

# TrademarkThoughts

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## Trademark Applicants Beware: US Trademark Office Raises Bar for Demonstrating a “Bona Fide Intent” to Use Mark in US Commerce

Filing trademark applications based on a “bona fide intent” to use a mark is very common, especially for entrepreneurs and small businesses that may come up with an idea and creative mark and then file a trademark application before any actual business is up and running. Even foreign applicants that rely on ownership of a foreign application or registration, but that may or may not have current presence or operations in the United States, must still aver a bona fide intent to use the mark in US commerce, though use is not required in such cases before a registration will be issued.

However, in the widely underappreciated 2009 case *Honda v. Winkelmann*,<sup>1</sup> the US Trademark Office dealt a potentially serious blow to all such applicants, who may now be required (if challenged) to demonstrate, ideally with documentary evidence, that at the time of filing they possessed both a willingness *and an ability* to use the mark. In many cases it is precisely the lack of any formalized ability that motivates applicants to file based on an intent to use the mark in the first place. Adding a new requirement – that applicants must be able to demonstrate that at the time of filing they possessed an actual ability to use the mark – may come as a shock to some, as it seems somewhat contrary to the very notion of a filing system based on a bona fide intent to use the mark.

### Statutory Standard for Trademark Applications Based on “Bona Fide Intent” to Use the Mark

Section 1(b) of the Trademark Act allows trademark applications to be filed based on a “bona fide intent” to use the mark.<sup>2</sup> For years, most applicants assumed that simply stating in a trademark application under penalty of perjury that they had such a “bona fide intent” was sufficient.

However, in oft-forgotten language, the Act also states that such a filing must be “under circumstances showing good faith.” The purpose of this requirement is to make clear that there must be some *objective* evidence of good faith and that the mere say-so of the applicant is not sufficient to prove a bona fide intent. Thus, merely “checking the box” on the application form does not meet the Act’s requirement that there be “circumstances” showing good faith.

The Trademark Office does not require applicants to provide any substantiation of their bona fide intent in the application itself. Thus, in most cases, there will be no need to provide any evidence of the circumstances

that show good faith. However, an application (or even a resulting registration) may be challenged on the basis that the applicant did not have the requisite bona fide intent at the time the application was filed. It is in the realm of such disputes that proving the applicant’s intent becomes crucial.

### Prior Case Law Interpreting the “Bona Fide Intent” Standard

There have not been many reported decisions involving the “bona fide intent” standard. The first significant decision, *Commodore Electronics Ltd. v. CBM Kabushiki Kaisha*,<sup>3</sup> involved an application for CBM for a variety of electronics. After reviewing the legislative history of the Act, the Trademark Office stated that

“[a]lthough admittedly a close question, we hold that absent other facts which adequately explain or outweigh the failure of an applicant to have any documents supportive of or bearing upon its claimed intent to use its mark in commerce, the absence of any documentary evidence on the part of an applicant regarding such intent is sufficient to prove that the applicant lacks a bona fide intention to use its mark in commerce.”

Thus, the Trademark Office focused on the existence of documentary evidence to support the claimed bona fide intent, in the absence of which the applicant would need to provide “other facts” that “explain or outweigh” the failure to provide such documents.

The following year, in *Lane Ltd. v. Jackson International Trading Co.*,<sup>4</sup> the Trademark Office confirmed that the mere statement of a subjective intent to use a mark in a trademark application is insufficient to demonstrate a “bona fide intent” as required by the Act. However, the applicant had some documentary evidence regarding the “formulation and implementation of its business plan and licensing program,” as well as a history of its predecessor’s licensing of a similar mark, all of which substantiated its claimed bona fide intent.

The Trademark Office was then quiet on this topic for more than a dozen years. However, two relevant cases were published in 2008. In *L.C. Licensing Inc. v. Berman*,<sup>5</sup> the Office stated that the applicant’s “decision to forgo a business model until after the opposition is decided does not explain his failure to have any documents whatsoever *at the time the application was filed* that showed an intent to use the mark . . . The mere assertion of an intent to use the mark without corroboration of any sort, whether documentary or otherwise, is not likely to provide credible evidence to establish a bona fide intention

to use the mark.” Thus, the application to register ENYCE for various automobile accessories was denied due to the applicant’s lack of a bona fide intent to use the mark.

Later in 2008, in *Boston Red Sox Baseball Club LP v. Sherman*,<sup>6</sup> the Trademark Office noted that while an opposer has the initial burden to demonstrate by a preponderance of evidence the applicant’s lack of a bona fide intent to use the mark, the absence of any documentary evidence on the part of an applicant constitutes “objective proof sufficient to prove that the applicant lacks a bona fide intention to use its mark in commerce.” Once the opposer shows that the applicant has not provided any documents in response to appropriate discovery request, “the burden shifts to applicant to come forward with evidence which would explain or outweigh his failure to provide such documentary evidence.” In this case, the applicant’s “broad and general statements in his brief regarding his asserted marketing experience [were] not supported by any specific facts, or by any evidence.” The Trademark Office stated further that “[w]e can accord no evidentiary value or consideration to unsupported factual statements made by a party in its brief. . . . Furthermore, applicant’s claim, in effect, that an extensive and diverse range of nearly 150 items of clothing could be marketed ‘essentially overnight’ and ‘with no forward planning’ is simply not credible.” Thus, mere subjective self-confidence and assertions of a strong willingness to use the mark are not sufficient.

### 2009 *Honda v. Winkelmann* Case Adds New Requirement to Demonstrate “Ability” to Use the Mark

The *Honda* case involved an opposition by Honda to an application to register VIC for “vehicles for transportation on land, air or water” and related goods, including “glider aircraft.” The Trademark Office cited the *Commodore* precedent discussed above: the failure of an applicant to provide any documentary evidence to demonstrate its bona fide intent to use a mark can be raised by an opposer as sufficient to prove the applicant lacked such an intent, unless other facts are presented that adequately explain or outweigh such failure.

The applicant in this case repeatedly responded to various relevant discovery requests that “no such documents exist.” Applicant did provide copies of its European trademark registrations and untranslated printouts in German from its website. However, the Trademark Office found that none of these documents

provided any evidence of a bona fide intent to use the mark in US commerce with the goods in question.

More importantly, however, the Trademark Office for the first time stated that to raise a genuine issue of material fact as to its intent on a motion for summary judgment, an applicant must rely on specific facts that establish the “existence of an *ability* and willingness to use the mark in the United States to identify [the goods in the application] at the time of the filing of the application.” This is apparently the first time the Trademark Office has expressly stated that a demonstrated ability to use the mark (presumably at some reasonable time in the future) is required by the statutory standard of “circumstances showing good faith.” In *Honda*, the applicant made no such showing, and the application was dismissed on summary judgment.

The *Honda* case was followed just a few months later by *DC Comics and Marvel Characters, Inc. v. Michael Silver*,<sup>7</sup> in which the Trademark Office granted a motion for summary judgment denying an application for SUPER HERO for various skin care products. The Office repeated the new *Honda* standard of the need for an applicant to be able to demonstrate a willingness *and ability* to use the mark. Here, the applicant’s claim that he was an educated entrepreneur with a history of product development and licensing was not deemed sufficient.

However, just a few months later, the Trademark Office sidestepped the opportunity to reinforce the applicability of the *Honda* “willingness and ability” standard. Specifically, it found that an applicant lacked a bona fide intent to use the mark BLACK MAIL for software for email and related uses. However, the Trademark Office did *not* specifically refer to the *Honda* standard requiring proof of a willingness and ability to use the mark, but noted that the applicant had already filed two applications for the same mark that were abandoned due to failure to file a Statement of Use, and the applicant failed to produce in discovery any documentary evidence substantiating its alleged bona fide intent to use the mark.<sup>8</sup>

Similarly, in early 2010, in a nonprecedential opinion the Trademark Office again dodged repeating the *Honda* “willingness and ability” standard in finding that Edgar Rice Burroughs, Inc. did have a bona fide intent to use a mark with a wide variety of toys, primarily due to its prior movie and merchandising license with Disney for the mark and the parties’ history of similar collaboration with respect to the TARZAN mark.<sup>9</sup> Although the case cites *Honda*, it does so only regarding the summary judgment

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“*The filing of a Statement of Use does not by itself demonstrate that at the time the application was filed the applicant had the ability to use the mark.*”

standard and not for the requirement to prove a willingness and ability to use the mark, instead citing the 1994 case of *Lane Ltd. v. Jackson International Trading Co.* that a bona fide intent is to be determined according to “all of the circumstances.” Whether these two most recent cases reflect a deliberate effort by the Trademark Office to step back from the “willingness and ability” standard set forth in *Honda* is unknown. Until the issue is addressed directly, the *Honda* standard remains the law.

#### Implications for Trademark Owners

The *Honda* decision reaffirms how important it is for trademark applicants, if challenged, to have documentary evidence at the time they file that substantiates their bona fide intent to use the mark in US commerce. Such evidence may consist of (but is not limited to) business plans, marketing plans, and/or correspondence with potential manufacturers, distributors, or licensees. There is no “bright line” test for how much is enough, but clearly it is better to have such documentary evidence than not. A vague, skimpy checklist of activities to perform to establish a business, or mere ownership of foreign registrations, will likely not qualify.

It is also important to note that the absence of documentary evidence of the applicant’s bona fide intent *is itself sufficient* to prove lack of intent. The absence of documentary evidence therefore shifts the burden to the applicant to substantiate its bona fide intent by the “totality of the circumstances.” This puts a premium on having such documentary evidence at the time the application is filed.

While the *Honda* decision probably reached the right result under the facts of the case, the Trademark Office’s statement that an applicant that avers a bona fide intent to use the mark must be able (if challenged) to demonstrate that at the time it filed the application it possessed an ability to use the mark raises several potential traps for the unwary.

First, foreign trademark applicants should be particularly aware of this heightened focus on documenting an ability to use the mark. It is quite common for foreign registrations to cover a broader scope of goods than those for which the mark owner actually uses the mark.<sup>10</sup> Seeking to cover the same goods in the United States, and averring a bona fide intent to use the mark on all the goods (as the applicant must do), could easily result in the applicant unthinkingly averring a bona fide intent to use the

mark for goods for which it in fact does not possess such an intent. This would jeopardize the application at least for that particular class of goods, and possibly for the entire application.

Second, the *Honda* case may hit entrepreneurs and small businesses particularly hard. Such applicants may have an inspired business idea and move quickly to file a trademark application, perhaps before documenting their “ability” to use the mark – indeed, many enterprising trademark applicants may not be able to show they have the ability to use the mark at the time of filing. It generally takes about a year from the time of filing until a Notice of Allowance is issued, after which the applicant has three years to file a Statement of Use to obtain a registration. Many applicants therefore presume that they have approximately four years from the time of filing to arrange for the manufacturing and distribution of the goods covered by the application. The *Honda* case raises serious questions, however, as to whether such an unwritten but hopeful “business plan” can withstand a challenge.

Perhaps gone are the days when an entrepreneur or a small business—or any business, for that matter—can think of a good trademark for a particular product and immediately file a trademark application for it with confidence that the applicant has the requisite bona fide intent to use the mark. Under the *Honda* standard, the failure to have any documentation at the time of filing that substantiates that at some point over the subsequent four years the applicant will actually be able to produce the goods under the mark may be enough to kill the application.

Moreover, because the issue is the existence of a bona fide intent at the time the application was filed, even *existing registrations* may be at risk for cancellation, at least for the first five years of their existence. The filing of a Statement of Use does not by itself demonstrate that at the time the application was filed the applicant had the ability to use the mark. Thus, the *Honda* case has the potential to cause mischief not only for current applicants but registrants as well.

#### Is Lack of a Bona Fide Intent to Use a Mark “Fraud”?

Under the Trademark Act, only certain challenges are permitted after five years from the registration date.<sup>11</sup> Genericness and fraud are two examples of challenges that can be made at any time, even after five years.

However, challenges based on the lack of a bona fide intent are not included in the list of challenges that can be made at any time, and thus after five years the registration apparently cannot be attacked based on an alleged lack of a bona fide intent at the time the application was filed—unless lack of a bona fide intent is considered “fraud.”

As clarified by the Federal Circuit in 2009, fraud perpetrated on the Trademark Office requires a willful intent to deceive, which must be proved by the challenger through “clear and convincing” evidence.<sup>12</sup> This is a much higher standard than the Office has applied in the “bona fide intent” cases, where merely showing that the applicant has failed to produce documents demonstrating an ability to use the mark can be enough to warrant grant of summary judgment. However, whereas fraud requires a willful intent to deceive, the inability of an applicant to prove it had a bona fide intent to use a mark is not automatically tantamount to a willful intent to deceive. In other words, an applicant’s failure to prove its bona fide intent is not equivalent to proof of malevolent intent. Thus, most registrations over five years old should be safe from challenge, unless the lack of bona fide intent is shown by clear and convincing evidence to be part of a scheme to deceive the Trademark Office and is therefore determined to be fraudulent.

In sum, the *Honda* case has the potential to make it much easier to prevail in oppositions against applications claiming a bona fide intent to use the mark in US commerce (which includes all applications based on foreign applications or registrations). This is particularly true in cases where the applicant does not have an established business in the trade and may not have any documented or concrete business plan in place at the time the application is filed. The *Honda* case also has the potential to make it easier to prevail in cancellation actions against registrations, based on applications that claimed a bona fide intent to use the mark, at least for the first five years. Whether the Trademark Office will rein in these potentially far-reaching effects remains to be seen.

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- <sup>1</sup> *Honda Motor Co. v. Friedrich Winkelmann*, 90 USPQ2d 1660 (TTAB 2009). Fish & Richardson represented Honda in this case.
- <sup>2</sup> 15U.S.C. 1051(b).
- <sup>3</sup> 26 USPQ2d 1503 (TTAB 1993).
- <sup>4</sup> 33 USPQ2d 1351 (TTAB 1994).
- <sup>5</sup> 86 USPQ2d 1883 (TTAB 2008).
- <sup>6</sup> 88 USPQ2d 1581 (TTAB 2008).
- <sup>7</sup> *DC Comics and Marvel Characters, Inc. v. Michael Craig Silver* (TTAB Opp. No. 91176744, Aug. 21, 2009).
- <sup>8</sup> *Research In Motion Ltd. v. NBOR Corp.*, 92 USPQ2d 1926 (TTAB 2009).
- <sup>9</sup> *Missing Cougar Co. v. Edgar Rice Burroughs, Inc.* (TTAB Cancellation No. 91189827, Jan. 21, 2010).
- <sup>10</sup> Some foreign jurisdictions do have at least some “intent” standard, though rarely (if ever) as rigorous as in the United States. See, e.g., *Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH*, case C-529/07 at par. 44 (European Court of Justice, 2009), holding that bad faith can be found if an applicant files a trademark application “without intending to use it, his sole objective being to prevent a third party from entering the market.”
- <sup>11</sup> 15 U.S.C. 1064(3).
- <sup>12</sup> *In re Bose*, 580 F.3d 1240 (Fed. Cir. 2009), overturning the Trademark Office’s oft-criticized “should have known” standard for fraud, which the court rejected as a mere negligence standard that was inapplicable to fraud cases.