



# The Umbrella®

An Intellectual Property Law Update

## *In re Bose Corp.: The New Sound of Fraud?*



By James R. Gourley

The Federal Circuit raised the bar last year on the standard of proof needed to support a finding of fraud in connection with trademark registrations in the *In re Bose Corp.* decision. Applicants for federal trademark registrations make a number of representations to the United States Patent and Trademark Office (USPTO) over the life of a trademark.

When the application is first filed, representations are made regarding the description of goods and services offered under the mark, and the date of first use of the mark for those goods and services. Specimens showing use of the mark in commerce are provided to the USPTO. When the trademark is renewed, the owner of the mark must represent that the mark is still being used in commerce for the same goods and services. Trademark registrations are subject to cancellation if the trademark owner makes fraudulent misrep-

resentations to the USPTO during the procurement or renewal of such registrations.

In several decisions beginning in 2003 and running up through its decision in *Bose*, the Trademark Trial and Appeal Board (TTAB) of the USPTO held that a trademark applicant commits fraud in procuring a registration if the applicant makes material misrepresentations of fact in its declarations that the applicant knew or should have known to be false or misleading.

In *Bose*, the TTAB canceled a Bose trademark registration for WAVE because Bose did not use the mark in connection with audio tape recorders and players at the time Bose signed a renewal declaration that it was using the mark in connection with all of the goods identified in the original registration.

On appeal, the Federal Circuit reversed the decision,

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## *Jim Brown Fails to Break Through First Amendment Defense*



By Vincent J. Allen

Jim Brown's claim of false endorsement against Electronic Arts in regard to the use of his likeness in the Madden NFL video game was dismissed last year. The decision continues the trend of courts finding that the First Amendment provides a complete defense to a claim of unfair competition when source identifiers are used within video games.

Jim Brown is a retired professional football player who is revered as one of the best football players of all time. Electronic Arts (EA) develops and

publishes video games, including the popular Madden NFL series. The Madden NFL game is a virtual football game that contains up to 170 virtual teams and 1,500 virtual players. The virtual players include players that wear the names and numbers of current real-life players playing on real-life teams.

EA has an exclusive license from the NFL to use the names and numbers of current players. The virtual players also include players from historical teams that

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## The New Sound of Fraud?

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citing a long history of case law that only allowed cancellation of a mark if it was shown that the applicant or owner made knowingly inaccurate or knowingly misleading statements to the USPTO. The Federal Circuit chided the TTAB for lowering the fraud standard to a negligence standard by adding the “should have known” component, and reiterated that mere negligence is not sufficient to infer fraud or dishonesty.

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*Although the standard for proving fraud seems to have been raised by Bose back its historically high level, it would be unwise for trademark applicants and owners to take any less care in reviewing and double-checking representations made to the USPTO.*

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Thus, the Court emphasized the distinction between a false representation and a fraudulent one. A false representation may be the result of misunderstanding, inadvertence, or negligent omission, whereas a fraudulent representation requires intent to deceive.

Intent to deceive can be inferred from indirect and circumstantial evidence, but such evidence must be clear and convincing. The party alleging fraud “bears a heavy burden of proof,” and “any doubt must be resolved against the charging party.”

In *Bose*, the trademark owner alleged that, although it knew it no longer sold tape recorders or tape players under the WAVE mark at the time of renewal, it believed that its repair of tape players and recorders it previously sold under the WAVE mark constituted use in commerce with respect to those goods.

The TTAB and the Federal Circuit both agreed that the repair activities of Bose were not sufficient to continue registration of the mark with respect to tape players and recorders. Therefore, there is no question that Bose made a false representation of use to the USPTO. However, the Federal Circuit held that there was no evidence of deceptive intent on the part of Bose.

Although the standard for proving fraud seems to have been raised by *Bose* back its historically high level, it would be unwise for trademark applicants and owners to take any less care in reviewing and double-checking representations made to the USPTO. The argument made by Bose regarding its belief that repair activities were sufficient may prove to be a special case. It is not clear yet whether the person who signs the declaration can simply claim that he did not know the statement was false to avoid a claim of fraud.

During the application process, care must be taken in alleging the date of first use and the date of first use in commerce. These dates are usually the same but in some cases they can be different. The specimens submitted in connection with the application must be representative of the way in which the mark is actually used in commerce.

The applicant should take care to ensure that the description of goods and services offered under the mark is accurate, both at the time of application and at the time of any renewals. If any of the goods or services identified in the original registration are no longer offered under the mark at the time of renewal, the description of goods and services description should be amended accordingly.

If a previous error is discovered at a later date, an appropriate amendment could help weigh against a finding of intent to deceive. Trademark owners and applicants would be well-advised to take all reasonable measures available to them in ensuring representations to the USPTO contain no false statements. But when faced with a charge of fraud, the *Bose* decision will make it easier to defend such a charge.

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## Trial Lawyers and Intellectual Property

In the field of intellectual property litigation, it is important to have a trial attorney who can quickly grasp the most complex issues and present them in a way that is easy for the judge or jury to understand. It is also important that the trial attorney have the resources he or she needs to learn the technical aspects of the case. At Carstens & Cahoon, we have both. We have three veteran trial attorneys who have tried more than 49 cases to a jury verdict, many of them involving complex technical issues. We also have patent attorneys in a number of technical disciplines with significant litigation experience. If you ever need assistance, you can rest assured that our litigation team has what it takes to do the job right. Beginning with this issue, you will find the first of a three part series on litigation written by one of our veteran trial attorneys, Chris Kilgore.

# SUE THE B\*\*##@\*S!

By Chris Kilgore



## Part 1: To Sue or Not to Sue

The conventional wisdom is that the number of lawsuits filed rises while the number of transactions fall in a down economy. When times are good, companies tend not to worry about the “small stuff,” to not account for every penny. But when times aren’t so good, every penny counts, and litigation is used much more freely. However, good times or bad, it is always wise to carefully consider the pros and cons of litigation with your legal advisor before “upping the ante,” because the world of litigation is not only entirely different than business as usual, it is also expensive and unpredictable.

There are companies that aggressively protect their intellectual property portfolios, litigating routinely, even in the best of times. However, this is an expensive business model that can only be justified when the size of the business or value of the intellectual property to be protected is significant. The decision to litigate is a business decision that requires the same due diligence of any other important business decision.



“YOUR HONOR, IT'S NOT POSSIBLE TO SELECT A JURY OF MY CLIENTS' PEERS... ALL OF HIS PEERS ARE IN PRISON.”

If one embarks on the path of litigation, it must be assumed that the litigation will run its full course to trial on the merits. While trial is rarely the end game in most litigation strategies, litigated matters often take on a life of their own. Litigation discovery by itself can be expensive, but trial is typically the most substantial single expense in the entire process.

Trial can also be a radically different part of the process

because at trial we leave our usual comfort zones and deal with an element both unfamiliar and confounding to those with technical backgrounds—the jury. And it is the jury in whose hands our ultimate fate lies. In the end, the law is whatever the men and women of the jury say

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*The art of persuasion, of being able to “read” a particular jury and develop a sense of their view of the world, is fundamental to any successful jury trial.*

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it is, subject, of course, to appellate review.

Some have said that a jury consists of twelve persons of ordinary ignorance. Particularly in complex technical or financial cases, it is virtually impossible to seat a jury with the knowledge necessary to understand the details of the case. Some have debated whether jury trials are even appropriate for such matters. Nevertheless, this is the system we have, and it is important to consider the technical details in evaluating whether to file suit or defend a case to trial. For concepts that are incapable of being understood by the average jury, a “battle of the experts” will often determine the fate of such cases.

While discovery in intellectual property suits may involve a detailed examination of the science and accounting, the presentation to the jury will necessarily be quite a different matter. It is in the courtroom where science makes way for the art of the jury trial. The art of persuasion, of being able to “read” a particular jury and develop a sense of their view of the world, is fundamental to any successful jury trial. The other art is the ability to reduce and distill complex issues to their essence and present them such that the issues are easily understood by that jury of ordinary ignorance.

When it comes time to decide whether to litigate (or, if you simply have no choice because you’ve been sued), we can help. With more than 49 jury trials to our credit, we have the jury trial experience to help you make the right choice and, if the choice is litigation, to do it right.

Next in the Series: Jury Selection

# The USPTO Count System: Using the Count-Carrot to Your Advantage

By Bobby W. Braxton



Everyone knows that there are times that are better than others for obtaining good deals. One of the best times to buy a new car is at the end of the month when the car salesman is desperately trying to reach a quota for the month. Likewise, there are times that are better to negotiate with the USPTO during the prosecution of a patent.

A patent examiner's performance is measured by a count system. The examiner's compensation, bonus, and promotion are all based on the count an examiner receives. Upon issuing the first office action, the examiner receives one count.

Examiners do not receive another count until the examiner disposes of the patent application or the applicant abandons it. There are many ways an examiner can dispose of an application including issuing the patent, responding to an appeal brief, or granting a Request for Continued Examination (RCE).

For anything short of disposal of the application, examiners do not earn credit for the work they complete. Thus, examiners may not have as much incentive to invest significant time in responding to an applicant's response to a first or second office action on the merits. Because examiners do not get a count for anything short of disposal, the second office action is generally issued as a final office action. Such an action forces the applicant to abandon the application, appeal the rejection, or file an RCE, any of which results in a count for the examiner.



If an RCE is filed, the examiner must issue yet another first office action on the merits which results in another count. Thus, if an RCE is filed, the examiner gets two counts, one for the RCE and one for the first office action after the RCE. Thus, examiners get twice the counts if they force an RCE rather than allow the application. This can result in the prosecution of applications being prolonged.

This count system might be to blame for the doubling of RCE's from 2000 to 2009.

The USPTO recognizes the problems in its count system and is reviewing options to overhaul the system, including possibly providing more counts for allowing an application and conducting an interview. Another proposal includes reducing the count for subsequent RCE's. In the meantime, there are a variety of things that can be done to account for the deficiencies in the current count system.

First, while budgeting for patent prosecution, it would be smart to budget for at least one RCE. Knowing that the examiner has an incentive to issue a final office action rejecting the application, smart budgeting dictates preparing for the possibility that prosecution may require an RCE.

Second, even though examiners do not receive counts for interviews, an interview after the first office action often provides insight into the examiner's true objections, which can be addressed and possibly overcome during the interview. If the interview is done after the first office action, and the examiner's concerns are addressed in the first amendment, the examiner will not have as much incentive to force an RCE. An interview requires less time from the examiner than addressing Applicant's arguments. Anything that can be done to minimize the examiner's time on the case, or time for which the examiner does not receive count, provides incentive for the examiner to allow the application.

Third, because an examiner's allotted time is not dependent upon the number of claims in an application, an examiner can often perform a higher quality examination on an application with 20 claims compared to an application with 60 claims, because each claim must be addressed in the first office action. Thus, it may be more efficient to file an application with fewer claims, get the independent claim(s) allowed, and subsequently add the dependent claims. Of course, great care must be exercised in drafting and reviewing the application to ensure there is ample support for the subsequently added dependent claims.

Like buying a car at the end of the month or going shopping at the mall in January, understanding the count-carrot system and using it to the applicant's advantage can help speed the patent application process.

## Hall of Famer Jim Brown

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are anonymous, represented only by number and roster positions. The players compete in virtual stadiums with virtual fans and virtual coaches, all of which are designed by graphic artists.

Jim Brown alleged that EA used his name, identity, and likeness by including him in two of the historic teams used in the game, namely the 1965 Cleveland Browns team and the All Browns team. The character in the game that purportedly represents Brown is anonymous and wears the number 37. Brown wore number 32. Brown's statistics and the character's statistics are "nearly identical."

Federal trademark law prohibits the unauthorized use of a celebrity's identity in a manner which is likely to confuse consumers as to sponsorship or approval of a product. In the instant case, the Court assumed for purposes of deciding EA's Motion to Dismiss that the game did use Brown's likeness. But EA argued that the First Amendment provides a complete defense to Brown's claim of false endorsement.

In analyzing the First Amendment defense, the courts first determine what type of speech is at issue. Commercial speech is not entitled to as much protection as non-commercial expressive speech. However, the courts have found that video games are expressive works that are entitled to as much protection as the most profound literature.

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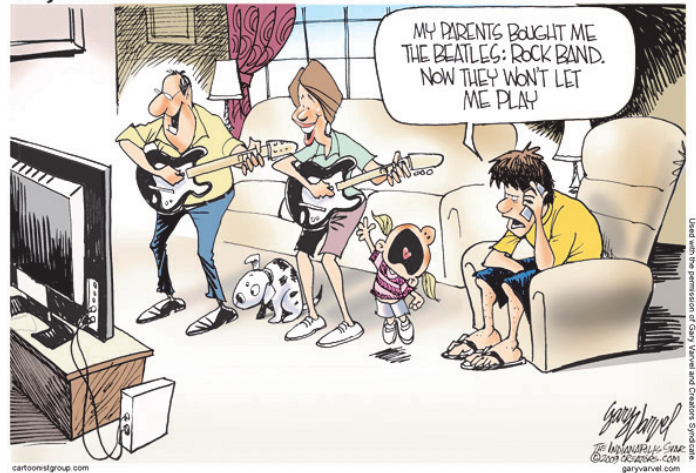
*Madden NFL video games are expressive works, akin to an expressive painting that depicts celebrity athletes of past and present in a realistic sporting environment.*

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To evaluate the First Amendment defense, a balancing test is used to determine if "the public interest in avoiding consumer confusion outweighs the public interest in free expression." The test has two prongs that must be satisfied to find that the First Amendment bars a Lanham Act claim. First, the use of the trademark (or in this case, the use of the likeness of Jim Brown) must have at least some relevance, however minimal, to the underlying work. Second, the use of the trademark must not explicitly mislead consumers about the source or content of the work. Even though there may be a risk that a consumer will wrongly believe that a celebrity endorsed a work, that risk may be outweighed by the public interest in artistic expression.

In Brown, the court found that the Madden NFL series of sports-based games contain numerous creative elements. Specifically, the game contains virtual stadiums, athletes, coaches, fans, sound effects, music, and commentary created or compiled by the games' designers.

Gary Varvel Editorial Cartoon



These elements represent the designers' creative interpretation of real-world NFL game play. The designers' use of a realistic sports theme "does not change the fact that the Madden NFL games manifest their designers' creative interpretation of real-world NFL game play." The court held that the "Madden NFL video games are expressive works, akin to an expressive painting that depicts celebrity athletes of past and present in a realistic sporting environment."

Upon finding the video game to be an expressive work, the court went on to apply the balancing test. The Madden NFL games are about football. Brown is a legendary NFL football player, the best ever according to some. Thus, the use of a legendary NFL football player's likeness in a game about NFL football is clearly relevant, satisfying the first prong of the test.

In regard to the second prong, the Court found that the use of Brown's likeness in the game does not explicitly mislead consumers as to the source or content of the work. Significant to this finding is the fact that Brown's character is one of thousands of virtual athletes used in the Madden NFL games. Unlike most of the other characters, Brown's character is anonymous, identified only by his number and roster position as a running back. Brown's character is not depicted on the games' packaging, advertisements, or promotional materials. The court held that the mere presence of an anonymous, mis-numbered character in the game does not constitute an explicit attempt to convince consumers that Brown endorsed the game.

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## Attorney Profile—Chris Kilgore

Chris Kilgore has been litigating complex technical cases all over the United States for more than twenty years. As a trial lawyer, Mr. Kilgore understands what it takes to both pick a jury and connect with the jury in a way that many cannot, and he uses this uncanny ability to help his clients win. To do this, he draws on a variety of life experiences, including his military experience, his experience as a safety officer for a large construction company, his teaching experience, and even his experience as a City Councilman. Calm under pressure, jurors find it easy to trust Mr. Kilgore while he engages the jury with his client's story.

Mr. Kilgore attributes much of his success as a trial lawyer to his ability to explain complex technical issues in a simple, easy to understand manner. His love of teaching helped him hone his trial skills over the years. Starting out as a flight instructor, Mr. Kilgore later began teaching law courses at Embry-Riddle Aeronautical University as an adjunct professor in 1997. He is also a regular lecturer to attorneys in the areas of litigation and federal regulations.

As a construction safety professional for a large construction company in Ohio, Mr. Kilgore's safety program received state and national awards. He was a regular speaker at construction safety programs and was instrumental in drafting a proposal for rewriting the Ohio safety regulations that ultimately became a part of Ohio law.

Mr. Kilgore is a highly decorated military aviator, having received the Distinguished Flying Cross, Bronze Star, Air Medal, and Purple Heart, to name a few. He received a B.A. degree from the University of the State of New York in 1983 and a J.D. degree from the University of Houston in 1986. He has a number of published cases and has appeared before multiple federal circuit courts of appeal.

