiff had obtained its trademark by fraud by stating that the plaintiff may have been mistaken in his statements to the Patent Office, but without evidence of bad faith).

177. *See Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655, 668 (7th Cir. 1965) ("[B]ased on the record, which is consistent with common knowledge, we hold that the top in question is known and accepted by the general public by the name of 'Yo-Yo' (or 'yo-yo').").

inaccurate but not fraudulent.¹⁷⁸ The court's decision noted evidence that registrant had expressed doubt in an earlier proceeding before the Trademark Office that the word "yo-yo" was capable of trademark protection but discounted fraudulent intent in the later applications because plaintiff's earlier statement only amounted to an expression of doubt and because the earlier proceeding was called to the attention of the Trademark Office during pendency of the applications in question.¹⁷⁹

If even a weak argument can be made in favor of registration, a failure to disclose facts related to genericism or functionality alone is unlikely to result in a finding of fraud in the Trademark Office. For example, the plaintiff in *Schwinn Bicycle Co. v. Murray Ohio Manufacturing Co.*¹⁸⁰ initiated infringement litigation over its trade dress registration covering the knurled markings on the inner face of a bicycle rim.¹⁸¹ Defendant counterclaimed for cancellation based upon the doctrine of functionality and for fraud in the Trademark Office because registrant did not disclose to the Trademark Office that the knurling functioned to hide the unsightly seam weld in the rim and to reduce the production cost of polishing out the metal.¹⁸² Counterclaimant argued that the oath asserting exclusive rights to use the trade dress submitted in support of the application conflicts with the notion of functionality that places functional design features in the public domain, available for all competitors to use.¹⁸³ The district court granted the request for cancellation based upon functionality but declined to find for the counterclaimant on the issue of fraud.¹⁸⁴ The court characterized registrant's verified statements as resulting from "inadvertence or ignorance of the applicable law of trademarks" and conceded that, while registrant's attorneys were presumed to know the law,

178. *Duncan*, 381 F.2d at 884.

179. *See Duncan*, 343 F.2d at 659–61 (describing the registration process of Mr. Duncan, Sr. and how his statement was taken to be an expression of doubt and was revealed to the Patent Office); *see also* *Hogdon Powder Co. v. Alliant Techsystems, Inc.*, 497 F. Supp. 2d 1221, 1235 (D. Kan. 2007) (dismissing claim that holder of registration for the word "clays" fraudulently concealed widespread generic use of the word in the shooting sports industry generally when, in response to a query as to its significance, registrant disclosed use of the word in the singular sport of "shooting clays").

180. *See Schwinn Bicycle Co. v. Murray Ohio Mfg. Co.*, 339 F. Supp. 973, 984 (M.D. Tenn. 1971) (finding that the plaintiff's failure to disclose the functionality of the knurled markings was not enough evidence in itself to support a charge of fraud).

181. *Id.* at 976–77.

182. *Id.* at 976–80.

183. *Id.* at 982–83.

184. *Id.*

a weak argument could be fashioned in support of registration.¹⁸⁵ Accordingly, the court declined to infer fraud from the circumstances.¹⁸⁶

IV. Power of a Federal Trademark Registration

The proposed duty of disclosure set forth in this Article emanates from the view that federal trademark registrations can no longer be characterized as a simple overlay on common law rights.¹⁸⁷ This point is critical because it highlights the potential damage that may be inflicted by registrations improvidently granted for generic and functional subject matter. A review of selected amendments of the Lanham Act brings home this concern.

Business and its desire for an economical and predictable way to protect and enforce trademarks acted as the driving force behind passage of the Lanham Act in 1946.¹⁸⁸ The legislative history of the Act reflects a felt need for a federal scheme of trademark protection in order to achieve uniform nationwide treatment of trademarks.¹⁸⁹ Passage of the Lanham Act allowed businesses to bypass the uncertainty created by state-by-state protection of trademarks and encouraged them to regard their goodwill as a valuable investment while at the same time giving consumers comfort in purchasing decisions reliant on a trademark's promise of quality.¹⁹⁰ The several benefits of

185. See *id.* at 983 (finding that the statements of the plaintiff "can reasonably be construed to have resulted from inadvertence or ignorance of the applicable law of trademarks").

186. *Id.*

187. See *infra* notes 193–97 (discussing the fact that federal trademark registrations no longer simply mirror common law trademark rights).

188. See Keith M. Stolte, *A Response to Jerome Gilson's Call for an Overhaul of the Lanham Act*, 94 TRADEMARK REP. 1335, 1349 (2004) ("Technological advances in transportation and communication, innovations in manufacturing, the development of sophisticated advertising and marketing schemes and a huge increase in consumer products, brand names and competition in general virtually compelled substantial statutory revision of the laws protecting trademarks and free and fair competition."). Congress intended the Lanham Act to reflect the new reality that the United States was the largest economic market and producer of goods and services in the world. *Id.* at 1350.

189. See S. REP. NO. 79-1333, at 5–6 (1946) ("Trade is no longer local, but is national. Marks used in interstate commerce are properly the subject of Federal regulation. It would seem as if national legislation along national lines securing to the owners of trade-marks in interstate commerce definite rights should be enacted and should be enacted now.").

190. See Edward S. Rogers, *Introduction to DAPHNE ROBERT, THE NEW TRADE-MARK MANUAL*, at xi, xii–xiv (1947) (explaining that the purpose of the Lanham Act was to create nationwide trademarks that would help consumers identify the origin of goods and avoid imitations); see also Steven Wilf, *The Making of the Post-War Paradigm in American Intellectual Property Law*, 31 COLUM. J.L. & ARTS 139, 173 (2008) ("As the first substantive federal trademark statute, the Lanham Act both reflected and constituted a national market.").

federal registration conferred by the Act were meant to encourage federal registration, in part, to optimize the number of marks available on the register, and, thereby, improve the search process.¹⁹¹ Proponents of the Lanham Act were careful to point out that federal registration would not supplant common law rights, but would signal simply "recognition" by the federal government of the owner's right to use the mark in interstate commerce to distinguish its goods or services.¹⁹²

Since its enactment in 1946, the Lanham Act has been amended numerous times.¹⁹³ Several amendments have enlarged the benefits of federal registration in contrast to common law rights,¹⁹⁴ and others have created new federal causes of action for enforcement of trademark rights that accord enhanced evidentiary power to federal registrations.¹⁹⁵ In some cases, remedies have been made available only to federal registrants.¹⁹⁶ As a result, a federal trademark registration today amounts to significantly more than "recognition" of nationwide trademark rights.¹⁹⁷ Federal registration has evolved into a powerful tool for trademark holders that should carry with it some obligation to investigate facts underlying genericism and functionality and to report the same to the Trademark Office at the time of application, or later, if conditions change that might affect the validity of the mark.

191. See *Bongrain Int'l Corp. v. Delice de Fr., Inc.*, 811 F.2d 1479, 1485 (Fed. Cir. 1987) ("One of the policies sought to be implemented by the Act was to encourage the presence on the register of trademarks of as many as possible of the marks in actual use.").

192. ROBERT, *supra* note 190, at 10 ("Rights in a mark are acquired by *use* and use must continue if the rights are to continue. Registration is simply a recognition by the Government of the rights of the owner to use the mark in commerce to distinguish its goods or services.").

193. H. Peter Nesvold & Lisa M. Pollard, *Half a Century of Federal Trademark Protection: The Lanham Act Turns Fifty*, 7 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 49, 51 (1996) ("The Lanham Act has never had the opportunity to grow stale. Revisions began in 1948, only two years after the Act was passed, and have continued throughout the past fifty years, [resulting in an] effective expansion of the Act to meet changing societal needs.").

194. See *infra* notes 207–18 and accompanying text (discussing intent-to-use registration provisions and foreign trademark protection based upon domestic registration).

195. See *infra* notes 229–37, 247–55 and accompanying text (discussing enforcement through counterfeiting, dilution, and cybersquatting actions, respectively).

196. See *infra* notes 234–46 and accompanying text (discussing the requirement of a federal registration to obtain counterfeiting remedies as well as detention and exclusion of goods at the border).

197. See Stephen L. Carter, *The Trouble with Trademark*, 99 *YALE L.J.* 759, 759–60 (1990) ("But since the Lanham Act of 1946 created the first system of nationwide protection of marks, federal trademark law has been moving stubbornly in another direction, toward granting protection for marks that have no significance at all.").

A. Trademark Selection and Registration Proceedings

From the initial step of trademark selection to the attempt to federally register a mark, discovery of potentially conflicting registrations can chill any attempt to proceed with adoption of the mark.¹⁹⁸ A decision to walk away from a potential mark may be an appropriate response if the preexisting registration, in fact, conflicts and appears to be valid.¹⁹⁹ On the other hand, the chilling effect poses a problem if the preexisting registration covers generic or functional subject matter, and the mark to be adopted manages to avoid that pitfall.²⁰⁰

Commentators often recommend an early preliminary search conducted on one or several publicly available databases in order to eliminate or "knock-out" proposed marks that will prove difficult to register because prior registrations exist with which they may conflict.²⁰¹ When an application for registration is filed, it is assigned to an examining attorney who conducts a search of Trademark Office records to determine the presence of any conflicting registrations.²⁰² If the applicant's mark is identical or similar to a prior registered mark and the goods or services identified in the application are related to those recited in the prior registration, the examining attorney refuses registration under Section 2(d) of the Act.²⁰³ Such a refusal rarely involves an in-depth analysis of the presence of likelihood of confusion because, although the Trademark Office bears the burden of proof on this issue, the Trademark Office shifts the burden to the applicant by citing the prior registration and leaves it to the applicant to address the refusal on the merits.²⁰⁴ If registration of a conflicting mark is pending and the application for that mark was filed prior to the subject application, the Trademark Office will suspend action on

198. See generally Philip K. Lyon & Jeffrey J. Look, *How Intellectual Property Impacts a Commercial Law Practice: Trademarks and Service Marks*, 51 ARK. L. REV. 459 (1998) (providing an overview of trademark law and describing trademark issues that can arise for corporate lawyers and those unfamiliar with trademark law).

199. See *id.* 475–77 (discussing the problems of trying to get around a preexisting blocking registration and how a more economical alternative may be to change a mark than to expend resources trying to proceed with its adoption).

200. See *supra* Part III.A (discussing the reasons why generic and functional subject matter should not be accorded trademark significance, let alone federally registered).

201. See J. HAWES & A. DWIGHT, 1 TRADEMARK REGISTRATION PRACTICE § 2.9, at 2-15 (2d ed. 2007) (noting that once the preliminary search has been conducted, the potential mark should be "cleared" by a professional searching organization before being used in commerce).

202. TMEP, *supra* note 30, § 1102.01–.02.

203. *Id.* § 1207.01.

204. *Id.*; HAWES & DWIGHT, *supra* note 201, § 6.2, at 6-4.

the subject application and wait until the conflicting mark is either refused or progresses to registration; in the latter event, the examining attorney refuses registration citing likelihood of confusion.²⁰⁵ Note that examining attorneys are directed to resolve any doubt as to whether there is a likelihood of confusion in favor of the prior registrant.²⁰⁶ At this stage, many applicants abandon their applications to avoid expenditure of time and resources to overcome the Section 2(d) refusal.²⁰⁷

Arguably the greatest extension of the reach of federal trademark registration occurred when Congress amended the Lanham Act in 1988 to permit the filing of intent-to-use (ITU) applications.²⁰⁸ The ITU application procedure requires only that an applicant attest to a bona fide intention to use the subject mark in commerce and allows the application to undergo the examination procedure prior to actual use of the mark.²⁰⁹ Although no registration will issue until the applicant avers to the Trademark Office that the mark is being used in commerce, once the registration does issue, it confers nationwide priority on the registrant as of the date of application, a date in time when the mark was not in actual use.²¹⁰ In this way, a party who used the ITU provisions to obtain his registration may gain priority over a party who began actual use of a conflicting mark after the ITU application was filed but before actual use of the mark that is the subject of the ITU application.²¹¹ Prior to the 1988 amendment, the Act resolved conflicting claims to registration of a mark for a particular category of goods or services by recognizing superior rights in

205. See TMEP, *supra* note 30, § 1207.1 ("Doubt is resolved against the newcomer, for the newcomer has the opportunity of avoiding confusion, and is charged with the obligation to do so.").

206. See *id.* ("Any doubts about the likelihood of confusion, etc., under § 2(d) must be resolved against applicant as the newcomer."); see also *In re Shell Oil Co.*, 992 F.2d 1204, 1209 (Fed. Cir. 1993) ("Doubt is resolved against the newcomer . . ."); *In re Hyper Shoppes (Ohio), Inc.* 837 F.2d 463, 464–65 (Fed. Cir. 1988) ("Any doubts about likelihood of confusion . . . must be resolved against applicant as the newcomer.").

207. See *Lyon & Look*, *supra* note 198, at 465–66 (describing the trademark registration process and what happens if another similar application is pending).

208. See Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3935 (allowing individuals who have not yet used a trademark in commerce to apply for registration if they express a bona fide intent to do so in the future) (codified at 15 U.S.C. § 1051(b) (1991)); see also *Carter*, *supra* note 197, at 784 (characterizing enactment of the ITU provisions as "a sharp turn" in U.S. trademark practice).

209. See *Carter*, *supra* note 197, at 783–84 (explaining how firms can use the ITU application procedure to reserve marks from the public domain that are not even in use).

210. See *id.* at 784 ("Statutory disclaimers notwithstanding, then, for the first time in American law, use will not be a prerequisite to rights.").

211. See *id.* at 781–84 (providing several hypothetical examples to explain the ITU application procedure compared to past procedures).

the first entity to use the mark in commerce, but enactment of the ITU procedure resulted in a significant departure from the first-to-use rule due to the priority effect of ITU filings.²¹² Because federal registration acts as constructive notice of the registrant's claim of ownership, the ITU provisions also establish constructive notice of ownership for a period of time predating actual use of the mark.²¹³ Constructive notice benefits the registrant by removing the defense of innocent appropriation from future users of the registered mark.²¹⁴ Moreover, the priority and constructive notice rules apply nationwide once a federal registration has issued, regardless of the geographic area in which registrant actually uses the mark.²¹⁵ A registration that issues from an ITU application and covers generic or functional subject matter would amplify the chilling effect discussed above due to the expanded temporal reach of such a registration.²¹⁶

Finally, a federal trademark application and registration can serve as the vehicle for obtaining trademark protection in foreign countries. Since November 2003, a U.S. national application or registration may be coupled with a Madrid Protocol application to form an international trademark application.²¹⁷ That application need only be filed with one registration authority to secure trademark protection in any of the designated member countries.²¹⁸ Additionally, applications for registration filed in foreign

212. See Barry S. Wilson, *Registration of Trademarks by the Intent-To-Use Application*, 12 J. CONTEMP. LEGAL ISSUES 110, 112 (2001) ("This ability to establish a priority date before actual use through a federal ITU registration is a powerful tool that cannot be ignored by the trademark attorney.").

213. 15 U.S.C. § 1072 (2006).

214. See *Value House v. Phillips Mercantile Co.*, 523 F.2d 424, 429 (10th Cir. 1975) ("Beyond affording nationwide protection, the constructive notice provision of § 1072 has eliminated the defense of a subsequent user that he had adopted the mark in his area in good faith and with lack of knowledge."); *John R. Thompson Co. v. Holloway*, 366 F.2d 108, 115 (5th Cir. 1966) ("By eliminating the defense of good faith and lack of knowledge on the part of a junior user, sections 1072 and 1115 afford a registrant nationwide protection for its registered marks.").

215. See 15 U.S.C. § 1057(c) (2006) (conferring nationwide priority as of the date the application is filed when a registration issues).

216. See Carter, *supra* note 197, at 781 ("Under the intent-to-use system, the application itself becomes a weapon—and is meant to. The fact that an application has been filed will very likely deter others from using the mark applied for."); Port, *supra* note 13, at 604 (positing that applicants use the ITU provisions as a cost-raising strategy to push competitors to find alternative marks for the same or similar goods, noting in particular the approximate three-year period during which an applicant may "sit on" a successfully examined ITU application before using the mark in commerce).

217. See Lanham Act § 61, 15 U.S.C. § 1141(a) (2006) (recognizing international applications based on U.S. applications or registrations).

218. *Id.*

countries that adhere to the Paris Convention can receive the benefits of a U.S. filing date if they are filed within six months of a corresponding U.S. application.²¹⁹ The ability to obtain foreign protection in this way has the potential to amplify the influence of a U.S. federal registration erroneously granted for generic or functional subject matter, when foreign authorities either defer to the U.S. examination process or simply do not become alerted to invalidity of the subject matter.

B. Trademark Enforcement

Statutory causes of action for enforcement of trademarks authorized by the Lanham Act confer certain benefits on federal registration owners. Although Lanham Act claims for enforcement of trademarks can be pursued in state court as well as federal court, attorneys and litigants are likely to view federal judges as possessing both greater competency generally than their state court counterparts and greater expertise specifically in cases that give rise to federal question jurisdiction.²²⁰ A federal registration guarantees federal question jurisdiction²²¹ and constitutes prima facie evidence of ownership, validity, and the exclusive right to use the registered mark.²²² The Fourth Circuit has explained the evidentiary effect of a certificate of registration in the context of a genericism challenge:

This is a significant procedural advantage for the registrant. Without a certificate of registration, the owner would be required to establish that the disputed mark was sufficiently distinctive to warrant trademark protection in the first place. The effect of the presumption is to satisfy that burden in the absence of rebutting evidence.

The presumption of validity flowing from trademark registration, therefore, has a burden-shifting effect, requiring the party challenging a registered mark to produce sufficient evidence to establish that the mark is generic by a preponderance of evidence. The burden shifted by the presumption is one

219. See *id.* § 67, 15 U.S.C. § 1141g (extending the right of priority).

220. See Gil Seinfeld, *The Federal Courts as a Franchise: Rethinking the Justifications for Federal Question Jurisdiction*, 97 CAL. L. REV. 95, 158–59 (2009) (stating that the commonalities within the federal court system and its "generally high measure of competence" distinguish the federal system from the state system, making it more attractive to litigants and lawyers).

221. See 28 U.S.C. § 1331 (2006) ("The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.").

222. See Lanham Act §§ 7(b), 33(a), 15 U.S.C. §§ 1057(b), 1115(a) (2006) (assigning the evidentiary value of a registered mark).

of production rather than persuasion. If sufficient evidence of genericness is produced to rebut the presumption, the presumption is 'neutralized' and essentially drops from the case, although the evidence giving rise to the presumption remains.²²³

Once granted, if a registration achieves incontestable status, the presumption of validity becomes conclusive subject to certain defenses enumerated in Section 33(b) of the Lanham Act, which include functionality explicitly and genericism by reference.²²⁴

Amendments to the Lanham Act in 1999 and 2006 apply to infringement and dilution actions respectively and enhance the evidentiary value of registered trade dress by affirming that the party attempting to enforce rights in unregistered trade dress bears the burden of production on the issue of functionality.²²⁵ The evidentiary presumptions accompanying registration and incontestable status should give the registrant an advantage in court and may influence those with legitimate defenses to settle the dispute rather than vigorously defend the litigation. Although courts and commentators generally disavow the existence of any accompanying "imprimatur" from the federal government, some implicitly recognize the psychological importance of a federal registration that could only enhance the evidentiary presumption of validity in litigation proceedings.²²⁶ Recent commentary bolsters the notion that saber-rattling during the cease-and-desist letter, prelitigation phase of a

223. *Retail Servs., Inc. v. Freebie, Inc.*, 364 F.3d 535, 542–43 (4th Cir. 2004) (citations omitted).

224. *See* Lanham Act § 33(b), 15 U.S.C. § 1141g (2006) (listing the limited set of challenges available to contest a mark's registration once it is deemed incontestable).

225. *See* Trademark Amendments Act of 1999, Pub. L. No. 106–43, § 5, 113 Stat. 218, 220 (amending 15 U.S.C. § 1125(a) (1994)) (assigning the burden of proof in actions alleging infringement of unregistered subject matter); Trademark Dilution Revision Act of 2006, Pub. L. No. 109–312, § 2(1), 120 Stat. 1730, 1730 (amending 15 U.S.C. § 1125(c) (2000)) (assigning the burden of proof in unregistered trade dilution actions).

226. *See In re McGinley*, 206 U.S.P.Q. 753, 756 (T.T.A.B. 1979) ("We recognize that denial of registration will not affect applicant's continued use of his mark, but such use . . . will be visible only to those who share applicant's interest and will be without the implied approval and the statutory benefits that would result from Federal registrations."); *see also* Todd Anten, Note, *Self-Disparaging Trademarks and Social Change: Factoring the Reappropriation of Slurs into Section 2(a) of the Lanham Act*, 106 COLUM. L. REV. 388, 397 (2006) ("In addition to these formal statutory benefits, federal registration may also provide intangible psychological benefits to a trademark holder through the government's implicit approval of the mark."); ROBERT, *supra* note 190, at 131 ("[T]he psychological effect of continually calling attention to the fact that it is a registered mark probably is beneficial and therefore desirable."). *But see* 3 MCCARTHY ON TRADEMARKS, *supra* note 22, § 19:3.50, at 19-20 (stating that the federal government's decision to register a mark "does not imply the government's pronouncement that the mark is a good one, from an aesthetic or any other viewpoint" (citation omitted)).

case may rely on asserting a federal registration, which can intimidate even those mark users who are convinced their use is justified.²²⁷

The *in terrorem* effect of a federal registration has been reinforced by virtue of amendments to the Lanham Act in the last several decades that have created new causes of action for trademark enforcement.²²⁸ Additionally, the amendments have expanded the remedies available to federal registrants or have strengthened the evidentiary effect of the federal registration in enforcement proceedings.

One of the heaviest clubs available to trademark registrants seeking to enforce their rights arises from the Trademark Counterfeiting Act of 1984,²²⁹ which imposes criminal penalties and expands civil remedies available in the Lanham Act for trademark counterfeiting.²³⁰ Criminal sanctions include substantial monetary penalties as well as possible imprisonment.²³¹ Civilly, a

227. Cf. Port, *supra* note 13, at 589 (arguing that cease-and-desist letters and subsequent infringement actions under the Lanham Act lead to strike suits that are rarely prosecuted to a conclusion because they generally involve nonmeritorious claims and concluding that trademark holders employ these tactics to expand their trademark rights).

228. In particular, inclusion of a cause of action for dilution has generated continuing commentary on the expanding scope of trademark rights. See, e.g., Jonathan Moskin, *Victoria's Big Secret: Wither Dilution Under the Federal Dilution Act?*, 93 TRADEMARK REP. 842, 843–44 (2004) ("[T]wentieth century trademark law . . . witnessed the expansion of trademark rights from a tort-based theory preventing direct diversion of sales between competitors to a broader set of rights resting on a recognition that trademarks themselves possess economic value."); Martin Senftleben, *The Trademark Tower of Babel—Dilution Concepts in International, US and EC Trademark Law*, 40IIC: INT'L REV. OF INTELL. PROP. & COMPETITION 45, 77 (2009) (arguing that trademark rights are evolving into brand image exploitation rights and that, as such, must be recognized as a type of property in gross akin to copyrights or patents); Wilf, *supra* note 190, at 170–71 ("Dilution doctrine represented a shift from a tort model to a proprietary model of trademark. Trademarks had been transformed into a distinct form of property with uncanny psychological power.").

229. Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 2178 (providing criminal and civil penalties for trademark counterfeiting) (codified at 18 U.S.C. § 2320).

230. Counterfeiting is a type of trademark infringement that generally invokes secondary confusion, that is, a likelihood of confusion as to the source of counterfeit goods, not among actual purchasers, but among third parties who view the goods and may be deceived as to source. 4 MCCARTHY ON TRADEMARKS, *supra* note 22, § 25:10, at 25-24. In 1962, Congress amended the Lanham Act to open up the infringement cause of action to variants of actionable confusion. See Pub. L. No. 87-772, 76 Stat. 769 (1962) (amending the Act to remove the phrase "purchasers as to the source of origin of such goods and services" which had followed the phrase "likely to cause confusion, or mistake, or to deceive," in 15 U.S.C. § 1114). That amendment paved the way for Lanham Act liability for counterfeiting based upon secondary confusion.

231. 18 U.S.C. § 2320(a) (Supp. 2009) (outlining onerous criminal sanctions for individuals that may include imprisonment for up to ten years and/or criminal penalties of up to \$2 million, and potential penalties for corporations that may rise to \$5 million and more serious consequences for corporate actors if convicted).

prevailing trademark holder may obtain an *ex parte* seizure order and virtually mandatory treble damages and/or attorneys' fees.²³² A 1996 amendment of the Lanham Act's counterfeiting provisions enables a trademark registrant to opt for statutory damages as an alternative to sometimes difficult-to-prove actual damages in a civil counterfeiting case.²³³ Importantly, criminal penalties and civil remedies for counterfeiting are available only to those trademark holders who possess a federal registration for the mark that is the subject of enforcement proceedings.²³⁴ The goods or services listed in the registration serve as a benchmark for the seriousness of the conduct so that counterfeiting remedies only apply when the party being charged has used the spurious mark in conjunction with the identical goods or services listed in the subject registration.²³⁵ In 2006, Congress expanded the definition of "counterfeit" for purposes of criminal penalties to extend beyond goods or services identified in the mark-holder's registration to items that might be used in conjunction with those goods or services, such as labels, patches, stickers, documentation, packaging, and advertisements.²³⁶ Anticounterfeiting legislation reflects

232. See 15 U.S.C. §§ 1116–1117 (2006 & Supp. 2009) (describing the types of civil recovery available).

233. See Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, § 7, 110 Stat. 1386, 1388 (stating that statutory damages may not be less than \$500 nor more than \$100,000, nor more than \$1 million in circumstances in which there was willful counterfeiting) (codified at 15 U.S.C. § 1117(c) (2006)); see also *Tiffany (NJ), Inc. v. Luban*, 282 F. Supp. 2d 123, 124 (S.D.N.Y. 2003) ("The statutory damages provision was added in 1995 because 'counterfeiters' records are frequently nonexistent, inadequate, or deceptively kept . . . making proving actual damages in these cases extremely difficult if not impossible." (quoting S. REP. NO. 104-177, at 10 (1995))).

234. See 15 U.S.C. §§ 1116(d), 1117(b)–(c) (2006 & Supp. 2009) (requiring a mark to be registered in order to recover for counterfeiting under the Lanham Act).

235. See 18 U.S.C. § 2320(e) (2006) (detailing the attributes of a counterfeit mark for purposes of this section of the statute). Noting that a counterfeit mark "is the most egregious example of a mark that is 'likely to cause confusion,'" the legislative history of the 1984 Trademark Counterfeiting Act explains the requirement that the suspect goods or services be the same goods or services for which the mark is federally registered:

[T]his act has no impact on cases in which the allegedly infringed mark is unregistered. In addition, *because this act is intended to reach only the most egregious forms of trademark infringement*, it does not affect cases in which the defendant uses a registered mark in connection with goods or services for which the mark is not registered.

130 CONG. REC. H12078–79 (daily ed. Oct. 9, 1984) (joint statement on 1984 trademark counterfeiting legislation) (emphasis added).

236. See Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, §§ 1(b), 2(b), 120 Stat. 285, 285–86 (2006) (extending the criminal penalties to items that may be used in connection with goods and services with counterfeit marks) (codified at 18 U.S.C. § 2320 (2006)).

Congress's intention to offer robust protection to federally registered marks for what it deems to be a particularly egregious form of trademark infringement.²³⁷

The robust protection provided to a federal trademark registration extends to relief in the form of detention and seizure at the border.²³⁸ The least expensive and most expeditious avenue for obtaining this relief involves recordation of the certificate of federal trademark registration with the U.S. Customs and Border Protection (CBP), which enables the CBP to seize any goods bearing a counterfeit mark at the point of entry into the United States.²³⁹ In the absence of any other appropriate disposition by consent of the registrant, the seized articles are forfeited and must be destroyed,²⁴⁰ although the importer may petition for relief from forfeiture.²⁴¹ As of 1996, any person who aids or abets in any way the importation of counterfeit goods for sale or distribution is subject to a civil fine.²⁴² Recent Ninth Circuit precedent suggests that, as long as a mark is federally registered, the CBP's enforcement authority with regard to attempted importation of goods bearing a counterfeit mark is not limited to the goods listed in the registration but extends broadly to *any* products.²⁴³ A more complicated procedure, which covers infringing and counterfeit goods, entails initiating a proceeding against a foreign company before the U.S. International Trade Commission (ITC).²⁴⁴ ITC proceedings, although requiring proof of the existence of an industry in relation to the subject mark as well as proof of infringement or counterfeiting, do offer a federal trademark registrant an advantage over the holder of unregistered trademark rights as the latter party

237. See S. REP. NO. 98-526, at 5 (1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3631 (discussing the purpose for enacting anti-counterfeiting legislation); S. REP. NO. 104-177, at 1 (1995) (discussing the harmful effects of counterfeiting and the need for legislation to protect trademarks).

238. 19 C.F.R. § 133.21 (2008).

239. *Id.* § 133.43.

240. *Id.* § 133.52(c).

241. *Id.* § 133.51.

242. See *id.* § 133.27 (stating that the fine equals the market value of corresponding genuine merchandise in accordance with the manufacturer's suggested retail price at the time of seizure and is doubled for repeat offenses).

243. See *United States v. Able Time, Inc.*, 545 F.3d 824, 836 (9th Cir. 2008) (holding that "[c]ustoms may impose a civil penalty pursuant to 19 U.S.C. § 1526(f) upon an importer of merchandise bearing a counterfeit mark, even though the owner of the registered mark does not manufacture the same type of merchandise"); see also TIMOTHY P. TRAINER & VICKI E. ALLUMS, *PROTECTING INTELLECTUAL PROPERTY RIGHTS ACROSS BORDERS*, § 2:17, at 118 (2009) ("The *Able Time* case puts all parties, trademark owners, importers, exporters and those shipping goods through the United States on notice of a changed legal landscape regarding Customs enforcement.").

244. See 19 U.S.C. § 1337 (2006) (providing a detailed explanation of the International Trade Commission's role in dealing with unfair practices in import trade).

must also make an evidentiary showing regarding harm or potential harm to the industry in question.²⁴⁵ Remedies include exclusion orders, by which the CBP bars entry of the accused goods into the country, as well as cease-and-desist orders for accused goods sold in the United States.²⁴⁶

Effective in 1996, Congress amended the Lanham Act to authorize claims for dilution of famous marks.²⁴⁷ Although a mark holder need not possess a federal registration in order to bring a federal dilution claim, he must establish that his mark is famous and, for purposes of that analysis, an existing federal registration for the subject mark is a statutory factor that weighs in favor of a determination of fame.²⁴⁸ Once his mark is deemed famous, a mark holder may use federal dilution provisions to enjoin even noncompeting uses of the same or similar mark in order to prevent either harm to the reputation of the mark or impairment of the distinctiveness of the mark.²⁴⁹ Additionally, the amendment provides that ownership of a federal registration for a mark acts as a complete bar to maintenance of a common law or state law claim of dilution with regard to that mark.²⁵⁰ The purpose of this particular provision is to provide an incentive for federal registration by insulating these marks from nonfederal dilution claims.²⁵¹

Just a few years after establishing a federal cause of action for dilution, Congress amended the Lanham Act to authorize claims by trademark holders against domain name registrants whose domain name incorporated their trademark and who had registered, used, or trafficked in the domain name with bad faith intent to profit from the mark.²⁵² The mark central to a federal

245. See *id.* § 1337(a)(1)(A) (defining unlawful acts in the importation of articles).

246. See *id.* § 1337(d), (f) (detailing the remedies available once the Commission finds that a person violated the statute).

247. See Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 3, 109 Stat. 985, 985 (protecting famous trademarks from any use that may impair the mark's distinctiveness) (codified at 15 U.S.C. § 1125(c) (2006)).

248. See 15 U.S.C. § 1125(c)(2)(A) (2006) (listing factors that may be considered when determining whether a mark is famous and including the fact of federal registration).

249. See Port, *supra* note 13, at 604–05 (pointing out that the most significant cost-raising strategy available to trademark holders inheres in federal dilution provisions that force even noncompetitors to incur the costs of avoiding dilutive conduct and that, because that course is often less than clear, the risks of judicial unpredictability raise the stakes).

250. See 15 U.S.C. § 1125(c)(6) (2006) (stating that ownership of a valid federal registration results in a bar to state and common law actions with respect to that mark).

251. See H.R. REP. NO. 104-474, at 6 (1995), reprinted in 1996 U.S.C.C.A.N. 1029, 1033 (noting that "[t]his section provides further incentive for the federal registration of marks" and protects such registrations from state regulation).

252. See Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 3002, 113 Stat. 1501A-545, 1501A-545 (1999) (permitting trademark holders to bring claims against

cybersquatting action need not be federally registered, but it must be distinctive or famous at the time the domain name was registered.²⁵³ Because a federal registration creates a presumption of validity, and therefore distinctiveness, and because it is a factor that weighs in favor of fame, a cybersquatting claim should be more easily pursued if the claimant produces a federal trademark registration as opposed to relying on common law rights. Beyond enforcement through litigation, the existence of a federal trademark registration simplifies domain name arbitration, largely because ICANN's Uniform Dispute Resolution Procedure (UDRP) allows a complainant to submit a registration for purposes of establishing prima facie rights in a mark that has been incorporated in another party's domain name.²⁵⁴ Rights in common law marks are less easily established under the UDRP and generally rely upon proof of secondary meaning.²⁵⁵

V. Current Status of Disclosure Obligation in the USPTO

The Patent Office and the Trademark Office differ in their approach to an affirmative duty of disclosure on the part of applicants. The Patent Office imposes a duty on "[e]ach individual associated with the filing and prosecution of a patent" obligating these individuals to come forward with information that may affect the Patent Office's decision regarding the patent, whether negatively or positively.²⁵⁶ As discussed above, the Trademark Office does not impose the same obligation on applicants for federal registration.

domain name registrants) (codified at 15 U.S.C. § 1125(d) (2006)).

253. See 15 U.S.C. § 1125(d)(1)(A) (2006) (setting forth the elements of a cybersquatting cause of action).

254. See Uniform Dispute Resolution Policy, Paragraph 4, <http://www.icann.org/en/dndr/udrp/policy.htm> (last visited Feb. 23, 2010) (listing types of disputes that require mandatory administrative proceedings) (on file with the Washington and Lee Law Review); see also World Intellectual Property Organization (WIPO) Overview of WIPO Panel Views on Selected UDRP Questions, Discussion 1.1, <http://www.wipo.int/amc/en/domains/search/overview> (last visited Feb. 23, 2010) (discussing whether the ownership of a registered trademark satisfies the requirements of the UDRP) (on file with the Washington and Lee Law Review).

255. See WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Discussion 1.7, <http://www.wipo.int/amc/en/domains/search/overview> (last visited Feb. 23, 2010) (discussing elements of a successful common law claim) (on file with the Washington and Lee Law Review).

256. 37 C.F.R. § 1.56 (2008). The duty of disclosure is not confined to the inventor and inventor's attorney or agent but extends to any assignee of the patent or to any entity to whom a duty to assign is owed. *Id.* § 1.56(c).

A. The Patent Office

The duty of disclosure in the Patent Office revolves around the issue of materiality. If prior art is material to patentability of one or more claims pending in a patent application, it must be submitted to the Patent Office for consideration by the patent examiner.²⁵⁷ Although there is no duty to conduct an investigation to uncover prior art,²⁵⁸ a duty to investigate does arise if anyone associated with the filing and prosecution of the patent is on notice that information exists that may be material to patentability.²⁵⁹ As a consequence, if prior art surfaces because an investigation has been conducted or during the course of research and development on the invention, a careful determination of materiality must be made by the applicant and his counsel. Any ambiguity on the issue of materiality should be resolved in favor of disclosure even in those instances when an applicant and his counsel believe that prior art indicating unpatentability can be rebutted with other evidence.²⁶⁰ Additionally, materiality extends beyond prior art and encompasses any information that a reasonable examiner would consider important to a determination of the patentability of the claims.²⁶¹ Finally, the disclosure obligation is ongoing and does not lapse with filing of the application and the initial Information Disclosure Statement but continues until issuance of a patent.²⁶² The disclosure

257. See *id.* § 1.56 (describing the duty to disclose information material to patentability); see also *Semiconductor Energy Lab. Co. v. Samsung Elec. Co.*, 4 F. Supp. 2d 477, 481 n.6 (E.D. Va. 1998) ("[I]t is clear that patent examiners are not presumed to be omniscient Were this not so, there would be no need for a duty of disclosure of prior art. But this duty is vital given that patent prosecution proceedings are typically ex parte . . .").

258. See 37 C.F.R. § 1.97(g) (2008) (stating that the filing of an information disclosure statement does not imply that a search has been made into the prior art).

259. Manual of Patent Examining Procedure § 2001.06 (8th ed. 2001, rev'd July 2008) [hereinafter MPEP]; see also *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1383 (Fed. Cir. 2001) ("Once an attorney, or an applicant has notice that information exists that appears material and questionable, that person cannot ignore that notice in an effort to avoid his or her duty to disclose.").

260. See MPEP, *supra* note 259, § 2001.05 ("If information is not material, there is no duty to disclose. . . . [M]ost applicants will wish to submit the information, however, . . . to strengthen the patent and avoid risks of an incorrect judgment on their part on materiality or that it may be held that there was an intent to deceive . . .").

261. See *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1234 (Fed. Cir. 2003) ("Materiality is not limited to prior art but embraces *any* information that a reasonable examiner would be substantially likely to consider important in deciding whether to allow an application to issue as a patent." (quoting *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1274 (Fed. Cir. 2001))).

262. See 37 C.F.R. § 1.56 (2008) ("The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned.").

obligation is then reactivated in any later proceedings involving the patent, such as reissue, reinstatement, or reexamination.²⁶³

Failure to make a material disclosure coupled with an intention to deceive the Patent Office constitutes inequitable conduct, will render any resulting patent unenforceable,²⁶⁴ and may expose the patentee to an award of attorneys' fees, possibly rising to the level of an antitrust violation if the conduct runs afoul of the Sherman Act.²⁶⁵ Because a patent represents a government grant of the exclusive right to exclude others from making, using, or selling the patented invention, albeit for a limited term,²⁶⁶ the rationale for the inequitable conduct defense is not difficult to discern:

A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability.²⁶⁷

Moreover, the government's grant should emerge only from a process structured to promote fair dealing with a government agency.²⁶⁸ Finally, it is important to note that the defense of inequitable conduct is broader than common law fraud, in part because the subjective good faith of the applicant will not negate inequitable conduct—the relevant standard is what an applicant "knows or reasonably should have known."²⁶⁹

263. See MPEP, *supra* note 259, §§ 2012, 2014, 2280 (stating that a duty of disclosure exists for claims pending in reissue, reinstatement, and reexamination patent proceedings).

264. See, e.g., *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984) ("Once a court concludes that inequitable conduct occurred, all the claims—not just the particular claims in which the inequitable conduct is directly connected—are unenforceable.").

265. See *Walker Process Equip., Inc. v. Food Mach. & Chem. Co.*, 382 U.S. 172, 176–77 (1965) (concluding that the enforcement of a patent obtained by intentional fraud on the Patent Office may be a violation of § 2 of the Sherman Act).

266. See 35 U.S.C. § 271(a) (2006) ("[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.").

267. 37 C.F.R. § 1.56(a) (2008).

268. See, e.g., *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) ("The far-reaching social and economic consequences of a patent . . . give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope."); *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1383 (Fed. Cir. 1998) ("Inequitable conduct is an offense against the PTO and the public. The offense is committed most commonly by intentional failures to submit material references to an examiner, or by making knowing false or misleading statements to the examiner . . .").

269. See, e.g., *J.P. Stevens*, 747 F.2d at 1560 ("[I]ntent . . . may be proven by showing acts the natural consequences of which are presumably intended by the actor. . . . Proof of deliberate scheming is not needed; gross negligence is sufficient."). The court went on to note that

B. The Trademark Office

Although T.T.A.B. decisions follow the rule of *Schwartz*²⁷⁰ and decline to impose an affirmative duty of disclosure in proceedings before the Trademark Office, some federal district court and appellate court opinions espouse the view that parties appearing before the Trademark Office owe an affirmative duty of candor to the Office.²⁷¹ Unlike *Schwartz*, these decisions emphasize the deceitful omission of facts in communications with the Trademark Office and not intentional misstatements in the oath or other verified submissions.²⁷² Despite their duty of candor language, the facts recited in these decisions reveal ample evidence of fraudulent intent.

The case typically cited as announcing a standard of candor in Trademark Office proceedings is *T.A.D. Avanti, Inc. v. Phone-Mate, Inc.*,²⁷³ a trademark infringement case involving the federally registered mark "VOX" for electronic telephone answering units.²⁷⁴ Although the defendant did not counterclaim for cancellation, it asserted a defense of fraud because plaintiff's president and counsel had been aware for many years prior to applying for registration that the relevant industry used "VOX" as a generic term.²⁷⁵ The court noted that plaintiff's president could not have signed the oath accompanying the application with any honest belief that plaintiff had the exclusive right to use

"[g]ross negligence is present when the actor, judged as a reasonable person in his position, should have known of the materiality of a withheld reference." *Id.*

270. See *supra* notes 133–38 and accompanying text (providing a summary of *Schwartz*).

271. See, e.g., *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 877 (8th Cir. 1994) (noting an applicant for a trademark owes a duty of candor to the United States Patent and Trademark Office); *Orient Express Trading Co. v. Federated Dep't Stores, Inc.*, 842 F.2d 650, 653 (2d Cir. 1988) ("[A]ppellants' statements to the PTO had not reflected the 'uncompromising candor' that is required of applicants before that agency."); *Daesang Corp. v. Rhee Bros.*, 77 U.S.P.Q.2d 1753, 1760 (D. Md. 2005) ("It is well established that an applicant for a registration of a trademark has a duty of candor in his communications with the PTO."); *Deflecta-Shield Corp. v. Kar-Rite Corp.*, 229 U.S.P.Q. 743, 747 (N.D. Ill. 1986) (noting an applicant has a "duty to disclose the fact that a term is generic, and failure to do so will result in a denial of all relief for trademark infringement to the plaintiff"); *T.A.D. Avanti, Inc. v. Phone-Mate, Inc.*, 199 U.S.P.Q. 648, 655–56 (C.D. Cal. 1978) (noting an applicant is required to exercise "uncompromising candor" in his communications with the PTO).

272. See, e.g., *Orient Express Trading Co. v. Federated Dep't Stores, Inc.*, 842 F.2d 650, 653 (2d Cir. 1988) ("The allegedly fraudulent statements may not be the product of mere error or inadvertence, but must indicate a 'deliberate attempt to mislead the [PTO].'").

273. See *T.A.D. Avanti, Inc. v. Phone-Mate, Inc.*, 199 U.S.P.Q. 648, 655–56 (C.D. Cal. 1978) (concluding that an applicant is required to exercise "uncompromising candor" in his communications with the PTO).

274. *Id.* at 650.

275. *Id.* at 650–51.

the term and, accordingly, the court invalidated the registration.²⁷⁶ Of interest is the following conclusion of law that seems to impose an affirmative obligation of disclosure:

An applicant for registration of a trademark is required to exercise uncompromising candor in his communications with the United States Patent and Trademark Office, lest any registration he obtains will be invalid and/or unenforceable. He must not only refrain from making false representations to the United States Patent and Trademark Office, but must make full disclosure of all facts to his knowledge which might bear in any way on the Office's decision to grant the registration sought.²⁷⁷

The quote references Section 38 of the Lanham Act, which authorizes civil liability against any person who procures a trademark registration through a false or fraudulent representation to the Trademark Office.²⁷⁸ Despite the statute's focus on a misrepresentation, the court articulates a duty of "full disclosure" that is not necessarily triggered by deceitful statements in the oath or other verified submissions to the Trademark Office.²⁷⁹

The case that comes closest to imposing a duty to make affirmative disclosure to the Trademark Office, not reliant upon deceitful statements in the oath or other verified submissions, is *Daesang Corp. v. Rhee Bros.*²⁸⁰ In that case, the district court found the registered term "Soon Chang," used to market a type of Korean sauce known as gochujang, to be both geographically and deceptively misdescriptive and, therefore, barred the term from registration under subsections (a) and (e)(3) of Section 2 of the Lanham Act.²⁸¹ Central to

276. *Id.* at 652–53.

277. *Id.* at 655–56.

278. Lanham Act § 38, 15 U.S.C. § 1120 (2006). Some courts interpret this section as providing for recovery of damages where a trademark registration is procured *either* by an innocent misstatement *or* by an intentionally deceitful misstatement. See *Citibank N.A. v. Citibanc Group, Inc.*, 215 U.S.P.Q. 884, 903 (N.D. Ala. 1982) ("'[F]alse' and 'fraudulent' as used in 15 U.S.C. § 1120 are not synonymous, and that damages are recoverable thereunder where the registration is procured either by a declaration which was incorrect or by a declaration which was a willful attempt to mislead and injury has resulted as a consequence thereof."), *aff'd*, 724 F.2d 1540 (11th Cir. 1984); *Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp. of Am.*, 158 F. Supp. 277, 278 (D.N.J. 1958) (concluding that 15 U.S.C. § 1120's "[u]se of the disjunctive 'or' renders the respective connotations of 'false' and 'fraudulent' mutually exclusive").

279. See *Contra Citibank*, 215 U.S.P.Q. at 899 (declining to endorse a broad affirmative duty of disclosure and noting that the only support for the quoted language from *T.A.D. Avanti* is Section 38 of the Lanham Act).

280. See *Daesang Corp. v. Rhee Bros.*, 77 U.S.P.Q.2d 1753, 1760 (D. Md. 2005) ("It is well established that an applicant for a registration of a trademark has a duty of candor in his communications with the PTO.")

281. See *id.* at 1756 ("Rhee Bros. made no mention in the 1986 application that there is a

the district court's decision is the fact that registrant did not inform the Trademark Office that "Soon Chang" was the name of a province in Korea, failed to apprise the Trademark Office of the goods-place association between high quality gochujang and the Soon Chang province, and made no mention of the fact that its gochujang was not produced in that region.²⁸² Registrant's knowledge that its omissions were material was apparent because it had earlier filed a letter of protest with the Trademark Office against a competitor's application for registration of a mark that included the words "Soon Chang" and had pointed out the goods-place association at that time.²⁸³ Moreover, the court concluded that the fact that registrant's gochujang was not produced in Soon Chang was likely to affect the purchasing decisions of consumers as purchasers of the product are largely Koreans who are well aware of Soon Chang's reputation for high quality gochujang.²⁸⁴ Declaring that registrant failed in its "duty to make a full disclosure as to all relevant facts of which it had knowledge bearing on the PTO's decision to grant the registration," the court canceled the registration for fraud.²⁸⁵ Although registrant had not made intentional misstatements by virtue of the oath or other verified submissions, evidence of its intent to deceive was clearly present.²⁸⁶

Once a mistake as to a material fact, set in motion by the trademark holder, has made its way into an application published for opposition or into an issued registration, the trademark holder has an affirmative obligation to apprise the Trademark Office of the mistake in an attempt to correct the record.²⁸⁷ The T.T.A.B. has condemned trademark holders for accepting the benefits of the mistake—for example, exploiting the evidentiary benefits accorded by the

region of South Korea known as Soon Chang or that the region is famous for high quality gochujang in spite of Rhee Bros.' knowledge of the fact."); Lanham Act § 38, 15 U.S.C. §§ 1052(a), 1052(e)(3) (2006) (stating that no trademark shall be granted registration if it consists of "deceptive" or "geographically deceptively misdescriptive" matter).

282. See *Daesang*, 77 U.S.P.Q.2d at 1761–62 ("Given the plethora of evidence establishing Soon Chang's fame for high quality gochujang and Rhee Bros.' knowledge of such, Rhee Bros.' duty of candor with regard to the instant trademark clearly included a duty to disclose the goods-place association between Soon Chang and gochujang.").

283. *Id.* at 1765.

284. See *id.* at 1761 ("It is clear from the evidence presented at trial that Soon Chang is, and has been for centuries, famous for its high quality gochujang among Korean consumers, and that Rhee Bros. knew this. . . . The primary purchasers of gochujang in the United States . . . are persons of Korean origin . . .").

285. *Id.* at 1762.

286. *Id.* at 1766–67.

287. See *supra* Part II.D (discussing cases in which the T.T.A.B. condemned the registrant's silence when the registrant has set in motion a process that confers a benefit to which it is not entitled).

Lanham Act and enforcing rights conferred by the registration²⁸⁸—and the T.T.A.B. likely will infer deceitful intent because the mistake will be evident on the face of the record and the registration certificate, matters to which the trademark holder has access. Normally, the duty does not become an issue until the registrant initiates maintenance proceedings in the Trademark Office and would be breached only if the trademark holder's failure to act can be couched as fraudulent based upon what it knows.²⁸⁹

C. *Reasons for Difference in Approach Between the Two Offices*

Several reasons typically are cited for the divergence in approach between the Patent Office and the Trademark Office but chief among them is the fact that the exclusionary rights attending patents and trademarks originate from disparate sources.²⁹⁰ The right to exclude others from making, using, and selling a patented invention derives directly from the federal government's issuance of the patent.²⁹¹ Traditionally, the exclusionary right accompanying a trademark was limited to the ability to prevent others from using the same or a confusingly similar mark and the right arose out of use of the mark in commerce on particular goods or services, as dictated by the common law.²⁹² Supporters of the Lanham Act characterized federal registration as simple recognition by the federal government of rights already conferred by common law; the benefits of registration under the 1946 Act, notably nationwide priority

288. See, e.g., *Smith Int'l, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, 1047–48 (T.T.A.B. 1981) (basing a finding of fraud, not on the filing of the affidavit, but on Smith International's failure to correct its own misstatements, however innocently made, that led the Office to confer a benefit to which the company knew it was not entitled but accepted nonetheless).

289. See *supra* Part II.D (discussing cases in which the T.T.A.B. condemned the registrant's silence when the registrant has set in motion a process that confers a benefit to which it is not entitled). Cf. *Volkswagenwerk Aktiengesellschaft v. Advance Welding & Mfg. Corp.*, 184 U.S.P.Q. 367, 368 (T.T.A.B. 1974) (holding that fraud perpetrated during registration maintenance proceedings is a ground for cancellation because, to hold otherwise, "would in effect sanction open and notorious fraud" and would jeopardize statutory presumptions accompanying registration and incontestability).

290. See *Lefkowitz, supra* note 19, at 273 ("Every right a patentee has is given to him by the Patent Office. On the other hand, the acquisition of the right to exclude others from the use of a trademark results from the fact of use and the common law, independently of registration in the Patent Office." (quoting *Morehouse Mfg. Corp. v. J. Strickland & Co.*, 407 F.2d 881, 888 (C.C.P.A. 1969))).

291. *Id.*

292. See 1 MCCARTHY ON TRADEMARKS, *supra* note 22, § 5:2, at 5-6 ("In nineteenth and early twentieth century trademark law, protection was granted largely to protect the mark owner from having its customers diverted away by a confusingly similar mark used by a junior user.").

and constructive notice as well as the registration's prima facie evidentiary effect, while providing greater protection than available at common law were characterized as merely an overlay on common law rights.²⁹³ This difference in the two types of intellectual property schemes forms the backdrop for the difference in approach to an affirmative duty of disclosure between the Patent Office and the Trademark Office.²⁹⁴ Of course, the foregoing rationale assumes incorrectly that the strength and scope of a federal registration has not changed significantly since 1946.²⁹⁵

Following this logic, it is more important for the Patent Office to get it right than it is for the Trademark Office to get it right. The U.S. patent system operates in reliance upon "the patent bargain," that is, an inventor agrees to disclose knowledge that, optimally, will prove beneficial to society, in exchange for a grant from the federal government of the right to exclude others from exploiting the invention.²⁹⁶ If a patent applicant undertakes the disclosure obligation with anything less than "candor, good faith, and honesty," the applicant subverts the processes of the Patent Office and commits an offense against the public.²⁹⁷ Moreover, disclosure must be proffered early in the prosecution process without any inquiry or prompt from the Patent Office.²⁹⁸ The rejection of a similar affirmative duty in the Trademark Office, on the theory that it is use at common law, and not federal registration, that is the

293. ROBERT, *supra* note 190, at 10, 31. *But see* Carter, *supra* note 197, at 777 (characterizing these provisions in the 1946 Lanham Act as themselves "a rather dramatic departure from the common law").

294. *See* Lefkowitz, *supra* note 19, at 273 ("[T]rademark rights, unlike patent rights continue notwithstanding cancellation of those additional rights which the Patent Office is empowered by statute to grant." (quoting *Morehouse Mfg.*, 407 F.2d at 888)); Tamsen Valoir & David Hricik, *Patents Compared to Trademarks: The Duty of Candor/The Avoidance of Fraud*, 97 TRADEMARK REP. 1317, 1325–26 (2007) ("Trademark rights already exist on first use . . . trademark registration only confers certain procedural rights In contrast, no analogous rights exist absent an issued U.S. patent, and therefore, the duty of candor is necessarily more onerous in the patent prosecution context."); James G. Gambrell & Wayne E. Webb, Jr., *Trademark Fraud—Is It a Genuine Problem or the Last Refuge of a Scoundrel?*, 65 J. PAT. & TRADEMARK OFF. SOC'Y 288, 289–90 (1983) (noting "differences between the rights a trademark registration conveys and the scope of patents as well as the significant differences in the respective examinations and issuance procedures" and the use of the "fraud" defense).

295. *See supra* Part IV (discussing the impact of amendments to the Lanham Act and changes to the federal registration process since 1946).

296. *See generally* ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT § 1.1(a) (8th ed. 2007) (noting that in the patent context a contract analogy may be appropriate in that an inventor is required to make a full disclosure to the public in return for the property right of exclusion from the government).

297. *See id.* §12.5(a) ("Inequitable conduct is an offense against the PTO and the public.").

298. In general, an information disclosure statement should be filed before the USPTO issues a first office action on the merits of the patent application. 37 C.F.R. § 1.97 (2008).

origin of trademark rights, does not pass muster in the face of generic or functional subject matter where no common law rights underlie a registration that has been improvidently issued. In other words, the only rights extant in such a situation do emanate from the federal government and guarantee exclusivity where none should exist.

In the litigation context, the Lanham Act recognizes the special nature of potentially generic or functional subject matter by requiring that plaintiffs attempting to enforce unregistered marks under the Act bear not only the burden of proof but also the initial burden of production as to such subject matter.²⁹⁹ From a practical standpoint, requiring that owners of unregistered subject matter carry both burdens seems justified as trademark holders possess specialized knowledge of their own industry or business. If the mark is registered, however, the registration acts as *prima facie* evidence of validity and the accused infringer must overcome a strong presumption of nonfunctionality and nongenericness.³⁰⁰ The implicit assumption here is that the federal registration process brings applicant's specialized knowledge to bear on the registration issuance decision; however, the lack of an affirmative obligation to disclose material information, *per Schwartz*, renders that assumption highly questionable. Of course, *ex parte* proceedings in the Trademark Office are not adversarial in nature so that shifting the burdens of production and proof to the applicant for registration will not ensure that all material facts are brought to light for consideration and decision without an accompanying duty of disclosure.³⁰¹

This discussion suggests another justification for lack of a duty of disclosure before the Trademark Office, that is, the availability of several administrative mechanisms through which affected parties may challenge issuance or maintenance of a trademark registration. Specifically, the Lanham Act directs the Trademark Office to give the public notice of its intent to register a mark³⁰² and authorizes any individual or other legal entity that anticipates damage by virtue of a pending or issued registration to object

299. See *supra* note 16 and accompanying text (discussing the special treatment of unregistered generic terms or symbols in the case law and noting provisions in the Lanham Act governing enforcement of unregistered trade dress).

300. See *supra* notes 222–23 and accompanying text (noting that trademark registration creates a presumption of validity and has a burden-shifting effect that requires the challenger to produce evidence that the mark is generic).

301. See discussion *infra* Part VI.B (proposing the Lanham Act be amended, shifting the burden of proof on the issues of genericism and functionality to the applicant for registration and creating an affirmative duty of disclosure in proceedings before the Trademark Office).

302. See 15 U.S.C. § 1062(a) (2006) ("[T]he Director shall cause the mark to be published in the Official Gazette of the Patent and Trademark Office.").

through initiation of *inter partes* proceedings in the T.T.A.B.³⁰³ In the case of both opposition and cancellation proceedings, a third party may object to issuance or maintenance of a registration when generic marks or functional subject matter are in issue.³⁰⁴ A less commonly used procedure allowing a third party to bring to the attention of the Trademark Office facts regarding genericism or functionality of subject matter in a pending application is the Letter of Protest.³⁰⁵ The point of these administrative mechanisms is to provide a less resource-intensive forum than a court in which to challenge the validity of previously issued registrations or to prevent their issuance in the first instance. Similar corollary redress is not available on the patent side, so presumably, holding patent applicants to an affirmative duty of disclosure promotes the same "quality assurance" objective served on the trademark side by these administrative schemes.

This justification embraces a model founded on the idea that the adversarial nature of the process will bring the truth to light. Although likely to surface repeatedly as defenses in litigation where the defendant must raise the issues to avoid liability, genericism and functionality are not as likely to form the basis of *inter partes* proceedings in the Trademark Office because a third party challenger who has not been sued has little to gain—that is, at best, blocking or canceling a competitor's registration—and potentially much to lose, specifically, the time and expense of administrative litigation, including the cost of developing survey evidence, and possibly the validity of its own competing mark.³⁰⁶ In other words, a challenger who prevails in an opposition or cancellation proceeding on either genericism or functionality grounds has expended its resources to inject the subject matter of the registration into the public domain for all competitors to use.

303. *See id.* § 1063(a) ("Any person who believes that he would be damaged by the registration of a mark upon the principal register . . . may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office.").

304. *See supra* note 18 and accompanying text (noting that invalidity of the mark by virtue of genericism or functionality is an appropriate objection to the registration of a trademark under the Lanham Act).

305. TMEP, *supra* note 30, § 1715.

306. *See* Alfred F. Dougherty, Jr., Paul C. Daw & John H. Evans, *Federal Trade Commission v. Formica: The Generic Trademark Issue*, COMM. & L., Spring 2008, at 1, 18 (noting that competitors will weigh the decision whether to initiate administrative proceedings to challenge a registration for a generic term against the expense and will utilize such proceedings "sparingly"); Todd D. Kantorczyk, *How to Stop the Fast Break: An Evaluation of the "Three-Peat" Trademark and the FTC's Role in Trademark Enforcement*, 2 UCLA ENT. L. REV. 195, 224–27 (1995) (arguing for reinstatement of the FTC's authority to challenge generic trademark registrations due to the lack of market incentive for a third party to pursue administrative cancellation).

A final justification supporting disparate approaches to the duty of disclosure between the Patent Office and the Trademark Office is that patents may pose a greater threat to fair competition than do federally registered marks, due to their potential to corner a product market, albeit for a limited term. In other words, depending upon the scope of the patent claims, a patentee may prevent others from making, using, and selling items in a particular product category until the patent expires.³⁰⁷ In contrast, the holder of a valid trademark registration used to sell a particular product cannot prevent others from selling the same or similar product so long as the competitor uses a noninfringing, nondilutive mark in conjunction with the good.³⁰⁸

Of course, a federal registration covering a generic term or functional trade dress has the potential to obstruct fair competition to a greater degree than a patent that should never have been granted because patents expire after a limited term but federal trademark registrations exist as long as use in commerce continues and the registration remains unchallenged and is periodically renewed. In consequence, trade dress protection for product configuration or design surely merits imposition of a duty of disclosure to minimize the risk that a perpetual patent will issue for functional subject matter and be maintained under the guise of a federal registration.³⁰⁹ Although a registration improvidently granted for generic subject matter is less likely to co-opt a product market, it does prevent competitors from using a generic term—that is, "the name of the thing"—in its advertising. Without the ability to inform the public of the product category to which its goods belong, a competitor is at as much of "a significant non-reputation related disadvantage" in the marketplace as a competitor faced with another's improvidently granted registration for functional trade dress.³¹⁰

307. See Gambrell & Webb, *supra* note 294, at 289–90 (noting that "while patent can prevent the sales of similar goods altogether in many cases, the trademark registration has no effect on the sale of similar goods or services").

308. See *id.* (noting that in the area of trademark registrations, "only those who use the mark on similar goods or in common channels of trade so as to create a likelihood of confusion of the public can be enjoined from its use").

309. See, e.g., *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 380 (2d Cir. 1997) ("While trademarking a generic term would create a monopoly in a necessary word or phrase, granting trade dress protection to an ordinary product design would create a monopoly in the goods themselves.").

310. See, e.g., *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 13 (2d Cir. 1976) (referring to the policy underlying refusal to accord federal trademark protection to generic terms). The court noted, "[A]ny claim to an exclusive right must be denied since this in effect would confer a monopoly not only of the mark but of the product by rendering a competitor unable effectively to name what it was endeavoring to sell." *Id.*; see also cases cited *supra* note 116.

VI. Proposed Duty of Disclosure in the Trademark Office

This Article urges creation of an affirmative duty of disclosure of facts regarding genericism and functionality that would apply to applications for federal trademark registration as well as proceedings in the Trademark Office to maintain such registrations. Creation of the duty would run counter to the present statutory scheme and, therefore, would require amendment of the Lanham Act to shift the burden of proof on genericism and functionality. Amendment of the Lanham Act would leave the Trademark Office free to impose a duty of disclosure on applicants and registrants alike. Finally, a showing that the duty has been violated would arise from proof that disclosure of relevant facts did not occur, irrespective of intent. Relevant facts include information that a reasonable examining attorney would find to be important for purposes of making the issuance decision.

A. Reasonable Preapplication Investigation

Imposition of a duty of disclosure unaccompanied by some requirement that a reasonable investigation be conducted would not accomplish much beyond the fraud standard recently reaffirmed by the Federal Circuit in *Bose*.³¹¹ Without a reasonable investigation requirement, applicants for federal registration likely would avoid educating themselves about the product or service market in which they operate even though, as between applicants and the examining attorneys in the Trademark Office, applicants are better positioned to conduct that investigation. Requiring reasonable investigation of specific types of facts would remove the incentive for intentional ignorance.³¹²

Schwartz's discussion regarding the lack of a duty to disclose anticipates the *Money Store v. Harriscorp Finance, Inc.*³¹³ decision declining to hold

311. See *In re Bose*, No. 2008-1448, 2009 U.S. App. LEXIS 19658, at *15 (Fed Cir. Aug. 31, 2009) (noting that "[t]here is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive").

312. See *Dreitler*, *supra* note 48, at 9 (warning that failure to embrace *Medinol's* "should have known" standard for fraud "encourages trademark owners to put their heads in the sand" and decline to investigate facts with regard to trademark usage in their own companies); cf. Barry W. Graham, *Trademark Fraud in the PTO—A Trap for the Unwary? (An Inquiry into Duty to Search for, and to Disclose, Adverse Use or Registration)*, 74 TRADEMARK REP. 38, 47 (1984) (commenting that the refusal of the Trademark Office to require a preapplication search for conflicting marks promotes an "ignorance is bliss" approach to trademark registration practice); *Petrin*, *supra* note 32, at 180 (referring to the disincentive built into the Lanham Act's oath requirements to conduct a preapplication search for conflicting marks).

313. See *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 671 (7th Cir. 1982)

registrant to a duty to conduct a preapplication investigation.³¹⁴ In *Money Store*, the Seventh Circuit vacated a lower court's judgment canceling a federal trademark registration for fraud in the Trademark Office; the lower court found fraud because the registrant had not conducted a thorough preapplication search for conflicting uses before signing the oath accompanying the application.³¹⁵ Although registrant's counsel had conducted a trademark search that revealed some potentially conflicting uses, counsel had advised his client that the mark was eligible for federal registration, and registrant proceeded without further investigating the uses that had been revealed.³¹⁶ The appellate court held that the Lanham Act does not require a preapplication search for conflicting uses.³¹⁷ In particular, the court noted that the Lanham Act's registration provisions place the burden of proving that a registration should not issue squarely on the Trademark Office; to require a preapplication search would diminish the examining attorney's role in the statutory scheme.³¹⁸ Moreover, such a requirement would undermine the purpose of administrative proceedings for opposition and cancellation that force senior trademark users to assume some responsibility for protecting their rights.³¹⁹

("Nowhere does the Lanham Act specifically mandate a preapplication search by one who seeks federal registration of a mark.")

314. *See id.* at 670–72 (arguing that such an investigation would provide an incentive for the first user of a mark not to register it and would diminish the importance of both the Trademark Office's examining attorney and the whole trademark opposition process).

315. *See id.* at 670 ("The judge below . . . believed that the plaintiff 'made a false and fraudulent oath . . . and that [the plaintiff] intentionally failed to make simple inquiries that would have revealed the facts.'").

316. *Id.* at 668–69.

317. *See id.* at 671 ("Nowhere does the Lanham Act specifically mandate a preapplication search by one who seeks federal registration of a mark. . . . To imply the duty . . . would appear inconsistent with the statutory scheme."). *But see* *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753–54 (2d Cir. 1996) (vacating a denial of an accounting of profits and attorneys' fees and remanding on the question of whether infringer acted in bad faith, in part, for failure to conduct a thorough trademark search before adoption of the infringing mark).

318. *See Money Store*, 689 F.2d at 671 ("[C]reation of such a duty [to investigate] diminishes the importance of the role played by the Trademark Examiner and by those who might otherwise oppose registration of the mark following publication.").

319. *See id.* ("[I]mplication of such a duty would be a disincentive for the first user of a mark in interstate commerce to seek federal registration. His rights to the mark would be equally protected if he remained idle until a junior user obtained federal registration.").

B. Amendment of Section 2 of the Lanham Act to Shift Burden of Proof

Schwartz and *Money Store* make clear that Section 2 of the Lanham Act must be amended, shifting the burden of proof on the issues of genericism and functionality to the applicant for registration, to pave the way for requiring a reasonable preapplication investigation and an affirmative duty of disclosure in proceedings before the Trademark Office.³²⁰ All relevant facts discovered during the investigation, whether they impact the registration decision positively or negatively, would be laid before the examining attorney at the outset. Disclosure would encompass relevant facts that the applicant knows or reasonably should know not only because they inhere in applicant's individual business concern but also because they are within the purview of the applicant's general industry or business and, therefore, should have been discovered during the investigation. Amendment of Section 2 of the Act would force applicants to educate themselves with regard to their respective industries and to bring that knowledge to bear on the registration decision. Deceptive intent would be irrelevant and the proper test for compliance with the duty of disclosure would be whether reasonable investigation and disclosure had occurred as measured by what a participant in the particular product or service industry could be expected to discover and disclose. In short, the scope of investigation and the disclosure duty would go beyond applicant's individual business concern and encompass the larger industry of which it is a part.

C. Evidence Relevant to Prove Genericism and Functionality

Genericism and functionality are questions of fact for the ultimate determination of the fact-finder.³²¹ A substantial body of case law teaches the various forms of evidence relevant for purposes of analyzing whether a word, phrase, or symbol is generic or a particular type of trade dress is functional. Some of these evidentiary sources are discussed below by way of illustration, but this recitation is by no means exhaustive. Relevant facts uncovered in a reasonable preapplication investigation normally should be disclosed in

320. Apart from judicial interpretations of Section 2 of the Lanham Act, amendment of the Act may be required if a duty of disclosure, and the predicate preapplication investigation, are viewed as an alteration of the substantive rights of applicants.

321. See, e.g., *In re Reed Elsevier Props., Inc.*, 482 F.3d 1376, 1378 (Fed. Cir. 2007) ("Whether a mark is generic is a question of fact." (citing *In re Dial-A-Mattress Operating Corp.*, 240 F.3d 1341, 1344 (Fed. Cir. 2001)); *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1340 (C.C.P.A. 1982) (noting that functionality is a question of fact (citing *In re Hollaender Mfg. Co.*, 511 F.2d 1186, 1188 (C.C.P.A. 1975))).

conjunction with the application for registration; if the facts arise after the registration issues, they should be disclosed when discovered but, in any event, no later than the point at which registrant seeks incontestable status or renewal of a registration.

1. Facts Related to Issue of Genericism

Generic subject matter can be difficult to distinguish from descriptive subject matter.³²² Descriptive terms are those words or phrases that describe some characteristic or quality of the goods or services in conjunction with which the mark is or will be used, whereas generic terms are often said to be the name of the category into which the specific goods or services fall.³²³ Determining whether a term is descriptive or generic—that is, whether it is capable of trademark significance—requires line-drawing in territory where the boundaries can be less than distinct.³²⁴ Faced with such a task in *In re Minnetonka*,³²⁵ the T.T.A.B. ultimately concluded that the word "Softsoap" for use in conjunction with liquid soap is generic but declared the exercise to be "an awesome responsibility for the trier of facts."³²⁶ Fortunately, a duty of disclosure would not require that the applicant undertake such a responsibility, only that the applicant put relevant facts before the examining attorney whose job it is to make such determinations. In other words, if the mark can fairly be characterized as either descriptive or generic, an applicant would be charged with conducting a reasonable investigation of the purported mark's usage in the subject industry and reporting the results of that investigation to the Trademark Office. The Trademark Office would then have the responsibility of concluding whether or not a term or phrase is generic as measured by its significance to a majority of the consuming public.³²⁷

322. See 2 MCCARTHY ON TRADEMARKS, *supra* note 22, § 12:20, at 12-78 to -79 (describing the line between generic and descriptive subject matter as fuzzy).

323. See *id.* (explaining that generally, descriptive terms describe a thing, while generic terms name or categorize that thing).

324. See, e.g., *In re Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 828 F.2d 1567, 1569 (Fed. Cir. 1987) (weighing the trademark significance of the phrase "Cash Management Account" when used to advertise certain financial services and noting that "[w]hether a term is classified as 'generic' or as 'merely descriptive' is not easy to discern when the term sits at the fuzzy boundary between those classifications").

325. See *In re Minnetonka*, 212 U.S.P.Q. 772, 783 (T.T.A.B. 1981) (affirming the lower court's refusal of trademark registration).

326. *Id.* at 777.

327. See, e.g., *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989) (finding the term "Murphy bed" generic because the term "in the eyes of 'a substantial

Fact-finders frequently attempt to glean word usage from dictionary definitions, newspapers and other publications, and websites.³²⁸ In genericism cases, dictionary definitions hold particular appeal because they are regarded as indicia of whether the general public perceives a term or phrase as denoting "the name of the thing."³²⁹ Dictionary definitions are written "[i]n conformity with the principle that a definition, to be adequate, must be written only after an analysis of usage" and that analysis entails a "systematic reading of books, magazines, newspapers, pamphlets, catalogs, and learned journals" by members of the dictionary's editorial staff.³³⁰ The T.T.A.B. relies upon that focus on public usage to take judicial notice of dictionary entries in genericism cases as a general matter.³³¹ Newspapers, magazines, trade journals, websites, and other third party publications perform much the same function as dictionary entries in

majority of the public,' refers to a species of bed that can fold into a wall enclosure" (citations omitted)); *Pilates, Inc. v. Current Concepts, Inc.*, 120 F. Supp. 2d 286, 296–97 (S.D.N.Y. 2000) (explaining that consumer surveys are "evidence to be considered in determining whether a mark is generic" because "a mark is not generic when 'the primary significance of the term in the minds of the consuming public is not the product but the producer'").

328. See, e.g., *Pilates*, 120 F. Supp. 2d at 297 ("Dictionary definitions, while not conclusive, reflect the general public's perception of a mark's meaning and are thus helpful in determining whether a term is generic."). But see *Desai & Rierison*, *supra* note 110, at 1833 (contending that such types of evidence reveal little about how the challenged term or phrase functions in the relevant commercial context).

329. See, e.g., *Retail Servs., Inc. v. Freebies Publ'g, Inc.*, 364 F.3d 535, 545 (4th Cir. 2004) (calling dictionary definitions "'relevant and sometimes persuasive' on the issue of genericness 'based upon the assumption that dictionary definitions usually reflect the public's perception of a word's meaning and its contemporary usage'" (citing 2 MCCARTHY ON TRADEMARKS, *supra* note 22, § 12:13, at 12-45)); *Harley-Davidson, Inc. v. Grottanelli*, 164 F.3d 806, 810 (2d Cir. 1999) ("Though not conclusive, dictionary definitions of a word to denote a category of products are significant evidence of genericness because they usually reflect the public's perception of a word's meaning and its contemporary usage." (citing *Murphy Door Bed*, 874 F.2d at 101)).

330. WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE UNABRIDGED 4a (Merriam-Webster, Inc. 2002).

331. See TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) § 704.12(a) (2d ed., 1st rev. 2004) (citing cases that had held dictionary definitions appropriate subject matter for judicial notice); see also *In re CyberFinancial.Net, Inc.*, 65 U.S.P.Q.2d 1789, 1791 n.3 (T.T.A.B. 2002) (granting a request to take judicial notice of four definitions submitted by the Examining Attorney, including one from an online resource); *In re 3Com Corp.*, 56 U.S.P.Q.2d 1060, 1061 n.3 (T.T.A.B. 2000) ("The Board may properly take judicial notice of dictionary definitions, including definitions in technical reference works."). Entries from online references that reflect the collaborative efforts of a community of users, such as Wikipedia, may be proffered as evidence in T.T.A.B. proceedings so long as the opposing party has an opportunity to rebut the evidence. See *In re IP Carrier Consulting Group*, 84 U.S.P.Q.2d 1028, 1032 (T.T.A.B. 2007) ("[T]he Board will consider evidence taken from Wikipedia so long as the non-offering party has an opportunity to rebut that evidence by submitting other evidence that may call into question the accuracy of the particular Wikipedia information.").

that they reflect public understanding and usage of particular terms.³³² When an applicant or registrant fails to object to generic usage of its purported mark, particularly where the use is by a competitor, the applicant will be deemed to acquiesce in characterization of the designation as generic.³³³ Perhaps the strongest evidence of genericism arises, however, through a trademark holder's implicit disavowal of trademark rights when its own advertising reflects use of the claimed mark to denote a category of goods or services as opposed to a brand within the category.³³⁴

The doctrine of foreign equivalents, as it is applied to generic subject matter, complicates somewhat imposition of an affirmative duty to investigate word or phrase usage. The doctrine acts as a guideline for the Trademark Office and counsels that a foreign term or phrase that designates applicant's product, service category, or subcategory generally should not be accorded trademark status in the United States.³³⁵ To protect such subject matter under the Lanham Act would allow a registrant to exercise dominion over a generic designator, at least from the perspective of multilingual consumers, and thereby hinder competition by those who would market to the same consumer base.³³⁶ Moreover, this dominion "would interfere with the free flow of international trade in products known by that generic term"³³⁷ raising considerations of

332. See, e.g., *In re Reed Elsevier Props., Inc.*, 482 F.3d 1376, 1378–79 (Fed. Cir. 2007) (citing *Merrill Lynch* for a list of appropriate sources to consult); *In re Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 828 F.2d 1567, 1570 (Fed. Cir. 1987) ("Evidence of the public's understanding of the term may be obtained from any competent source, such as . . . trade journals, newspapers, and other publications."); *Surgicenters of Am., Inc. v. Med. Dental Surgeries Co.*, 601 F.2d 1011, 1017 n.17 (9th Cir. 1979) (allowing a pretrial stipulation that the term in question "had been used in Newsweek magazine and six medical publications").

333. See, e.g., *Filipino Yellow Pages, Inc. v. Asian Journal Publ'ns, Inc.*, 198 F.3d 1143, 1151 (9th Cir. 1999) (concluding that because the mark at issue was not registered, the trademark plaintiff had the burden of rebutting genericness); cf. *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579 (2d Cir. 1963) (finding that even though the plaintiff attempted to protect its trademark on the term "thermos," the term had become generic); *E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc.*, 393 F. Supp. 502, 507 (E.D.N.Y. 1975) (noting that DuPont's vigilant trademark protection and trademark education programs for its product "Teflon" were evidence that it had not acquiesced to use of the term "Eflon").

334. See, e.g., *Retail Servs.*, 364 F.3d at 545 (finding the term "freebies" to have been used generically by the website freebies.com, thus undercutting the site's claim that the term was not generic).

335. TMEP, *supra* note 30, § 1209.03(g).

336. See, e.g., *Otokoyama Co. v. Wine of Japan Imp., Inc.*, 175 F.3d 266, 270 (2d Cir. 1999) (finding the phrase "otokoyama" to be a generic Japanese word for a particular type of sake and refusing to give it trademark protection); *In re Hag Aktiengesellschaft*, 155 U.S.P.Q. 598, 599–600 (T.T.A.B. 1967) (finding the phrase "kaba" to be a generic word for coffee in both Serbian and Ukrainian and affirming the lower court's refusal of trademark registration).

337. *In re Le Sorbet, Inc.*, 228 U.S.P.Q. 27, 31 (T.T.A.B. 1985); *Enrique Bernat F., S.A. v.*

international comity.³³⁸ Holding an applicant to a duty to investigate and disclose foreign language meanings of a purported mark would have to be measured by a rule of reasonableness but this is appropriate given the several free dictionary translations available on the Internet.³³⁹ Of course, it is not unheard of for a slang term or phrase that is a generic designator to experience a lag between acceptance by the public and inclusion in a dictionary;³⁴⁰ such considerations would need to be factored into resolution of a charge that applicant failed to comply with an affirmative duty of disclosure.

Purchaser testimony and consumer surveys are two types of evidence deemed to reflect consumer perception on the issue of genericism.³⁴¹ The former type of evidence rarely carries the day as it usually appears to be self-serving,³⁴² but the latter type is often considered "a must" to litigate a genericism challenge.³⁴³ Because generation of both types of evidence, and particularly survey evidence, is apt to involve time, expense, and expertise not available to many applicants, the duty to investigate and disclose such evidence would hinge on the question of reasonableness. In other words, a charge that a trademark holder had been derelict in the duty of disclosure because he had not submitted purchaser testimony or consumer survey evidence to the Trademark

Guadalajara, Inc., 210 F.3d 439, 445 (5th Cir. 2000) (quoting 2 MCCARTHY ON TRADEMARKS, *supra* note 22, § 12:41).

338. See *Orto Conserviera Samaranese d Giacchetti Marino & C. v. Bioconserva, S.R.L.*, No. 97 Civ. 6638 (JSM), 1999 U.S. Dist. LEXIS 954, at *10 (S.D.N.Y. Feb. 3, 1999) (determining that "Bella di Cerignola" is a generic term for a particular type of olive, so granting a trademark would be granting an unfair monopoly).

339. See, e.g., Babel Fish, <http://babelfish.yahoo.com> (last visited Feb. 19, 2010) (providing a free web-based application on Yahoo that utilizes computer software to translate text between a variety of different languages, including English); Wiktionary, <http://www.wiktionary.org> (last visited Feb. 19, 2010) (providing a multilingual online free content translation dictionary).

340. See, e.g., *Enrique Bernat*, 210 F.3d at 444–45 (finding the Spanish slang "chupa" to be generic for "lollipop" and citing the delay between common acceptance of a term and dictionary inclusion, as well as the editorial discretion of lexicographers and the interpretive task of translation, as reasons for omission of the term from Spanish-English dictionaries).

341. See, e.g., *Glover v. Ampak, Inc.*, 74 F.3d 57, 59 (4th Cir. 1996) (listing purchaser testimony and consumer surveys among types of acceptable evidence); *Dan Robbins & Assocs., Inc. v. Questor Corp.*, 599 F.2d 1009, 1014 (C.C.P.A. 1979) (finding that relevant evidence may include both purchaser testimony and consumer surveys).

342. See, e.g., *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, 59 F.3d 902, 909 (9th Cir. 1995) (finding consumer declarations in support of genericness to be potentially skewed).

343. See 2 MCCARTHY ON TRADEMARKS, *supra* note 22, § 12:14, at 12-48 ("A litigant who alleges that a designation is not a valid trademark because it is perceived as a generic name of a product or service and does not introduce a survey to support this challenge may be viewed as less than serious by some judges.").

Office either in support of an application for registration or for purposes of maintaining an existing registration would be resolved by balancing factors such as whether this particular individual or entity has the wherewithal to collect such evidence, whether collection of such information is typical in the ordinary course of either the trademark holder's own business concern or the larger industry of which it is a part, and whether such evidence could reasonably be expected to reveal relevant facts beyond those available through more accessible means. Although a reasonableness calculation injects some doubt, and therefore risk, into proceedings before the Trademark Office, it is an uncertainty justified by the benefit conferred upon the owner of a federal trademark registration.³⁴⁴

2. Facts Related to Issue of Functionality

Functionality challenges to a design feature that is the subject of a trademark registration application may be resolved quickly by a patent search. This is so because a utility patent that discloses and claims the functional advantages of a particular design feature constitutes "strong evidence" of functionality which, if not rebutted, renders the feature incapable of protection under the trademark laws.³⁴⁵ Conversely, a design patent by statutory definition may only cover ornamental features, that is, those aspects of the design that are not structural in nature and otherwise perform no necessary function,³⁴⁶ so that disclosure of a relevant design patent may advance the interests of the applicant for trade dress registration.³⁴⁷ Searches for issued U.S. patents have become

344. Arguably, the Second Circuit engaged in a similar calculus when it reversed the district court's finding of good faith infringement in *International Star Class Yacht Racing v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753-55 (2d Cir. 1996). The court concluded that the defendant corporation should have searched not only the Trademark Office register but also investigated applications, state registrations, and common law uses and implied that the obligation to do so flowed from the corporation's impressive success and profitability, despite the fact that case law rejects such an obligation. *Id.*

345. See *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29-30 (2001) ("If trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection.").

346. See 35 U.S.C. § 171 (2006) ("Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.").

347. See, e.g., *Krueger Int'l v. Nightingale, Inc.*, 915 F. Supp. 595, 605 (S.D.N.Y. 1996) ("Because a design patent is granted only for non-functional designs, it can serve as evidence that a plaintiff's trade dress is not functional."); *Topps Co. v. Gerrit J. Verburg Co.*, 41 U.S.P.Q.2d 1412, 1419 (S.D.N.Y. 1996) ("[A] design patent, rather than detracting from a claim

relatively easy to perform even for laypersons and generally should be required of applicants for trade dress registration, absent some factor suggesting that the requirement is unreasonable.³⁴⁸ In particular, an applicant for registration of trade dress should be held to a duty of disclosure if the applicant owns any utility patents that reference the design feature in question.³⁴⁹ Once again, an applicant would not be charged with the fact-finder's responsibility of reaching an ultimate conclusion on the factual issue of functionality, only with presenting relevant facts for consideration by the Trademark Office whose job it is to formulate that conclusion.

Whether or not a relevant utility patent exists, the trademark holder should be obligated to make affirmative disclosure of all advertising and other promotional material that references the purported trade dress. If applicant's advertising touts the utilitarian or aesthetic competitive advantages of the trade dress in question, the advertising claims constitute probative evidence on the issue of functionality.³⁵⁰ This rule functions analogously to the rule estopping

of trademark, may support such a claim. Since a design patent is granted only for non-functional designs, it may be presumptive evidence of non-functionality and thus support the trademark claimant.").

348. See, e.g., DAVID HITCHCOCK, PATENT SEARCHING MADE EASY 3/2 (2d ed. 2000) (explaining the process of searching for patents issued by the USPTO); see also USPTO Website, <http://patft.uspto.gov> (last visited Feb. 17, 2010) (providing a searchable database of patents issued by the USPTO); Google Patent Search, <http://www.google.com/patents> (last visited Feb. 17, 2010) (same).

349. If the same individual or entity obtained the patent who now seeks to enforce or support a federal trade dress registration for the design feature disclosed and claimed in the patent, an estoppel arises preventing that party from arguing that the design feature is not functional and according the evidence "great weight." 1 MCCARTHY ON TRADEMARKS, *supra* note 22, § 7:89.30, at 7-308, *quoted in* Disc Golf Ass'n, Inc. v. Champion Discs, Inc., 158 F.3d 1002, 1008 (9th Cir. 1998); *In re* Howard Leight Indus. L.L.C., 80 U.S.P.Q.2d 1507, 1514-15 (T.T.A.B. 2006); *cf.* Specialized Seating, Inc. v. Greenwich Indus., L.P., 472 F.Supp. 2d 999, 1017-18 (N.D. Ill. 2007) (finding fraudulent procurement based on failure to disclose several expired utility patents *owned by registrant* that referenced trade dress in issue).

350. See, e.g., Epic Metals Corp. v. Souliere, 99 F.3d 1034, 1040-41 (11th Cir. 1996) (finding a chair manufacturer's marketing materials, indicating that the "dovetail" construction of the chair is functional, to be evidence weighing against treatment of the design as trade dress); Am. Greetings Corp. v. Dan-Dee Imps., Inc., 807 F.2d 1136, 1142-43 (3d Cir. 1986) (considering the functionality of "tummy graphics" on "Care Bears" and concluding "[i]f the marketer of a product advertises the utilitarian advantages of a particular feature, this constitutes strong evidence of its functionality"); *In re* Bose Corp., 772 F.2d 866, 871 (Fed. Cir. 1985) (considering Bose's promotional materials for a pentagonal speaker as evidence that the shape serves a utilitarian purpose); ASICS Corp. v. Target Corp., 282 F.Supp. 2d 1020, 1029-30 (D. Minn. 2003) (considering Target's claims that ASICS's marketing materials indicate that the company's distinctive "tiger stripes" are a functional part of its sneakers); M-5 Steel Mfg., Inc. v. O'Hagin's Inc., 61 U.S.P.Q.2d 1086, 1097 (T.T.A.B. 2001) (citing the applicant's patent application and promotional literature as calling the coloring of its outboard engine "functional in design"); *In re* Caterpillar Inc., 43 U.S.P.Q.2d 1335, 1340 (T.T.A.B. 1997) (rejecting an

the owner of an application or registration for generic subject matter, who has positioned its purported mark as "the name of the thing" in its own advertising, from urging trademark significance.³⁵¹ Following the reasoning in genericism cases, unchallenged depiction of the purported trade dress with emphasis on its utilitarian or aesthetic superiority, particularly when published by competitors, should provide evidence of acquiescence in the functional nature of the design feature, packaging, labels, or other elements at issue.

Although the probative value of alternative designs in functionality challenges rests on uncertain ground, the Federal Circuit views alternative designs to be "a legitimate source of evidence" for purposes of determining whether purported trade dress is nonfunctional.³⁵² If similarly useful, practical, and cost-effective alternative designs exist, or if similarly aesthetically pleasing alternative designs are available, presumably other providers of the same good or service can compete effectively without utilizing the design feature that is the subject of trade dress protection.³⁵³ Much of the case law surrounding alternative designs concerns whether the number of available alternatives is

applicant's argument that claims in promotional materials are "mere 'puffery' and are 'self-serving,'" and finding that such claims are, instead, evidence supporting functionality); *In re Witco Corp.*, 14 U.S.P.Q.2d 1557, 1560 (T.T.A.B. 1989) (concluding, on advertising alone, that sufficient evidence of functionality exists in regards to a certain design of plastic bottle).

351. See *Duraco Prods., Inc. v. Joy Plastic Enters.*, 40 F.3d 1431, 1442 (3d Cir. 1994) ("In trade dress law, the inquiry into functionality resembles the genericness inquiry in trademark law; the two doctrines share essentially the same underlying rationale, preserving competition."); see also 2 MCCARTHY ON TRADEMARKS, *supra* note 22, § 12:20, at 12-78 (explaining that generic subject matter relates to naming something, rather than merely describing it).

352. See *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1276 (Fed. Cir. 2002) ("Nothing in *Traffix* suggests that consideration of alternative designs is not properly part of the overall mix, and we do not read the Court's observations in *Traffix* as rendering the availability of alternative designs irrelevant."). The *Valu Engineering* court continued:

Rather, we conclude that the Court merely noted that once a product feature is found functional based on other considerations there is no need to consider the availability of alternative designs, because the feature cannot be given trade dress protection merely because there are alternative designs available. But that does not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine whether a feature is functional in the first place.

Id.; see also 1 MCCARTHY ON TRADEMARKS, *supra* note 22, § 7:75, at 7-220 ("[T]he observations of the Supreme Court in *Traffix* do not mean that the availability of alternative designs cannot be a legitimate source of evidence to determine in the first instance if a particular feature is in fact 'functional.'").

353. See, e.g., *In re Honeywell, Inc.*, 8 U.S.P.Q.2d 1600, 1604 (T.T.A.B. 1988) (finding that a round thermostat design is not the only effective design for such a product, so other manufacturers could effectively compete, despite Honeywell's design patent on the round design).

sufficient to point to nonfunctionality,³⁵⁴ and whether the alternative designs perform the same function as the asserted trade dress.³⁵⁵ Because evidence of alternative designs militates against a finding of functionality, a trademark holder's failure to come forward with such evidence unprompted by the Trademark Office would create a negative inference suggesting that the trade dress is functional and not protectable. Again, these matters constitute conclusions properly entrusted to the examining attorneys so long as relevant facts are placed before them, and violation of the duty of disclosure would need to be measured against a rule of reasonableness, in this instance, taking into account whether or not the applicant or registrant has reasonable access to the technical expertise required to collect evidence of alternative designs.

D. Ongoing Duty of Disclosure

The proposed duty requiring a trademark holder to affirmatively disclose facts related to genericism and functionality would be ongoing and would not be rendered moot by issuance of the registration. Although staying abreast of either common usage of a registered word or phrase or growing aesthetic appeal of registered trade dress makes sterling business sense from the standpoint of "policing" one's marks,³⁵⁶ under the present system, a registrant may be

354. See, e.g., *Taco Cabana, Int'l v. Two Pesos, Inc.*, 932 F.2d 1113, 1119 (5th Cir. 1991) (acknowledging that "[w]ith the doctrine of functionality, the law secures for the marketplace a latitude of competitive alternatives" and finding that Taco Cabana's trade dress left "a multitude of alternatives to the upscale Mexican fast-food industry"), *aff'd*, 505 U.S. 763 (1992); *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 44 U.S.P.Q.2d 1275, 1278-79 (D. Or. 1996) (giving credit to Leatherman's contentions that a significant number of alternative designs are possible that would not look so much like its product and that its particular design was neither the simplest nor the least expensive), *rev'd in part*, 199 F.3d 1009 (9th Cir. 1999); *Goodyear Tire & Rubber Co. v. Interco Tire Corp.*, 49 U.S.P.Q.2d 1705, 1717 (T.T.A.B. 1998) (finding that the applicant's tire tread design was not without alternatives, and thus did not preclude a finding of functionality, but established a presumption that the design was merely ornamental).

355. See, e.g., *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 786 (9th Cir. 2002) (finding that a trademark holder could not prevail on an infringement action where it could not point to "any evidence of distinctiveness of the [product] design other than those elements essential to its effective use"); *In re Polk's Model Craft Hobbies, Inc.*, 40 U.S.P.Q.2d 1711, 1724-25 (Bankr. D.N.J. 1995) (finding that alternative designs for toy train tracks would not sufficiently serve the goals of the manufacturer, so the track design used was functional); *In re Bio-Medicus, Inc.*, 31 U.S.P.Q.2d 1254, 1263 (T.T.A.B. 1993) (considering whether alternative designs of blood pump could perform the same functions as the one attempted to be protected).

356. Functionality resulting from superiority of design, efficiency, or cost-effectiveness is an issue that should be apparent at the outset of trade dress adoption and, unlike genericism which can develop over time through improper mark usage, should not arise after issuance of a registration because it is not influenced by consumer perception. Aesthetic functionality, on the

tempted to remain ignorant of the relevant facts in order to avoid a fraud charge in filing affidavits or declarations under any of Sections 8, 9, or 15 of the Lanham Act.³⁵⁷ A trademark holder would be charged with continually monitoring aspects of its industry that have the potential to affect the status of its mark, that is, whether it is in danger of becoming generic or aesthetically functional, and with disclosing all relevant facts when they become known but, in any event, no later than the point in time when it approaches the Trademark Office for maintenance purposes. The salutary effect of the obligation should be to encourage vigilance on the part of registrants when it comes to their own and the public's use of their marks simply because no benefit will inure to the registrant through intentional ignorance of the facts.

E. Enforcement of the Duty of Disclosure

Enforcement of the duty of disclosure would not hinge on proof of deceptive intent. *Schwartz* illustrates the problem with reliance on such proof.³⁵⁸ The registration in *Schwartz* was canceled because evidence was adduced as to registrant's actual knowledge that its mark "Fiocco" is an Italian word for the generic category of goods that registrant was selling.³⁵⁹ Without evidence to indicate knowledge or a reason to know, a registrant's silence may result in a registration for generic or functional subject matter that can be canceled only by a defendant in an enforcement action or by an entity willing to expend its own resources in an administrative proceeding that, if successful, will rebound to the benefit of all its competitors. Even when relevant evidence exists, courts may be reluctant to cancel a registration for fraud out of concern that such knowledge does not rise to the level of a legal certainty on the issues of genericism or functionality.

Proof that the duty of disclosure had been violated would decline from the stringent "clear and convincing" standard in fraud cases to a "preponderance of the evidence" standard. The competitive harm occasioned by a registration

other hand, is related to consumer perception and arguably could arise over time and invalidate a previously valid registration. In fact, the dependence of aesthetic functionality on consumer perception gives rise to legitimate criticism of the doctrine itself. See generally 1 MCCARTHY ON TRADEMARKS, *supra* note 22, § 7:75.

357. Cf. *Graham*, *supra* note 312, at 47 (explaining a similar "ignorance is bliss" approach in trademark registration).

358. Kenneth B. Germain & Steven M. Weinberg, *The Thirty-Seventh Year of Administration of the Lanham Trademark Act of 1946*, 74 TRADEMARK REP. 469, 670-72 (1984).

359. *Bart Schwartz Int'l Textiles, Ltd. v. FTC*, 289 F.2d 665, 670-72 (C.C.P.A. 1961).

improvidently granted for subject matter rightfully in the public domain is serious enough that a lesser standard of proof should pertain for violation of the duty. Failure to comply with the duty of disclosure would result either in refusal to issue the registration or in cancellation of an existing registration and the mark holder would be left with any subsisting valid common law rights in its mark. Certainly, the prudent course would be to carry over the approach adopted by the T.T.A.B. in its fraud jurisprudence and void or cancel only the affected international class or classes.³⁶⁰ The usual priority rules would govern any conflicting registrations that might issue after loss of the registration for failure to make disclosure.

VII. Conclusion

Unquestionably, trademark holders are in a superior position to monitor the relevant marketplace as compared to examining attorneys in the Trademark Office. Unfortunately, the T.T.A.B.'s fraud jurisprudence builds in a disincentive for trademark holders to educate themselves too vigorously, leaving them in the curious position of needing to police usage of their marks but wanting to cling to "blissful ignorance" for purposes of verified submissions to the Trademark Office. At present, the fraud standard only activates if an applicant or registrant can be charged with material actual knowledge—nowhere is a broader obligation to inquire and disclose embedded in federal trademark law. When a trademark holder seeks protection of subject matter with the potential to override the interest in fair competition, a broader obligation seems eminently justified, particularly in light of the evolution of federal registrations into a more substantive and robust type of intellectual property right than envisioned at the time of passage of the Lanham Act.

Elimination of the fraud standard and movement towards a rule of reasonableness in disclosure obligations with regard to issues of genericism and functionality protects interests in fair competition and does not unduly burden trademark holders because the common law will act as a safety net in appropriate cases. If a trademark holder fails to make the appropriate disclosure and thereby loses his application or registration, the common law will protect any subsisting valid trademark rights. Of course, when the subject

360. *See supra* notes 106–08 and accompanying text (explaining that if "fraud forms the basis of an application or results in issuance or maintenance of a registration, the T.T.A.B. will void the application or cancel the registration, but only as to those international classes in which fraud has been committed").

matter is generic or functional, no valid trademark rights will remain, nor should they, irrespective of the common law.

An affirmative obligation to come forward at the outset of the registration process with evidence related to the issues of genericism and functionality and to carry the burden of proof on those issues places the burden squarely where it should rest—on the shoulders of the trademark holder. In simplest terms, the presumption created by Section 2 of the Lanham Act is that a federal registration will issue unless the Trademark Office justifies nonissuance. If conferral of a federal registration represented only "recognition" of underlying common law rights, as envisioned by proponents of the 1946 Lanham Act, instead of a major expansion of those rights, as it does today, the presumption in Section 2 might continue to make sense. To the extent that imposition of an affirmative duty of disclosure ups the ante, that is, results in greater expense to applicants and registrants through investigation costs or perhaps assistance of counsel, it is counterbalanced by the heft of the attendant benefits.

The Trademark Office is a federal agency working on behalf of trademark holders and the public alike. For years, case law on the patent side has emphasized the principle that limited time monopolies should be awarded only to those applicants who have been forthright with the Patent Office. Although this Article proposes a duty of disclosure in the Trademark Office broader than that at work in the Patent Office, the foregoing principle pertains. Ensuring that generic and functional subject matter remains in the public domain should be as central to the federal registration system as conferring a benefit on mark holders. Public domain words, phrases, symbols, designs, packaging, etc., should not be rendered proprietary, for a potentially limitless period because an applicant or registrant stands mute in the face of damaging facts, or refuses to look for facts that may prove to be damaging. Notions of fair dealing with a government agency, and hence its public constituency, urge that trademark holders step forward and make full and fair disclosure.