



Trademark management

Re-filing to cure invalidity essential to trademark audits

An assessment as to vulnerability of a mark to fraud or to non-use cancellation should be part of every rights holder's trademark audit. One of the most effective remedies when such marks are found is re-registration

The importance of periodic trademark audits has long been discussed among and encouraged by trademark professionals. The pitfalls of failing to keep one's trademark portfolio up to date are well known. Without an audit, the gaps or flaws in protection are most likely to be discovered at the worst possible times (eg, when a mark owner wishes to enforce its rights or to assign them). Clearly, these are consequences to be avoided. Most audits will therefore consider whether there is sufficient coverage for important marks, both geographically and as to the product lines identified in registrations, and whether the chain of title is correct. This column focuses on two issues that illustrate the effect of substantive law on the validity of trademark holdings and how to incorporate them in your trademark audits.

Vulnerability to fraud in the United States is perhaps the hottest topic being discussed among trademark practitioners in that jurisdiction and its effect should be considered as part of your trademark audit. Specifically, current case law under the *Medinol* line of cases takes a very hardline approach by cancelling registrations on the basis of "fraud" when a trademark owner attests that the mark is in use on goods for which there was no use at the time of the attestation (*Medinol Ltd v Neuro Vasx Inc* (67 USPQ 2d 1205 (TTAB 2003))). The harsh penalty of cancellation of the entire registration results even where:

- a mistaken claim of use has been made as to only one of many items in a registration; and
- a mistake was made without any actual intent to deceive.

Whether, and if so at what point in time, such "fraud" can be cured by deleting the questionable goods from the filing has not been completely settled. According to the US Patent and Trademark Office's Trademark Trial

and Appeal Board, "Fraud cannot be cured by the deletion of goods from the registrations" (see eg, *Standard Knitting v Toyota Jidosha Kabushiki Kaisha* (77 USPQ 2d 1917 (TTAB 2006))). But such broad statements have been made in the context where the registrant was already asserting its registration against another and/or where its registration was already under attack for fraud.

The unanswered question is whether voluntarily narrowing the listing of goods as part of your periodic audit in order to avoid vulnerability to a fraud claim would cure the fraud. There have been some hints that the vulnerability can be avoided, particularly if the goods in question are deleted during prosecution of the application. Thus, future case law may someday retract the harshness of *Medinol* to allow for housekeeping of issued registrations as part of the audit. For now, however, the logical extreme of *Medinol* is that fraud is fraud, and it cannot be undone. Moreover, an amendment to an existing registration to delete goods is likely to be a red flag to an adversary or potential purchaser that something may be wrong with the registration. Therefore, at least until there is a decision explicitly permitting such post-registration amendments to avoid vulnerability to a fraud claim, the safer practice would be to re-register important marks that may be vulnerable to a fraud claim. Some hints for finding potentially vulnerable registrations that may be lurking in your portfolio include looking for:

- registrations with very long listings of goods/services;
- registrations based on filings (including maintenance filings) made before or shortly after 2003 (before there was a heightened awareness of the fraud issue); and
- registrations obtained based on a foreign registration (where use was not originally required to obtain the registration) and later maintained via a declaration of continued use.

A similar situation results where marks may be vulnerable to non-use cancellation. If a mark is not used for a certain period of time, that registration is likely vulnerable to a non-use cancellation claim. That period of

time varies according to the trademark laws of each country, but it is often five years and could be as short as three years, as it is in the United States. Often a trademark filing programme will include many countries of interest at the time a mark is adopted, but where expansion of actual use may not occur for a number of years down the line. Filing for those marks at the time of adoption is a wise policy to avoid trademark squatters from filing first in important jurisdictions. But the situation is not static. The trademark audit needs to account for the fact that registrations where use has not been made within the period of time required under each country's laws have since become vulnerable to attack.

The perils of allowing such vulnerable registrations to remain in your portfolio were illustrated recently in a well publicized case involving the STARBUCKS mark in Russia. Starbucks had registered its mark in Russia in 1997 but had not yet opened a store there. In 2002, a petition to cancel the registration was filed followed by a related request to register the mark in the name of a third party. This trademark squatter wanted \$600,000 in return for abandoning his registration. Starbucks ultimately prevailed in the legal actions, which took three years to resolve and delayed Starbucks' expansion plans. (See *World Trademark Review* issue 12 March/April 2008 for comment from Starbucks on this case.)

In order to avoid reliance on registrations vulnerable to non-use cancellation, your periodic audit should look for registrations covering marks in key jurisdictions where use may not have been made. Your docketing system can include as an action item the non-use vulnerability deadline and a report can be generated annually to see which registrations are becoming vulnerable. Applications to re-register these marks should be filed in key countries, particularly if the vulnerability cannot be cured by recommencing use or if there are no common law rights available.

The above examples are just two of the more obvious illustrations of how registrations that are vulnerable to cancellation may be within your portfolio. The trademark audit process can be expanded beyond chain of title and adequacy of coverage audits to account for marks that may be vulnerable to cancellation for reasons of substantive trademark law. [WTR](#)

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