

TTAB re-designates *Zanella v Nordstrom* fraud decision as precedentialExamination/opposition
National procedures**United States - Rothwell, Figg, Ernst & Manbeck, PC**

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The [Trademark Trial and Appeal Board](#) (TTAB) has re-designated its October 2008 decision in *Zanella Ltd v Nordstrom Inc* from non-precedential to precedential. The issue in this case was whether fraud (or the filing of a factually incorrect application or affidavit) in the [US Patent and Trademark Office](#) (USPTO) can be “cured” and the registration perfected after the trademark application matures into a registration.

The case involved the trademark ZANELLA for a number of clothing items covered by five federal registrations and the mark ZELLA also for clothing. When [Nordstrom Inc's](#) application for the registration of ZELLA was published, [Zanella Ltd](#) timely opposed the application, claiming likelihood of confusion with its registrations for ZANELLA. From discovery Nordstrom learned that Zanella had not used its mark for all the clothing goods listed in its trademark applications when filed. In the case of Registration 1,527,003, the same misstatement of the goods occurred when Zanella filed the affidavit under Sections 8 and 15 of the [Lanham Act](#). No amendment to that registration had been made by the time the opposition was filed. Regarding the other four registrations, Nordstrom learned that Zanella had previously made corrections to remove goods on which the ZANELLA mark had not been used.

In *Medinol Ltd v Neuro Vasx Inc*, the TTAB had imposed a heightened duty of candour and a strict rule of fraud on practice before the USPTO. *Medinol* and its progeny hold that an applicant or registrant commits fraud when it makes a statement that is:

- false;
- material; and
- made by a party that knew that it was false or misleading, or should have known that it was false or misleading, but acted with “reckless disregard for the truth”.

Based on those cases, Nordstrom amended its answer, added counterclaims for cancellation based on fraud and filed a motion for summary judgment. A party is entitled to summary judgment when it has demonstrated that there are no genuine issues as to any material facts, and that it is entitled to judgment as a matter of law. The evidence must be viewed in a light favourable to the non-moving party, and all justifiable inferences are to be drawn in the non-moving party's favour.

The question of whether fraud can be cured in an application that becomes a registration was addressed in the precedential case of *University Games Corp v 20Q.Net Inc*. A majority of the TTAB adopted the position that a voluntary correction of a false statement regarding the use of a trademark for the goods at the time of filing an application and before it matures into a registration creates a rebuttable presumption that the registrant did not intend to commit fraud. *20Q.Net* represents another refinement of the TTAB's fraud jurisprudence designed to encourage applicants and registrants to be precise in their filings and voluntarily correct prior misstatements that they may have made during the prosecution (on the day of filing the application or the statement of use) or maintenance (scope of use in Section 8 declarations of use) of registrations. *20Q.Net* quoted from the 1967 case of *Universal Overall Co v Stonecutter*

Mills Corp, in which it was held that “a misstatement in an application as to the goods or services on which a mark has been used does not give rise to the level of fraud where an applicant amends the application prior to publication”. The TTAB thereby recognized the curative effect of a timely amendment.

With regard to the four pleaded registrations in the present case (where Zanella had previously filed either a Section 7 request to amend or combined Sections 8 and 15 affidavits deleting goods), Zanella argued that its prior actions raised a genuine issue of material fact as to its alleged fraudulent intent so that summary judgment was inappropriate. Nordstrom asserted that Zanella’s prior actions “demonstrated a history of false claims and delays in correcting [the registrations] spanning a number of years” and such conduct “evidence[d] at least the same reckless disregard for the truth” that supported “a finding of fraud”.

The TTAB found that Nordstrom's evidence (ie, Zanella's discovery responses and the file histories of the registrations) failed to rebut the presumption of no intent to commit fraud on the USPTO. Accordingly, a genuine issue of material fact remained with respect to whether Zanella intended to commit fraud on the USPTO with respect to the four pleaded registrations. Nordstrom's motion was denied as to them. With regard to Registration 1,527,003, the TTAB found that there was no genuine issue of material fact that fraud had been committed (as revealed in discovery responses). Therefore, the summary judgment motion was granted. Registration 1,527,003 was cancelled under Section 18 of the act.

By making this decision precedential, the TTAB confirmed to registrants the proper approach to take to correct prior misstatements. These corrections must be made before the registration is challenged in any way.

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