

# Is “Willful Blindness” the New “Recklessness” after *Global-Tech*?

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## Introduction

In 2009, the Court of Appeals for the Federal Circuit changed the landscape for trademark parties involved in claims of fraud on the United States Patent and Trademark Office (“USPTO”). With the issuance of its decision in the case *In re Bose Corp.*,<sup>1</sup> the court neatly upped the ante for plaintiffs to show knowledge and willful intent.<sup>2</sup> However, as the dust began to clear from the case and follow-on litigation ensued, one question remained open. Exactly what level of knowledge is required to plead and prove these claims of fraud on the USPTO? Is recklessness sufficient? Might there even be another possibility? A footnote in *Bose* suggested the court did not “resolve this issue,”<sup>3</sup> thereby leaving it for future courts to decide. This Article provides a framework for courts to use in approaching that decision.

The discussion begins with an analogy from patent law. As explained below, the Supreme Court appears to be increasingly aligning patent law with general jurisprudence. In 2011, in *Global-Tech Appliances, Inc. v. SEB S.A.*,<sup>4</sup> the Supreme Court furthered this pattern by applying the willful blindness doctrine, borrowed from criminal law, to a case involving

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<sup>1</sup> 580 F.3d 1240 (Fed. Cir. 2009).

<sup>2</sup> *Id.* at 1245–46.

<sup>3</sup> *Id.* at 1246 n.2.

<sup>4</sup> 131 S. Ct. 2060 (2011).

“actively induc[ed] infringement”<sup>5</sup> in patent law.<sup>6</sup> As explored by this Article, patent and trademark (as well as copyright) law share common historical and legal origins. Accordingly, it seems appropriate to cross-apply doctrines between them, including, possibly, the doctrine of willful blindness recently adopted by the Supreme Court.

If the Supreme Court truly intends to align patent law with other areas such as criminal law, as shown in the *Global-Tech* case, this Article considers that it would further have us extend that logic in deciding matters in the historically related areas of patent and trademark law (as well as copyright). Indeed, Congress itself has indicated that it views trademark law as being related to patent law.<sup>7</sup> Federal courts have followed this reasoning in cross-applying doctrines between the three areas of intellectual property law.<sup>8</sup> Accordingly, this Article considers the meaning and viability of willful blindness for claims of fraud on the USPTO, while also considering recklessness and higher levels of knowledge as possible standards for scienter.

Part I discusses the case for aligning patent law with general jurisprudence, specifically exploring the normative objectives of patent law and ways the Supreme Court has, in recent years, attempted to better harmonize patent jurisprudence with general principles of civil procedure, contracts, and other areas of law. Part II discusses the case for aligning patent law with sisters copyright and trademark, reviewing the historical and legal connections between patent, copyright, and trademark law. Part III discusses willful blindness principles from the 2011 Supreme Court *Global-Tech* case, delving into the recent decision and cross-applying the

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<sup>5</sup> See 35 U.S.C. § 271(b) (2006) (“Whoever actively induces infringement of a patent shall be liable as an infringer.”).

<sup>6</sup> *Global-Tech*, 131 S. Ct. at 2069.

<sup>7</sup> See *infra* notes 35–37 and accompanying text.

<sup>8</sup> See discussion *infra* Part II.

doctrine of willful blindness from criminal to patent law. Part IV discusses the state of fraud in trademark law, including the complexities of the Trademark Trial and Appeal Board, *In re Bose*, a case that changed the landscape of fraud on the USPTO, and the outstanding issue of scienter in fraud. Finally, Part V explores applying the heightened standard of willful blindness, borrowed from patent law. This section brings together the discussions from the prior four sections in considering whether the holding from *Global-Tech* should be applied to trademark law in the context of fraud on the USPTO and, if so, how that might be accomplished.

### **I. The Case for Aligning Patent Law With General Jurisprudence**

The normative values of patent law are subjects of ongoing debate amongst courts, Congress, and academics. Generally, patent law must balance various incentives.<sup>9</sup> Inventors — and more frequently their assignees — must be rewarded with patents for their protectable ideas, as an incentive to create and invest in technology development.<sup>10</sup> The public must then be offered full disclosure of the inventive steps, with the assurance that only truly patentable inventions will receive the exclusionary patent grant.<sup>11</sup> Finally, competing inventors and companies must be allowed their own opportunities to obtain patents on improvements and

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<sup>9</sup> See *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979). The Supreme Court has stated the competing objectives of patent law:

First, patent law seeks to foster and reward invention; second, it promotes disclosure of inventions to stimulate further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public.

*Id.*

<sup>10</sup> *See id.*

<sup>11</sup> *See id.*

work-around technology.<sup>12</sup> Of course, all this begs the question of how these countervailing balances should be weighed.

Economic efficiency demands that patent protection be made both available and subject to legal challenge. On the one hand, patents are necessary to encourage investment in various industries that bring products and processes of great value to the consuming public.<sup>13</sup> On the other hand, invalid patents must not be permitted to dominate the marketplace.<sup>14</sup> Accordingly, the Supreme Court has mandated that, while patents are entitled to a presumption of validity,<sup>15</sup> once invalidity is proven in court, challenged patents are rendered unenforceable against even third parties.<sup>16</sup> As a normative value, predictability is of prime importance both to the patentee and to potential infringers, who must make business decisions based on the validity and enforceability of patents.

The Federal Circuit hears virtually all appeals of district court patent cases (as well as appeals from the USPTO). So, absent a grant of certiorari, it tends to be the final arbiter in interpreting patent law and jurisprudence.<sup>17</sup> As a consequence, there are some who believe that

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<sup>12</sup> See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

<sup>13</sup> See *Aronson*, 257 U.S. at 262.

<sup>14</sup> See *id.* at 264 (referring to the “desirability of encouraging licensees to challenge the validity of patents”); see also Bronwyn H. Hall & Dietmar Harhoff, *Post-Grant Reviews in the U.S. Patent System: Design Choices and Expected Impact*, 19 BERKELEY TECH. L.J. 989, 992-94 (2004) (examining the economic cost of weak and invalid patents).

<sup>15</sup> *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 335 (1971).

<sup>16</sup> See *id.* at 350.

<sup>17</sup> See *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 829–30 (2002). Formed in 1982, the Court of Appeals for the Federal Circuit has exclusive jurisdiction over patent appeals (with some exceptions, such as patent claims brought only as a counterclaim). See *id.* at 834; *Bruno v. United States*, 744 F.2d 753, 754 (11th Cir. 1984) (discussing the formation of the Federal Circuit). As provisions take effect on passage of the new patent reform act of 2011, the Federal Circuit will have an even broader jurisdiction on patent appeals to all those “arising under” the patent statute, including arguments raised as patent claims. See Mark A. Lemley *Things You Should Care About in the New Patent Statute*, available at <http://ssrn.com/abstract=1929044>.

patent law lacks benefits that other areas of law have, including the opportunity to be heard by various circuits and, perhaps, to learn from circuit splits.<sup>18</sup> Congress, meanwhile, has been up in arms over the past few years, with members endorsing numerous patent reform bills.<sup>19</sup> One such bill finally became law in 2011 and will significantly affect the practice of patent law in the United States.<sup>20</sup> Many people, from business owners to scholars, agree that the current patent system has significant problems.<sup>21</sup> But even within the typical dividing lines, there is no clear agreement on solutions.

At the same time, the Supreme Court has indicated an interest in aligning patent law with principles of general jurisprudence and social utility.<sup>22</sup> In its 2005 case, *Merck KGaA v. Integra*

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<sup>18</sup> See, e.g., Craig Allen Nard & John F. Duffy, *Rethinking Patent Law's Uniformity Principle*, 101 NW. U. L. REV. 1619, 1641, 1649–50 (2007) (arguing that patent law might, with the addition of at least one other circuit hearing patent appeals, benefit from more competition between courts); cf. R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PENN. L. REV. 1105, 1111–12 (2004) (discussing how the jurisprudence of the Federal Circuit has become increasingly polarized). At least one judge on the Federal Circuit has noted efforts to normalize its jurisprudence. S. Jay Plager, *The Price of Popularity: The Court of Appeals for the Federal Circuit 2007*, 56 AM. U. L. REV. 751, 755 (2007) (“The Circuit has professed to want to bring its patent jurisprudence into line with the rules applicable to federal civil litigation generally, and in some respects has succeeded.”).

<sup>19</sup> See, e.g., Patent Reform Act of 2009, S. 610, 111th Cong. (2009); Patent Reform Act of 2009, H.R. 1260, 111th Cong. (2009); Patent Reform Act of 2008, S. 3600, 110th Cong. (2008); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007); Patent Reform Act of 2006, S. 3818, 109th Cong. (2006).

<sup>20</sup> See Leahy-Smith America Invents Act, Pub. L. No. 112-19, § 3(b), 125 Stat. 284, 285–87 (2011) (to be codified at 35 U.S.C. § 102) (changing American patent registration from a first-to-invent to a first-inventor-to-file system).

<sup>21</sup> See, e.g., *Patent Trolls: Fact or Fiction?: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 109th Cong. 7, 18, 26 (2006) (statements of Edward R. Reines, Esq., Weil, Gotshal & Manges, LLP, Paul Misener, Vice President for Global Pub. Policy, Amazon.com, & Chuck Fish, Vice President & Chief Patent Counsel, Time Warner); Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 591 (1999) (discussing a patent system “in crisis”).

<sup>22</sup> See, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391–92 (2006) (emphasizing that traditional principles of equity apply to injunctions in patent law). Still, general jurisprudence and social utility are themselves not always clearly aligned. See, e.g., *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 636–37 (2008) (presuming primacy of patent exhaustion doctrine over the right of parties to construct own contract); see also Lorelei Ritchie, *Reconciling Contract Doctrine with Intellectual Property Law: An Interdisciplinary Solution*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 105, 119, 144–45 (2008).

*Lifesciences I, Ltd.*,<sup>23</sup> the Supreme Court expanded what is effectively a statutory fair use doctrine in patent law to cases where the purported infringement may lead to drug discovery and development.<sup>24</sup> In 2006, *eBay Inc. v. MercExchange, L.L.C.*<sup>25</sup> modified the nearly century-old presumption of injunction in patent cases, thereby tipping the scales toward compulsory licensing.<sup>26</sup> In 2007, *MedImmune, Inc. v. Genentech, Inc.*<sup>27</sup> the Court once again ruled in favor of normalizing patent jurisprudence with general law, condemning the standard of declaratory judgment that had been used in patent law by the Federal Circuit in favor of that generally used in civil litigation.<sup>28</sup> Likewise, in the 2011 case *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*,<sup>29</sup> the Court resisted the argument that universities should automatically be vested title to federally-funded inventions, noting instead that patent rights belong first to inventors.<sup>30</sup> Indeed, the opinion stated it is by operation of *contract* law that inventions may be assigned to employers, including universities receiving funds under the Bayh-

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<sup>23</sup> 545 U.S. 193 (2005).

<sup>24</sup> *Id.* at 202. In reaching its decision, the *Merck* Court relied heavily on 35 U.S.C. § 271(e). *Id.* It reads, in relevant part:

It shall not be an act of infringement to make, use, offer to sell, or sell within the United States . . . a patented invention . . . solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs . . . .

35 U.S.C. § 271(e) (2006).

<sup>25</sup> 547 U.S. 388 (2006).

<sup>26</sup> *Id.* at 392–93.

<sup>27</sup> 549 U.S. 118 (2007).

<sup>28</sup> *See id.* at 132 n.11.

<sup>29</sup> 131 S. Ct. 2188 (2011).

<sup>30</sup> *Id.* at 2197.

Dole Act.<sup>31</sup> In short, the Supreme Court has repeatedly recognized that the objectives of patent law must not be applied in a legal vacuum.

Finally, in *Global-Tech*, also decided in 2011, the Supreme Court “borrowed” the doctrine of willful blindness from criminal law and applied it to patent law, where the Court found that standard to be useful, and the existing patent law to be lacking.<sup>32</sup> This evidences the Court’s increasing desire to align patent law with principles of general jurisprudence, a generally wise and appropriate course. This Article will explore further the *Global-Tech* case in Part III.

## **II. The Case for Aligning Patent Law With Sisters Copyright and Trademark**

Patent and copyright law are sister bodies of jurisprudence, with common origins stemming from the very beginning of U.S. law. The Founding Fathers placed the two hand-in-hand in the Constitution<sup>33</sup> and Congress enacted the first patent and copyright acts in 1790.<sup>34</sup>

Patent and trademark law also have common historical and legislative origins in the United States. Both were placed under common stewardship of the USPTO, which is charged with granting patents and trademarks.<sup>35</sup> Both also fall under the jurisdiction of the Federal Circuit when applicants seek to appeal the rejection of their patent and trademark applications by the USPTO.<sup>36</sup> So similar are the two areas of law that Congress has in recent years considered

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<sup>31</sup> *Id.* at 2199.

<sup>32</sup> *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068–69 (2011).

<sup>33</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>34</sup> Act of May 31, 1790, ch. 15, 1 Stat. 124, Act of Apr. 2, 1790, ch. 7, 1 Stat. 109.

<sup>35</sup> See 37 C.F.R. § 11.1 (2010) (defining terms concerning the governance of the practice of both patent and trademark law before the USPTO).

<sup>36</sup> See 15 U.S.C. § 1071(a) (2006); 28 U.S.C. § 1295(a)(4)(A)–(B) (2006); 35 U.S.C. § 145 (2006). Trademark applicants may also appeal to the district courts in their regional circuits, see 15 U.S.C. § 1071(b), though many choose to appeal to the Federal Circuit, because the judges are known for their expertise with intellectual property law. Banks Miller & Brett Curry, *Expertise, Experience, and Ideology on Specialized Courts: The Case of the Court of Appeals for the Federal Circuit*, 43 LAW & SOC’Y REV. 839, 840 (2009) (“[W]hen it comes to highly specialized,

consolidating the Lanham Act, which governs trademark rights and infringement, into Title 35, alongside patents.<sup>37</sup>

Courts have, accordingly, frequently applied doctrines from one area of intellectual property to another. Examples include the doctrines of misuse,<sup>38</sup> contributory infringement,<sup>39</sup> licensee estoppel,<sup>40</sup> and first sale.<sup>41</sup> Considering the common historical origins, legislative treatment, and obvious similarities between patent, copyright, and trademark law, this cross-application of doctrines seems to be an appropriate pattern. The Supreme Court has made the case for sharing doctrines several times over the years, including in the landmark 1984 case *Sony Corp. of America v. Universal City Studios, Inc.*<sup>42</sup> There, the Court extended the doctrine of

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technical areas of law, the ideological consistency of judicial decisionmaking may also be influenced by a judge's familiarity with the intricacies of abstruse legal subject matter.”). Either way, the process is the same for both patent and trademark applicants. *See* 15 U.S.C. § 1071; 35 U.S.C. § 145.

<sup>37</sup> In 2006, Representatives Sensenbrenner and Conyers introduced such a bill in the House Judiciary Committee. *See* STAFF OF H. COMM. ON THE JUDICIARY, 109TH CONG., A BILL TO ENACT CERTAIN LAWS RELATING TO TRADEMARKS AND OTHER INTELLECTUAL PROPERTY AS SUBTITLES III AND IV OF TITLE 35, UNITED STATES CODE, AND TO REDESIGNATE THAT TITLE AS “PATENTS, TRADEMARKS, AND OTHER INTELLECTUAL PROPERTY” (2006), available at <http://uscode.house.gov/cod/t35/20060425bill.pdf> (Discussion Draft No. 1). The bill’s accompanying explanation expressed the bill’s objective of “conform[ing] with original intent,” and in order to consolidate patent and trademark law in order to “reflect the emergence of intellectual property law as a distinct field of law” and a “cohesive unit.” STAFF OF H. COMM. ON THE JUDICIARY, 109TH CONG., EXPLANATION OF A BILL TO ENACT CERTAIN LAWS RELATING TO TRADEMARKS AND OTHER INTELLECTUAL PROPERTY AS SUBTITLES III AND IV OF TITLE 35, UNITED STATES CODE, AND TO REDESIGNATE THAT TITLE AS “PATENTS, TRADEMARKS, AND OTHER INTELLECTUAL PROPERTY” 1 (2006), available at <http://uscode.house.gov/cod/t35/20060425exp.pdf>.

<sup>38</sup> *See, e.g.,* *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 972–73 (4th Cir. 1990) (applying the doctrine of patent misuse to a copyright case concerning software).

<sup>39</sup> *See, e.g.,* *Sony Corp. of Am. v. Universal City Studios, Inc.* 464 U.S. 417, 435, 439 (1984) (applying patent principles to copyright law in a vicarious infringement case), *superseded by statute*, Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860.

<sup>40</sup> *See, e.g.,* *Twin Books Corp. v. The Walt Disney Co.*, 877 F. Supp. 496, 500 (N.D. Cal. 1995) (quoting *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1333 (9th Cir. 1984)) (extending the Supreme Court’s abolition of “licensee estoppel” in patent law to copyright), *rev’d on other grounds*, 83 F.3d 1162 (9th Cir. 1996).

<sup>41</sup> *See, e.g.,* *Allison v. Vintage Sports Plaques*, 136 F.3d 1443, 1448 (11th Cir. 1998) (discussing the applicability of the first sale doctrine across patent, copyright, and trademark law).

<sup>42</sup> 464 U.S. 417 (1984), *superseded by statute*, Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860.



vicarious infringement from patent to copyright law, noting that “[t]he closest analogy is provided by the patent law cases to which it is appropriate to refer because of the *historic kinship* between patent law and copyright law.”<sup>43</sup> Keeping with this approach, the Court’s 2006 *eBay* opinion turned to copyright law for guidance when considering the viability of presumptive injunctions in patent law.<sup>44</sup> In so doing, the Supreme Court neatly discarded nearly a century of patent precedent in favor of a better standard articulated in copyright law.<sup>45</sup> Cross-applying again, courts have, in turn, applied the concepts of *eBay* to trademark and copyright law.<sup>46</sup> In the 2011 *Global-Tech* case, the Supreme Court implicitly accepted that patent law should follow, or at least look to, copyright law as a guide,<sup>47</sup> and further discussed the standard considered for copyrighted works in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*<sup>48</sup>

Finally, the Federal Circuit itself has looked to both copyright and trademark law for guidance in applying patent law.<sup>49</sup> The Federal Circuit has similarly cross-applied *from* patent

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<sup>43</sup> *Id.* at 439 (emphasis added).

<sup>44</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006).

<sup>45</sup> *See Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 430 (1908) (establishing the precedent). Since the Supreme Court’s *Continental Paper Bag* decision, an injunction had been the presumed remedy in patent law. *See eBay*, 547 U.S. at 391 (quoting *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1339 (2005), *vacated*, 547 U.S. 388 (2006)) (highlighting the Federal Circuit’s general rule of issuing injunctions in patent cases, absent exceptional circumstances).

<sup>46</sup> *See Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 31 (1st Cir. 2011) (applying *eBay* to a trademark case); *Salinger v. Colting*, 607 F.3d 68, 77 n.6 (2d Cir. 2010) (ruling that the principles of equity set forth in *eBay* apply to copyright cases and noting that “the First, Eleventh, and Fourth Circuits have applied *eBay* in copyright cases”); *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1228 (11th Cir. 2008) (concluding that the principles of *eBay* applied to a request to preliminarily enjoin alleged trademark infringement).

<sup>47</sup> *Global-Tech Appliances, Inc. et. al. v. SEB S.A.*, 131 S. Ct. 2060, 2067 (2011).

<sup>48</sup> *Id.*; 545 U.S. 913 (2005).

<sup>49</sup> *See In re Seagate Tech., LLC*, 497 F.3d 1360, 1370 (Fed. Cir. 2007) (en banc) (discussing the standard of scienter applied by “sister circuits” in copyright law); *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1303 (Fed. Cir. 2006) (quoting *Metro-Goldwin-Mayer Studios, Inc.*, 545 U.S. at 932); *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011) (drawing an analogy from trademark fraud in establishing “but for” materiality in patent inequitable conduct).

law, analogizing and applying patent principles to trademark law.<sup>50</sup> Accordingly, just as the Supreme Court has been normalizing patent law with general jurisprudence—ideally with the Federal Circuit and lower courts following suit—courts should continue to harmonize patent, copyright, and trademark law with one another as much as possible.

### III. Willful Blindness Principles from the 2011 Supreme Court *Global-Tech* Case

In the 2010–2011 term, the U.S. Supreme Court heard arguments for *Global-Tech Appliances, Inc. et. al. v. SEB S.A.*<sup>51</sup> The question presented on certiorari was described as follows:

Whether the legal standard for the state of mind element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is “deliberate indifference of a known risk” that an infringement may occur, . . . or “purposeful, culpable expression and conduct” to encourage an infringement.<sup>52</sup>

The company SEB invented an innovative deep fryer sold in the United States under the brand “T-Fal.”<sup>53</sup> Due to a clever design that kept the external surfaces cool, SEB sought and obtained a patent on the product.<sup>54</sup> Sunbeam, a competitor, sought to meet SEB’s success in the marketplace and asked Pentalpha (a wholly-owned subsidiary of Global-Tech) to supply it with deep fryers that met certain specifications.<sup>55</sup> In order to develop a product for Sunbeam,

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<sup>50</sup> See, e.g., *In re Bose Corp.*, 580 F.3d 1240, 1244–45 (Fed. Cir. 2009) (“The principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark fraud cases.”).

<sup>51</sup> *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011).

<sup>52</sup> Petition for Writ of Certiorari at i, *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) (No. 10-6) (quoting *Metro-Goldwin-Mayer Studios, Inc.*, 545 U.S. at 937).

<sup>53</sup> *Global-Tech*, 131 S. Ct. at 2064.

<sup>54</sup> *Id.* at 2063.

<sup>55</sup> *Id.* at 2064.

Pentalpha purchased an SEB deep fryer in Hong Kong and copied all but the cosmetic features.<sup>56</sup> Because the deep fryer was purchased in a foreign market, it lacked the U.S. patent markings.<sup>57</sup> After copying the design, Pentalpha retained an attorney to conduct a right-to-use study.<sup>58</sup> However, Pentalpha did not tell the attorney that it had copied the design directly from the SEB product.<sup>59</sup> The attorney failed to find SEB's U.S. deep fryer patent in the patent search.<sup>60</sup>

After Pentalpha began selling its product in the United States to Sunbeam and other resellers, SEB sued Sunbeam for direct patent infringement.<sup>61</sup> Sunbeam informed Pentalpha of the lawsuit, but Pentalpha continued to sell its product.<sup>62</sup> After settling its lawsuit with Sunbeam, SEB sued Pentalpha for, among other things, actively inducing infringement by Sunbeam and the other various resellers in violation of 35 U.S.C. § 271(b).<sup>63</sup>

The jury found for SEB.<sup>64</sup> Pentalpha sought a new trial on the grounds that it did not “actually know” of SEB's patent until it received notice of SEB's lawsuit against Sunbeam.<sup>65</sup> The district court rejected Pentalpha's arguments, as did the Federal Circuit on appeal.<sup>66</sup> The

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<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* SEB also claimed a theory of direct infringement by Pentalpha, which was not at issue before the Supreme Court. *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

Federal Circuit stated that, by its actions, Pentalpha had “deliberately disregarded a known risk” that SEB may have had a U.S. patent on the SEB deep-fryer.<sup>67</sup> Such disregard, the Federal Circuit held, “is not different from actual knowledge, but is a form of actual knowledge.”<sup>68</sup>

The Supreme Court granted certiorari to decide the question of what, if any, level of scienter should be required under § 271(b) for a finding of induced patent infringement.<sup>69</sup> As a preliminary matter, the Court relied on a dictionary definition of the statutory term “induce” to find that “at least some intent is required.”<sup>70</sup> By taking a step as practical as looking in the dictionary,<sup>71</sup> the Court thus already evidenced an interest in keeping a realistic reign on patent law. Otherwise stated, the Court showed its intent to harmonize the principles of patent law with those of general jurisprudence and equity. Indeed, after holding that knowledge is required and thoroughly discussing the need to maintain internal consistency *within* patent law,<sup>72</sup> the Court established the exact level of knowledge required and went on to explain why it was also perfectly reasonable to borrow a doctrine—where one appeared to be lacking—from *outside* patent law.<sup>73</sup>

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<sup>67</sup> SEB S.A. v. Montgomery Ward & Co., 594 F.3d 1360, 1377 (Fed. Cir. 2010), *aff’d sub nom.* Global-Tech Appliances, Inc. v. SEB S.A., 131 S. Ct. 2060 (2011).

<sup>68</sup> *Id.*

<sup>69</sup> *Global-Tech*, 131 S. Ct. at 2063.

<sup>70</sup> *Id.* at 2065.

<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at 2068 (discussing, with historical basis, the knowledge requirement for § 271(c) infringement and concluding that “it follows that the same knowledge is needed for induced infringement under § 271(b),” because the provisions have a “common origin”).

<sup>73</sup> *Id.* at 2068–69.

The Supreme Court chose to apply a standard of scienter that satisfied the knowledge requirement but was not being applied in the sphere of patent infringement.<sup>74</sup> Willful blindness, the Court held, a doctrine from another field entirely, struck the right balance in requiring sufficient knowledge, without requiring a party to literally evidence *actual knowledge*.<sup>75</sup> The Court stated:

The doctrine of willful blindness is well established in criminal law. Many criminal statutes require proof that a defendant acted knowingly or willfully, and courts applying the doctrine of willful blindness hold that defendants cannot escape the reach of these statutes by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances. The traditional rationale for this doctrine is that defendants who behave in this manner are just as culpable as those who have actual knowledge.<sup>76</sup>

The Court went on to say that “[g]iven the long history of willful blindness and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement under 35 U.S.C. § 271(b).”<sup>77</sup> As to exactly what “willful blindness” means, the Court acknowledged that various regional circuits have “articulat[ed] the doctrine” in “slightly different ways.”<sup>78</sup> However, the Court did provide guidance by specifying “two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.”<sup>79</sup> With those basic requirements, the Supreme Court suggested, willful blindness has:

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<sup>74</sup> *Id.* at 2069.

<sup>75</sup> *Id.* at 2068–69.

<sup>76</sup> *Id.*

<sup>77</sup> *Id.* at 2069.

<sup>78</sup> *Id.* at 2070.

<sup>79</sup> *Id.* See discussion on meaning of “willful blindness” *infra* Part V.A.

an appropriately limited scope that *surpasses recklessness* and negligence. Under this formulation, a willfully blind defendant is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can *almost be said to have actually known* the critical facts. By contrast, a *reckless defendant is one who merely knows of a substantial and unjustified risk of such wrongdoing* and a negligent defendant is one who should have known of a similar risk but, in fact, did not.<sup>80</sup>

Finding an exact standard to be lacking in patent law, the Supreme Court borrowed this standard of willful blindness from criminal law and applied it to the case.<sup>81</sup> The Court held that, in deliberately copying an overseas model of SEB's deep fryer, Pentalpha's actions met the willful blindness standard, as did its decision not to tell the attorney doing the patent search that it had copied SEB's product.<sup>82</sup> Based on this standard, the Court found no need to remand the case for a new trial and simply affirmed the holdings of the lower courts.<sup>83</sup>

#### **IV. The State of Fraud in Trademark Law**

##### **A. The Complexities of the Trademark Trial and Appeal Board**

The Trademark Trial and Appeal Board ("TTAB") is the administrative tribunal within the USPTO that hears and decides *ex parte* appeals, as well as *inter partes* trials on oppositions, cancellations, and concurrent use trademark proceedings.<sup>84</sup>

The breadth of subject matter in TTAB proceedings is as wide as the variety of goods and services in U.S. commerce, ranging from computer software, to perfume, to medical devices.<sup>85</sup>

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<sup>80</sup> *Id.* at 2070–71 (emphasis added) (first citation omitted) (citing MODEL PENAL CODE, §§ 2.02(2)(c)–(d) (1985)).

<sup>81</sup> *See id.* at 2071.

<sup>82</sup> *See id.*

<sup>83</sup> *See id.* at 2072.

<sup>84</sup> *See Trademark Trial and Appeal Board*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/trademarks/process/appeal/index.jsp> (last visited Oct. 28, 2011).

<sup>85</sup> In 2010, for example, the TTAB issued precedential decisions involving complex issues with goods or services in all of these categories. *See In re Iolo Techs. LLC*, 95 U.S.P.Q.2d (BNA) 1498 (T.T.A.B. 2010) (computer software);

Substantively, the TTAB judges and the attorneys who practice before them must parse through complex concepts like likelihood of confusion, involving the same type of analysis as trademark infringement, fraud, descriptiveness and misdescriptiveness, allegations of inappropriate subject matter, abandonment and functionality, as well as other claims.<sup>86</sup> Procedurally, cases can be equally convoluted. In inter partes cases especially, the TTAB follows the Federal Rules of Evidence and the Federal Rules of Civil Procedure, requiring parties to observe the same discovery rules used in federal district courts.<sup>87</sup>

In inter partes cases, discovery can be intricate, particularly where a great deal is at stake for the parties and where highly complex technical and/or substantive trademark issues are involved.<sup>88</sup> There are times when a trademark dispute can jeopardize a whole product line, or even an entire company.<sup>89</sup> Thus, parties often exchange voluminous financial and other documents over the months or years of an ongoing TTAB proceeding, sometimes under protective order.<sup>90</sup> A number of parties choose to include expert testimony as well, whether on technical, linguistic, or other issues.<sup>91</sup>

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Toufigh v. Persona Parfum Inc., 95 U.S.P.Q.2d (BNA) 1872 (T.T.A.B. 2010) (perfume products); Edwards Lifesciences Corp. v. Vigilanz Corp., 94 U.S.P.Q.2d (BNA) 1399 (T.T.A.B. 2010) (medical devices).

<sup>86</sup> See, e.g., *In re Hotels.com, L.P.*, 573 F.3d 1300, 1301 (Fed. Cir. 2009) (descriptiveness); *Eco Mfg. LLC v. Honeywell Int'l*, 295 F. Supp. 2d 854, 863 (S.D. Ind.), *aff'd*, 357 F.3d 649 (7th Cir. 2003) (inappropriate subject matter, functionality); *In re Iolo Techs.*, 95 U.S.P.Q.2d (BNA) at 1501 (likelihood of confusion); *Toufigh*, 95 U.S.P.Q.2d (BNA) at 1874, 1876 (abandonment, fraud).

<sup>87</sup> See 37 C.F.R. §§ 2.120(a), 2.122(a) (2010).

<sup>88</sup> See John M. Murphy, *Playing the Numbers: A Quantitative Look at Section 2(d) Cases Before the Trademark Trial and Appeal Board*, 94 TRADEMARK REP. 800, 819 (2004).

<sup>89</sup> See Harold R. Weinberg, *Is The Monopoly Theory of Trademarks Robust or A Bust?*, 13 J. INTELL. PROP. L. 137, 148 (2005) (“A strongly-ingrained trademark is an entrance barrier if it bars competitors from entering the market for the trademarked product.”).

<sup>90</sup> See Murphy, *supra* note 88 at 801, 810 n.49, 817.

<sup>91</sup> See *id.* at 804–05 (discussing expert testimony of English professors and regarding the use of consumer survey results).

Accordingly, as a result of frequent motions practice, depositions (in discovery and at trial), and voluminous records, TTAB judges and the attorneys who practice before them become experts on the complex substance of trademark law, the convoluted procedure of federal civil law, and the intricacies of the USPTO.<sup>92</sup>

Although litigants may appeal TTAB decisions to the federal district courts or to the Federal Circuit,<sup>93</sup> the TTAB has repeatedly referred to the Federal Circuit as its “primary reviewing court.”<sup>94</sup> Accordingly, the TTAB looks most closely to jurisprudence from the Federal Circuit for guidance on the laws of trademark registration and registrability. In that regard, although appeals from the TTAB comprise a small percentage of the Federal Circuit’s jurisdiction,<sup>95</sup> they represent an important area of the court’s overall jurisdictional basis, in no small part because of its close association with patent law, with jurisdiction over such disputes being one of the major rationales for the court’s creation in 1982.<sup>96</sup> The Federal Circuit characterizes the bulk of its cases (44 percent) as being in some area of “intellectual property,” followed by administrative law appeals (37 percent).<sup>97</sup> Appeals from the TTAB fall into both

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<sup>92</sup> See, e.g., *DaimlerChrysler Corp. v. Am. Motors Corp.*, 94 U.S.P.Q.2d (BNA) 1086 (T.T.A.B. 2010) (demonstrating the complexity of trademark cases before the TTAB).

<sup>93</sup> 15 U.S.C. § 1071 (2006).

<sup>94</sup> See, e.g., *In re Giovanni Food Co.*, 97 U.S.P.Q.2d (BNA) 1990, 1992 (T.T.A.B. 2011); *Edwards Lifesciences Corp. v. Vigilanz Corp.*, 94 U.S.P.Q.2d (BNA) 1399, 1414 (T.T.A.B. 2010); *Fiat Grp. Auto. S.p.A. v. ISM Inc.*, 94 U.S.P.Q.2d (BNA) 1111, 1113 (T.T.A.B. 2010); *Safer Inc. v. OMS Invs. Inc.*, 94 U.S.P.Q.2d (BNA) 1031, 1036 (T.T.A.B. 2010); *DaimlerChrysler*, 94 U.S.P.Q.2d (BNA) at 1089 n.6; *Giersch v. Scripps Networks Inc.*, 90 U.S.P.Q.2d (BNA) 1020, 1024 (T.T.A.B. 2009).

<sup>95</sup> *Appeals Filed, by Category, FY 2010*, U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, [http://www.caafc.uscourts.gov/images/stories/the-court/statistics/Caseload\\_by\\_Category\\_Appeals\\_Filed\\_2010.pdf](http://www.caafc.uscourts.gov/images/stories/the-court/statistics/Caseload_by_Category_Appeals_Filed_2010.pdf) (last visited Oct. 10, 2011).

<sup>96</sup> See Brian Dean Abramson, *A Question of Deference: Contrasting the Patent and Trademark Jurisdiction of the Federal Circuit*, 29 TEMP. J. SCI. TECH. & ENVTL. L. 1, 17–18 (2010).

<sup>97</sup> *Appeals Filed, by Category, FY 2010*, *supra* note 95.



categories.<sup>98</sup> Accordingly, it appears quite logical, even axiomatic, that the TTAB and those who practice before it should look to Federal Circuit cases (in addition to those of the Supreme Court) for bearing on TTAB proceedings, not only in the field of trademark appeals, but also the area of intellectual property more generally and administrative law.

Meanwhile, although the TTAB refers to the Federal Circuit as its “primary reviewing court,” it is not the only statutorily authorized reviewing court for TTAB proceedings.<sup>99</sup> This begs the question—what happens if there is a circuit split on an issue of trademark registrability? That issue is addressed, *infra*, in Part IV.C.

### **B. *In re Bose*: the Federal Circuit Standard**

In 2009, the Federal Circuit changed the landscape of fraud on the USPTO.<sup>100</sup> For years, the trademark community had restlessly been anticipating a Federal Circuit case that would test the scienter requirement set up by the TTAB in *Medinol v. Neuro Vasx, Inc.*,<sup>101</sup> and applied in follow-on cases.<sup>102</sup> Many practitioners were uneasy with what they believed was a lessened scienter requirement being used by the Board post-*Medinol*. These critics finally got their chance to hear a challenge to that standard with *In re Bose*.<sup>103</sup> The American Intellectual Property Law

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<sup>98</sup> See Abramson, *supra* note 96, at 8 n.46.

<sup>99</sup> 15 U.S.C. § 1071 (2006).

<sup>100</sup> See *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009).

<sup>101</sup> 67 U.S.P.Q.2d (BNA) 1205, 1209 (T.T.A.B. 2003), *abrogated by* DaimlerChrysler Corp. v. Am. Motors Corp., 94 U.S.P.Q.2d (BNA) 1086 (T.T.A.B. 2010).

<sup>102</sup> See, e.g., *Hachette Filipacchi Presse v. Elle Belle LLC*, 85 U.S.P.Q.2d (BNA) 1090, 1094 (T.T.A.B. 2007).

<sup>103</sup> *In re Bose*, 580 F.3d at 1244–45.

Association (“AIPLA”) was quick to file an amicus brief with the Federal Circuit stating what it believed should be the stronger standard of scienter used to find fraud.<sup>104</sup>

In the TTAB proceeding, Bose had initiated an opposition against Hexawave alleging, among other things, likelihood of confusion with Bose’s registered marks, including WAVE.<sup>105</sup> Hexawave counterclaimed for cancellation of WAVE, asserting that Bose had committed fraud in its trademark renewal application by claiming use on all goods identified therein when, in fact, Bose was no longer using the mark WAVE “in commerce” (within the meaning of the Lanham Act<sup>106</sup>) on audio tape recorders and players.<sup>107</sup> Testifying under oath, the general counsel for Bose admitted that the company was no longer manufacturing and selling the identified goods under the WAVE mark, but he stated that he believed Bose was using the mark in commerce, because it was continuing to repair and ship goods that had been previously sold and, in some cases, were still under warranty.<sup>108</sup> The Board concluded that: (1) the repairs did not constitute use in commerce; (2) the general counsel’s belief that they did was not reasonable; and (3) the misstatement was material to the renewal application.<sup>109</sup> Accordingly, the Board found that Bose had committed fraud on the USPTO.<sup>110</sup>

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<sup>104</sup> Brief for American Intellectual Property Law Association as Amicus Curiae Supporting Appellant, *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009) (No. 2008-1448). The AIPLA brief advocated a five-part common-law fraud test: (1) false representation; of (2) a material fact; (3) made with the intent to deceive; where there is (4) reliance; and (5) resulting injury. *Id.* at 1–2.

<sup>105</sup> *Bose Corp. v. Hexawave, Inc.*, 88 U.S.P.Q.2d (BNA) 1332 (T.T.A.B. 2007), *rev’d*, *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009).

<sup>106</sup> *See* 15 U.S.C. §§ 1051–1129 (2006).

<sup>107</sup> *Bose Corp.*, 88 U.S.P.Q.2d (BNA) at 1335

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* at 1242–43.

<sup>110</sup> *Id.* at 1243. The Board sanctioned Bose by cancelling its WAVE mark registration. *Id.*

On appeal, the Federal Circuit reviewed the legal conclusions of the Board de novo and the factual conclusions for substantial evidence.<sup>111</sup> Throughout its decision, the Federal Circuit strongly emphasized the heightened proof needed to find fraud on the USPTO, concluding that fraud can only be found where a party (1) knowingly makes a (2) false statement; of (3) material fact; with (4) intent to deceive the USPTO.<sup>112</sup> The claim, it clarified, must be “proven ‘to the hilt’ with clear and convincing evidence.”<sup>113</sup>

The Federal Circuit found that the statement that Bose was selling the audio tape recorders and players in commerce was indeed false.<sup>114</sup> It also found that Bose had not disputed that the statement was material.<sup>115</sup> Accordingly, the only remaining question was whether the statement was made knowingly and with “intent to deceive the [USPTO].”<sup>116</sup> After all, the Federal Circuit explained, mere falsity does not fraud make.<sup>117</sup> The Federal Circuit noted that “absent the requisite *intent to mislead* the [USPTO], even a material misrepresentation would not qualify as fraud under the Lanham Act warranting cancellation.”<sup>118</sup> Otherwise stated, “[t]here is

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<sup>111</sup> *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009). Because the original appellee, Hexawave, did not appear, the PTO sought and obtained leave from the Federal Circuit to participate as a party. *Id.* Accordingly, the style of the case was changed to *In re Bose*.

<sup>112</sup> *Id.* at 1243–45.

<sup>113</sup> *Id.* at 1243 (quoting *Smith Int’l, Inc. v. Olin Corp.*, 209 U.S.P.Q. (BNA) 1033, 1044 (T.T.A.B. 1981)).

<sup>114</sup> *Id.* at 1246.

<sup>115</sup> *Id.*

<sup>116</sup> *Id.* at 1245–46.

<sup>117</sup> *Id.* at 1246.

<sup>118</sup> *Id.* at 1243 (emphasis added) (citing *King Auto., Inc. v. Speedy Muffler King, Inc.*, 667 F.2d 1008, 1011 n.4 (C.C.P.A. 1981)).

no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.”<sup>119</sup>

It is incumbent on a court, then, to find scienter. That is, the court must find that the false statement was knowingly made with intent to deceive the USPTO.<sup>120</sup> The Federal Circuit specifically rejected the language adopted by the *Medinol* line of cases, where the Board had applied a “should know” or “should have known” standard.<sup>121</sup> The Federal Circuit equated this with a “simple negligence standard”<sup>122</sup> that would not be sufficient to satisfy the knowledge needed to find a willful intent to deceive.<sup>123</sup>

The Federal Circuit just as specifically declined to address whether a recklessness standard might be acceptable. The only place in the decision that discusses recklessness is a footnote wherein the court stated:

The [USPTO] argues that under *Torres*, making a submission to the [USPTO] with reckless disregard of its truth or falsity satisfies the intent to deceive requirement. *We need not resolve this issue here.* Before [Bose’s general counsel] submitted his declaration in 2001, neither the [USPTO] nor any court had interpreted ‘use in commerce’ to exclude the repairing and shipping [sic] repaired goods. Thus, *even if we were to assume that reckless disregard qualifies*, there is no basis for finding [Bose’s general counsel’s] conduct reckless.<sup>124</sup>

Vigorously dismissing “should know” (and “should have known”), the Federal Circuit thus appears to have deliberately left open the question of “reckless disregard” and, along with it,

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<sup>119</sup> *Id.* at 1246.

<sup>120</sup> *Id.* at 1245.

<sup>121</sup> *Id.* at 1244–45.

<sup>122</sup> *Id.* at 1244. The Federal Circuit acknowledged that the Board had been relying on the exact wording of “knows or should know” from the earlier Federal Circuit ruling of *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 49 (Fed. Cir. 1986). See *Bose*, 580 F.3d at 1245.

<sup>123</sup> *Bose*, 580 F.3d at 1246.

<sup>124</sup> *Id.* at 1247 n.2 (emphasis added).

a bundle of questions about what that might even mean in this context. However, this was done in a footnote in dictum, and whether the court truly intended to leave the question open for future interpretation remains unclear. If so, any court intending to apply a recklessness standard would need to reconcile it with the rather condemning language surrounding the footnote and supporting the holding, in short requiring that the subject conduct must be both “knowing” and made with “willful intent to deceive.”<sup>125</sup>

### C. The Outstanding Issue of “Recklessness” in Fraud

The Restatement of Torts defines “recklessness” as the “conscious disregard” of a substantial risk of serious harm.<sup>126</sup> One commentator has noted that “[r]ecklessness’ is one of the oldest concepts in Anglo-American tort law, and it is also one of the most poorly understood.”<sup>127</sup> As all students learn in law school, it theoretically falls on the spectrum somewhere between negligence and an intentional tort.<sup>128</sup> However, applying this concept is not always so simple.

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<sup>125</sup> *Id.* at 1245–46.

<sup>126</sup> RESTATEMENT (SECOND) OF TORTS § 500 (1965) states:

The actor’s conduct is in reckless disregard of the safety of another if he does an act or intentionally fails to do an act which it is his duty to the other to do, knowing *or having reason to know* of facts which would lead a reasonable man to realize, not only that his conduct creates an unreasonable risk of physical harm to another, but also that such risk is substantially greater than that which is necessary to make his conduct negligent. . . . Special Note: the conduct described in this Section is often called “wanton or willful misconduct” both in the statutes and judicial opinions. On the other hand, this phrase is sometimes used by courts to refer to conduct intended to cause harm to another.

*Id.* (emphasis added).

<sup>127</sup> Geoffrey Christopher Rapp, *The Wreckage of Recklessness*, 86 WASH. U. L. REV. 111, 111 (2008) (noting that courts have applied “recklessness” variably, sometimes with negligence, sometimes with intentional torts).

<sup>128</sup> *Id.* at 116 & n.17 (citing ARTHUR BEST & DAVID W. BARNES, BASIC TORT LAW: CASES STATUTES AND PROBLEMS, 128 (2d ed. 2007) (“In terms of fault or blameworthiness, recklessness falls in between intentional tort and negligence.”); DOMINICK VETRI ET AL., TORT LAW & PRACTICE 17 (3d ed. 2006) (“Recklessness is a more culpable type of fault than negligence and usually can be invoked in accident situations where the conduct shows a

In fact, many federal courts have applied the recklessness standard as an appropriate scienter requirement for fraud claims, albeit in other contexts.<sup>129</sup> In one recent case involving a securities fraud claim, the Supreme Court assumed without deciding that the scienter requirement could be satisfied upon a showing of “deliberate recklessness.”<sup>130</sup> The Court determined that “‘a reasonable person’ would deem the inference that [petitioner] acted with deliberate recklessness . . . ‘at least as compelling as any [plausible] opposing inference.’”<sup>131</sup> In securities fraud cases, courts have also foregone the deliberate recklessness standard for one of simple recklessness.<sup>132</sup>

Federal courts have also applied recklessness as a scienter requirement to cases of common-law fraud.<sup>133</sup> One earlier Supreme Court case referred to “recklessness, tantamount to

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conscious disregard of a high risk of harm. Recklessness falls somewhere between intentional misconduct and negligence on the culpability continuum.”).

<sup>129</sup> See, e.g., *Ottmann v. Hanger Orthopedic Grp., Inc.*, 353 F.3d 338, 343 (4th Cir. 2003) (citing various circuits’ adoptions of recklessness as scienter for securities fraud).

<sup>130</sup> *Matrixx Initiatives, Inc. v. Siracusano*, 131 S. Ct. 1309, 1323–24 (2011).

<sup>131</sup> *Id.* at 1325 (quoting *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 324 (2011)) (finding sufficient culpability alleged to allow a securities class action to go forward).

<sup>132</sup> See *In re J.P. Jeanneret Assocs., Inc.*, 769 F. Supp. 2d 340, 354 (S.D.N.Y. 2011) (“A ‘strong inference’ of scienter can be established through factual allegations showing ‘motive and opportunity to commit fraud’ or ‘strong circumstantial evidence of conscious misbehavior or recklessness.’” (quoting *In re AOL Time Warner, Inc. & ERISA Litig.*, 381 F. Supp. 2d 192, 218 (S.D.N.Y. 2004))).

<sup>133</sup> Under Massachusetts common-law, for example, it is sufficient if a defendant “‘acted with a high degree of recklessness’ as to the truth of the matter.” *In re Access Cardiosystems, Inc.*, 404 B.R. 593, 650 (Bankr. D. Mass. 2009) (finding that investors had alleged insufficient knowledge, and overly optimistic claims were not “false representations”). A district court applying Pennsylvania law recently found simple “recklessness” to be sufficient for fraud, stating that, “[i]n Pennsylvania, a claim for fraud must allege: ‘(1) a representation; (2) which is material to the transaction at hand; (3) made falsely, with knowledge of its falsity or recklessness as to whether it is true or false.’” *PPG Indus., Inc. v. Generon IGS, Inc.*, 760 F. Supp. 2d 520, 527 (W.D. Pa. 2011) (quoting *Manning v. Temple Univ.*, No. Civ. A. 03-4012, 2004 WL 3019230, at \*10 (E.D. Pa. Dec. 30, 2004)) (discussing state and federal cases, and finding fraud sufficiently alleged to survive a motion to dismiss). Similarly, “[u]nder Ohio law, it is not necessary that the defendant have actual knowledge that a statement is false. It is sufficient if the statement is made with utter and reckless disregard for whether it is true or not.” *Dunn Appraisal Co. v. Honeywell Info. Sys., Inc.*, 687 F.2d 877, 883 (6th Cir. 1982) (finding fraud based on misrepresentations regarding viability of computer); see also *State ex rel. Quest Diagnostics, Inc. v. Indus. Comm’n*, 2011-Ohio-78, 2011 WL 193423, at ¶ 62 (finding no intent to defraud even where the form was filled out by someone other than the claimant).

fraud” as an appropriate common-law standard.<sup>134</sup> Accordingly, it seems not atypical for courts to apply recklessness as a standard of scienter in fraud.

Federal courts have also accepted a scienter requirement based on varying levels of recklessness for cases involving bankruptcy fraud.<sup>135</sup> Some federal bankruptcy courts require gross recklessness,<sup>136</sup> while others find mere reckless disregard to be sufficient.<sup>137</sup>

Interestingly, in some areas of common-law fraud, there appears to be a minority view of strict liability of fraud, thereby making even a showing of recklessness unnecessary.<sup>138</sup> In one case, the court stated:

It is important to emphasize that, in Minnesota, the element of scienter, or intent to deceive, *or even recklessness*, is not necessary to actionable fraud. As the Minnesota Supreme Court stated . . . : “It is immaterial whether a statement made as of one’s own knowledge is made innocently or knowingly. An intent to deceive no longer is necessary. Nor is it necessary to prove that defendants knew the representations were false. . . . *It is not necessary that the statement be recklessly or carelessly made.* It makes no difference how it is made if it is made as an affirmation of which defendant has knowledge and it is in fact untrue. The right of recovery in a case of this kind is based on the fact that such statement, being untrue in fact, relied upon by the other party in entering into the transaction, has resulted in the loss to him which he should not be required to bear.”<sup>139</sup>

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<sup>134</sup> Lord v. Goddard, 54 U.S. (13 How.) 198, 209 (1852).

<sup>135</sup> Note that the wording of the Bankruptcy statute simply exempts from discharge money taken under “false pretenses, a false representation, or actual fraud.” 11 U.S.C. § 523(a)(2)(A) (2006). It does not provide a standard of scienter for finding the fraud. Rather, this has been developed by case law. *See, e.g., Palmacci v. Umpierrez*, 121 F.3d 781, 787 (1st Cir. 1997).

<sup>136</sup> *See, e.g., In re May*, 448 B.R. 197, 200 (Bankr. W.D. Mich. 2011) (finding no fraud where a person had taken cash advances on a credit card shortly before filing for bankruptcy, because there was no showing of at least “gross recklessness”); *In re Metzger*, 442 B.R. 121, 124 (Bankr. S.D. Ohio 2010) (using a gross recklessness standard in finding no fraud in the cashing of a check).

<sup>137</sup> *See, e.g., In re Ireland*, 441 B.R. 572, 585 (Bankr. W.D. Ky. 2011) (finding no fraud by one debtor, because she “did not have a reckless disregard for the truth” of financial statements).

<sup>138</sup> *See, e.g., Clements Auto Co. v. Serv. Bureau Corp.*, 444 F.2d 169, 176 (8th Cir. 1971) (affirming in-part damages based on misrepresentations).

<sup>139</sup> *Id.* (emphasis added) (quoting *Swanson v. Downing*, 86 N.W.2d 716, 720–21 (Minn. 1957)).

This is not to say that the post-*In re Bose* Federal Circuit will or should apply recklessness as a scienter requirement for fraud on the USPTO. For these claims, courts will have to decide for themselves the meaning of recklessness (or “reckless disregard”) and whether or not the standard should be applied given the language of *In re Bose*. In this regard, it is interesting to note that the Federal Circuit has not categorically rejected the concept of recklessness as a scienter requirement. Rather, the court recently determined, in an *en banc* opinion, that willful infringement (in patent law) may be found with a showing of objective recklessness.<sup>140</sup>

Accordingly, whether the Federal Circuit truly left open the option of reckless disregard as a standard for scienter for claims of fraud on the USPTO will be decided, perhaps after much haranguing, by courts in cases to come.

District courts have taken note that the Federal Circuit clearly and overtly intended to raise the bar on finding fraud.<sup>141</sup> Several post-*In re Bose* cases have noted a heavy burden of proof, and some have specifically stated that it is higher now than it was before.<sup>142</sup> One court declined to find fraud, despite allegations that the registrant had knowledge that another had used a confusingly similar mark at the time they signed the affidavit of federal registration denying

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<sup>140</sup> *In re Seagate Tech., LLC*, 497 F.3d 1360, 1370–71 (Fed. Cir. 2007) (en banc) (relying on copyright law as outlined by “sister circuits” for support, and the Restatement of Torts’ definition of “reckless”).

<sup>141</sup> See e.g., *WMH Tool Grp. Inc. v. Woodstock Int’l*, No. 07-cv-3885, 2009 WL 6825247, at \*7 n.3 (N.D. Ill. Dec. 9, 2009) (referring to *In re Bose* as having “discredited” the previous, lessened scienter standard used by the Board).

<sup>142</sup> See e.g., *Scooter Store Inc. v. SpinLife.com, LLC*, 777 F. Supp. 2d 1102, 1110, 1113 (S.D. Ohio 2011) (finding *In re Bose* established a high standard, whereby applicant must knowingly make a material false statement with “intent to deceive”); *Bauer Bros. LLC v. Nike Inc.*, 98 U.S.P.Q.2d (BNA) 1160, 1164 (S.D. Cal. 2011) (relying on *In re Bose* for stronger fraud standard); *Spin Master v. Zobmondo Entm’t*, No. 2:07-cv-00571, slip op. at 15 (C.D. Cal. Feb. 22, 2011) (order granting motion for summary judgment on fraud counterclaim) (stating that “[t]he burden to prove fraud is ‘heavy’”); *Alliance Bank v. New Century Bank*, 742 F. Supp. 2d 532, 551 (E.D. Pa. 2010) (referring to *In re Bose* as having clarified the “heavy burden of proof” in fraud); *WMH*, 2009 WL 6825247, at \*7 n.3 (referring to *In re Bose* as having “discredited” the previous lesser scienter standard used by the Board).



that anyone else had the “right to use” it.<sup>143</sup> Another court similarly declined to find fraud with regard to a registrant’s sworn statement of exclusivity of use, despite allegations that the registrant was “fully aware of the historical significance and origin” of the words contained in the mark.<sup>144</sup>

The TTAB has similarly applied a heightened standard of fraud on the USPTO post-*In re Bose*.<sup>145</sup> However, the TTAB has also apparently taken the Federal Circuit’s *In re Bose* footnote at face value, accepting that the court did not decide the issue of recklessness or reckless disregard, and indeed may “assume that reckless disregard qualifies.”<sup>146</sup> The TTAB stated this in its own footnote in a post-*In re Bose* decision, explaining that, although the standard for scienter has been heightened by *In re Bose*, “[s]till open is the question whether a submission to the [USPTO] with reckless disregard of its truth or falsity would satisfy the intent to deceive requirement.”<sup>147</sup> It is worth noting that Professor J. Thomas McCarthy’s oft-cited treatise also states that the questions of whether reckless disregard may satisfy the scienter requirement in

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<sup>143</sup> *Scooter Store*, 777 F. Supp. 2d at 1110, 1111–13.

<sup>144</sup> *Bauer Bros.*, 98 U.S.P.Q.2d (BNA) at 1164–65.

<sup>145</sup> See e.g., *M.C.I. Foods Inc. v. Bunte*, 96 U.S.P.Q.2d (BNA) 1544, 1547 (T.T.A.B. 2010) (quoting *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009)) (discussing the need to distinguish between a “‘false’ representation and a ‘fraudulent’ one”); *Toufigh v. Persona Parfum Inc.*, 95 U.S.P.Q.2d (BNA) 1872, 1876 (T.T.A.B. 2010) (quoting *In re Bose*, 580 F.3d at 1243) (noting the proposition that petitioner bears a heavy burden in proving falsity in fraud); *Meckatzer Lowenbrau Benedikt Weiss KG v. White Gold LLC*, 95 U.S.P.Q.2d (BNA) 1185, 1188 (T.T.A.B. 2010) (denying a motion to dismiss, and finding fraud sufficiently pleaded with “information and belief” coupled with “results of an investigation”); *DaimlerChrysler Corp. v. Am. Motors Corp.*, 94 U.S.P.Q.2d (BNA) 1086, 1089 (T.T.A.B. 2010) (finding “petitioner’s reliance on *Medinol* is no longer appropriate”); *Qualcomm Inc. v. Flo Corp.*, 93 U.S.P.Q.2d (BNA) 1768, 1770 (T.T.A.B. 2010) (dismissing a post-*In re Bose* fraud claim, because allegations that a party “‘knew or should have known’ were false or misleading are insufficient”); *Asian & W. Classics B.V. v. Selkow*, 92 U.S.P.Q.2d (BNA) 1478, 1479 (T.T.A.B. 2009) (fraud must be pleaded “with particularity” and not as a “mere possibility”); *Enbridge v. Excelerate Energy LP*, 92 U.S.P.Q.2d (BNA) 1537, 1540 (T.T.A.B. 2009) (citing *In re Bose*, 580 F.3d at 1246) (fraud cannot be found without a “willful intent to deceive”).

<sup>146</sup> See *In re Bose Corp.*, 580 F.3d 1240, 1246 n.2 (Fed. Cir. 2009).

<sup>147</sup> *Daimler Chrysler*, 94 U.S.P.Q.2d at 1089 & n.5 (citing *In re Bose*, 580 F.3d at 1244–45).

light of footnote two of *In re Bose* remain to be determined.<sup>148</sup> Citing the footnote, his treatise refers to the issue as “[r]emaining unclear”<sup>149</sup> and “[r]emaining to be determined.”<sup>150</sup>

Interestingly though, not every court has changed its scienter requirement for fraud on the USPTO post-*In re Bose*. In a case issued in the summer of 2011, the Second Circuit discussed the scienter requirement for finding fraud on the USPTO.<sup>151</sup> Stating the elements of fraud (and upholding a jury verdict against the defendants), the Second Circuit held the applicable standard to be that “[t]he person making the representation knew *or should have known* that the representation was false (‘scienter’).”<sup>152</sup> In so stating, the Second Circuit neatly ignored *In re Bose*’s admonition to refrain from using the “should have known” standard in cases of fraud on the USPTO.<sup>153</sup> This can be presumed to be deliberate, because the Second Circuit cited, among other sources (including a previous version of McCarthy’s work), the *In re Bose* case itself.<sup>154</sup> Presumably, the Second Circuit intended to part from the Federal Circuit on the scienter requirement, although it did not specifically state that it was disagreeing with *In re Bose*, indeed, citing it for support. Accordingly, there appears to be a circuit split on the scienter requirement for the time being, at least between the Second Circuit and the Federal Circuit, potentially allowing parties to take advantage of that split on appeal from the TTAB (or perhaps in choosing

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<sup>148</sup> See 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:66, at 31-149, 31-152 (4th ed. 2011).

<sup>149</sup> *Id.* § 31:61, at 31-143.

<sup>150</sup> *Id.* § 31:66, at 31-152.

<sup>151</sup> See *Patsy’s Italian Rest., Inc. v. Banas*, Nos. 08-4487-cv(L) & 08-4774-cv(XAP), 2011 WL 3687887, at \*12 (2d Cir. Aug. 24, 2011).

<sup>152</sup> *Id.* (emphasis added).

<sup>153</sup> *In re Bose Corp.*, 580 F.3d 1240, 1244–45 (Fed. Cir. 2009).

<sup>154</sup> See *Patsy’s Italian Rest.*, 2011 WL 3687877, at \*13.

venue for district court cancellation proceedings). It remains to be seen how other regional circuits will react to *In re Bose* and which direction they will follow. Meanwhile, even within the *In re Bose* line, it is unclear exactly how high a level of knowledge is sufficient, and whether recklessness or reckless disregard qualify to find fraud.

## **V. Applying Willful Blindness—a Higher Standard—From Patent Law**

### **A. Defining the Doctrine of Willful Blindness**

Meanwhile, there is a stronger standard that should be considered by courts seeking a higher level of scienter than recklessness. In *Global Tech*, the Supreme Court stated clearly that willful blindness is different from, and more demanding than, recklessness or negligence.<sup>155</sup> As noted in Part III, the Court gave some specific guidance, noting that, although willful blindness is characterized in “slightly different ways” by the various regional circuits, it may be broken down into “two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.”<sup>156</sup>

Indeed, the regional circuits have given slightly different interpretations to the term “willful blindness,” primarily (though not exclusively) in criminal law,<sup>157</sup> and will no doubt continue to do so. These various interpretations can be instructive in deciding on a proper willful blindness standard for fraud on the USPTO. This section provides a survey of willful blindness definitions used by various federal circuit courts of appeals.

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<sup>155</sup> *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2070 (2011).

<sup>156</sup> *Id.*

<sup>157</sup> *See id.* at 2070 n.9.

The First Circuit has defined “willful blindness” as “aware[ness] of a high probability” that an act is illegal, which the defendant(s) “consciously and deliberately avoided learning.”<sup>158</sup> It stated that “[w]illful blindness *serves as an alternate theory on which the government may prove knowledge.*”<sup>159</sup>

In contrast, the Second Circuit has created a “conscious avoidance doctrine,” similar to “willful blindness,” which provides:

that a defendant’s knowledge of a fact required to prove the defendant’s guilt may be found when the jury “is persuaded that the defendant consciously avoided learning that fact while aware of a high probability of its existence.” In such circumstances, a conscious avoidance instruction to the jury “*permits a finding of knowledge* even where there is no evidence that the defendant possessed actual knowledge.”<sup>160</sup>

The Third Circuit has stated that “willful blindness” requires an “element of knowledge,” which would be satisfied if the government proved “the defendant closed his eyes to what would otherwise have been obvious to the defendant. . . . *Stated another way, the defendant’s knowledge of a fact or circumstance may be inferred from his willful blindness to the existence of that fact and circumstance.*”<sup>161</sup>

In *United States v. Schnabel*,<sup>162</sup> the Fourth Circuit held that “[t]he willful blindness instruction allows the jury to *impute the element of knowledge* to the defendant if the evidence

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<sup>158</sup> *United States v. Perez-Melendez*, 599 F.3d 31, 41 (1st Cir. 2010).

<sup>159</sup> *Id.* (emphasis added).

<sup>160</sup> *United States v. Svoboda*, 347 F.3d 471, 477–78 (2d Cir. 2003) (emphasis added) (quoting *United States v. Samaria*, 239 F.3d 228, 239 (2d Cir. 2001)).

<sup>161</sup> *United States v. Stadtmauer*, 620 F.3d 238, 253 (3rd Cir. 2010) (emphasis added).

<sup>162</sup> *United States v. Schnabel*, 939 F.2d 197, 203 (4th Cir. 1991).

indicates that he purposely closed his eyes to avoid knowing what was taking place around him.”<sup>163</sup>

The Fifth Circuit finds “knowledge” from willful blindness appropriate where “(1) the defendant was subjectively aware of a high probability of the existence [of a fact]; and (2) the defendant purposefully contrived to avoid learning of the [fact].”<sup>164</sup>

The Sixth Circuit has upheld a willful blindness instruction, noting “this circuit has repeatedly upheld the district court’s knowledge instruction on the basis that it prevents a criminal defendant from escaping conviction merely by *deliberately closing his eyes* to the obvious risk that he is engaging in unlawful conduct.”<sup>165</sup>

The Seventh Circuit has upheld instruction and conviction on what the court refers to as an “ostrich instruction:”

*Knowledge may be inferred* from a combination of suspicion and *indifference to the truth*. If you find that the defendant had a strong suspicion that things were not what they seemed or that someone had withheld some important facts, yet shut his eyes for fear of what he would learn, you may conclude that he acted “knowingly” . . . . [but] not . . . if he was merely negligent in not discovering the truth.<sup>166</sup>

The Eighth Circuit has defined “willful blindness,” in the context of upholding conviction and jury instruction, by stating:

[T]he government may prove that the defendant . . . *acted knowingly* by proving . . . that this defendant *deliberately closed her eyes to what would otherwise have been obvious to her*. No one can avoid responsibility for a crime by deliberately ignoring what is obvious. . . . Stated another way, a person’s

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<sup>163</sup> *Id.* at 203 (emphasis added).

<sup>164</sup> *United States v. Scott*, 159 F.3d 916, 922 (5th Cir. 1998).

<sup>165</sup> *United States v. Holloway*, 731 F.2d 378, 381 (6th Cir. 1984) (per curiam) (emphasis added).

<sup>166</sup> *United States v. Draves*, 103 F.3d 1328, 1333 (7th Cir. 1997) (emphasis added).

knowledge of a particular fact *may be shown from a deliberate or intentional ignorance* or deliberate or intentional blindness to the existence of that fact.<sup>167</sup>

Similarly, in *United States v. Heredia*,<sup>168</sup> the Ninth Circuit upheld the willful blindness instruction and conviction. There, the court explained that:

deliberate ignorance, otherwise known as willful blindness, is categorically different from negligence or recklessness. A willfully blind defendant is one who took *deliberate* actions to avoid confirming suspicions of criminality. A reckless defendant is one who merely knew of a substantial and unjustifiable risk that his conduct was criminal; a negligent defendant is one who should have had similar suspicions but, in fact, did not.<sup>169</sup>

Therefore, the court held that “willful blindness is tantamount to knowledge.”<sup>170</sup>

The Tenth Circuit has stated that willful blindness depends on “whether there was a conscious purpose to avoid enlightenment.”<sup>171</sup>

Finally, the Eleventh Circuit has determined that:

A “deliberate ignorance” instruction is appropriate when “the facts . . . support the inference that the defendant was aware of a high probability of the existence of the fact in question and purposely contrived to avoid learning all of the facts in order to have a defense in the event of a subsequent prosecution.”<sup>172</sup>

In many of the above-cited cases from the regional circuits, the crime at issue involved fraud, and the courts readily applied willful blindness as an appropriate standard of scienter.<sup>173</sup>

Accordingly, it would not be a great stretch for a court in any jurisdiction to apply the doctrine to

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<sup>167</sup> *United States v. Florez*, 368 F.3d 1042, 1044 (8th Cir. 2004) (emphasis added).

<sup>168</sup> 483 F.3d 913 (9th Cir. 2007) (en banc).

<sup>169</sup> *Id.* at 918 n.4 (citation omitted).

<sup>170</sup> *Id.* at 922 n.13.

<sup>171</sup> *Griego v. United States*, 298 F.2d 845, 849 (10th Cir. 1962).

<sup>172</sup> *United States v. Perez-Tosta*, 36 F.3d 1552, 1564 (11th Cir. 1994) (quoting *United States v. Rivera*, 944 F.2d 1563, 1571 (11th Cir. 1991)).

<sup>173</sup> Note, too, that most of these cases were cited by the Supreme Court in *Global-Tech* as grounds for cross-applying willful blindness to patent law. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2070 n.9 (2011).

other types of fraud, including fraud on the USPTO. There is precedent, even in Federal Circuit jurisprudence, for a standard akin to willful blindness, including opinions finding conduct to be willful.<sup>174</sup> Although these statements were made in the context of patents, the Federal Circuit has shown its acceptance of cross-applying relevant doctrines between patent and trademark law.<sup>175</sup> Accordingly, to cross-apply a doctrine from patent jurisprudence, where appropriate, to trademark law, is also acceptable and indeed prescient.<sup>176</sup>

### **B. Other Legal Bases for Considering Willful Blindness in Trademark Law**

The doctrine of willful blindness has also been applied by regional circuits in various trademark cases as a substitute for actual knowledge.<sup>177</sup> Furthermore, the Second Circuit has quoted the Seventh Circuit's statement that "willful blindness is equivalent to actual knowledge for purposes of the Lanham Act."<sup>178</sup> Indeed, if this is so, as various regional circuits have held,

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<sup>174</sup> See e.g., *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics Inc.*, 976 F.2d 1559, 1581 (Fed. Cir. 1992) (stating that "[a]s this court warned in *Ryco*, '[a]n alleged infringer who intentionally blinds himself to the facts and law, continues to infringe, and employs the judicial process with no solidly based expectation of success, can hardly be surprised when his infringement is found to have been willful.'" (quoting *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1429 (Fed. Cir. 1988))). Of course, as noted *supra* in Part IV.C, the Federal Circuit has indicated that it would find willfulness on even the lowered scienter of recklessness. See *In re Seagate*, 497 F.3d 1360, 1369–71 (Fed. Cir. 2007) (en banc) (relying for support on copyright law as outlined by "sister circuits," as well as on the Restatement of Torts' definition of recklessness).

<sup>175</sup> See *supra*, note 49 and cases cited therein.

<sup>176</sup> See *In re Bose Corp.*, 580 F.3d 1240, 1244–45 (Fed. Cir. 2009) ("The principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark fraud cases.").

<sup>177</sup> See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir. 2010) (finding that willful blindness would not act as a shield for finding knowledge); *Fonovisa v. Cherry Auction Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (borrowing persuasive Seventh Circuit precedent in applying willfully blind as the standard for contributory trademark infringement); *Chanel, Inc. v. Italian Activewear of Fla., Inc.*, 931 F.2d 1472, 1476 (11th Cir. 1991) (accepting the district court's reference to the Seventh Circuit's willful blindness standard in a counterfeit claim); *Louis Vuitton S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989) (reversing with directions for findings on damages in sale of counterfeits, the appellate court noted that "[w]illful blindness is knowledge enough.").

<sup>178</sup> *Tiffany (NJ)*, 600 F.3d at 110 (quoting *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) ("To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.")).

then it may be no great stretch to apply willful blindness as a standard of knowledge in cases of fraud on the USPTO, a matter clearly contemplated by the Lanham Act.<sup>179</sup>

### **C. Finding the Right Scienter for Fraud on the USPTO**

In the aftermath of *In re Bose*, courts have been left to determine which scienter requirement is applicable to trademark parties involved in claims of fraud on the USPTO. The Federal Circuit clarified that fraud can only be found where a statement was made knowingly and with “intent to deceive the [USPTO].”<sup>180</sup> However, arriving at the proper level of knowledge is not always a simple matter. Courts are left with three possibilities.

First, courts could insist on a very strict interpretation of the word “knowing.” In this scenario, only the highest and strictest interpretation of the word would satisfy a post-*In re Bose* finding of fraud. Combining the high standard of scienter with the need for a “willful intent to deceive,”<sup>181</sup> courts may simply find that post-*In re Bose* plaintiffs cannot adequately plead or prove fraud without showing the requisite knowledge of its falsity.

Second, courts could determine that a lower level of recklessness or reckless disregard satisfies the post-*In re Bose* scienter requirement of knowledge. The *In re Bose* opinion itself noted that the court did not “resolve this issue,”<sup>182</sup> thereby leaving it open for future courts to decide. In one post-*In re Bose* case, the TTAB likewise noted that the possibility of applying reckless disregard as a scienter requirement is “[s]till open,”<sup>183</sup> a sentiment echoed by Professor

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<sup>179</sup> See 15 U.S.C. § 1064(3) (2006).

<sup>180</sup> *In re Bose*, 580 F.3d at 1245.

<sup>181</sup> *Id.* at 1246.

<sup>182</sup> *Id.* at 1246 n.2.

<sup>183</sup> *DaimlerChrysler Corp. v. Am. Motors Corp.*, 94 U.S.P.Q.2d (BNA) 1086, 1089 n.5 (T.T.A.B. 2010).



McCarthy's treatise.<sup>184</sup> As noted in Part IV.C, federal courts have applied recklessness to other areas of fraud, including securities fraud, bankruptcy fraud, and common-law fraud.<sup>185</sup> Additionally, the Federal Circuit itself has allowed it as a scienter requirement in other contexts.<sup>186</sup>

A third, and somewhat intriguing possibility, arose in the 2011 Supreme Court *Global-Tech* decision. There, the Court instructed the Federal Circuit and district courts to borrow the willful blindness standard from criminal law where an appropriate one was lacking in patent law.<sup>187</sup> This Article suggests that courts consider further extending this option to trademark cases, specifically where there are claims of fraud on the USPTO.

This Article has discussed the appropriate efforts of the Supreme Court to harmonize patent law with general jurisprudence, a goal clearly sought in *Global-Tech*.<sup>188</sup> It has also discussed the appropriate efforts of the Supreme Court and the lower courts—following legislative and other historical bonds—to harmonize patent, copyright, and trademark law with one another.<sup>189</sup> It is, therefore, quite logical to consider that the Supreme Court would want

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<sup>184</sup> See MCCARTHY, *supra* note 148, §§ 31:61, 31:66.

<sup>185</sup> See *supra* Part IV.C.

<sup>186</sup> See *In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (adopting objective recklessness as the scienter requirement for willful infringement in patent law). Although this was a patent case, *id.* at 1368, the court looked to copyright law for guidance, *id.* at 1370, further supporting the concept that the three areas of intellectual property law should be aligned.

<sup>187</sup> *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2069 (2011). Note that the Supreme Court in *Global-Tech* did cite to one circuit that has issued a decision admonishing the growing trend of courts issuing conscious disregard or willful blindness instructions. *Id.* at 2070 n.9 (citing *United States v. Alston-Graves*, 435 F.3d 331, 339–41 (D.C. Cir. 2006)). The Court of Appeals for the D.C. Circuit questioned whether the instruction was inappropriate where actual knowledge was evident. See *Alston-Graves*, 435 F.3d at 336–39. The court found the willful blindness instruction to be harmless error. See *id.* at 342. This issue is not relevant in non-jury trials, which includes administrative proceedings at the TTAB.

<sup>188</sup> See *supra* Part I.

<sup>189</sup> See *supra* Part II.

courts to extend the doctrine of willful blindness to other areas of law, including, where appropriate, copyright and trademark law.

In particular, willful blindness may be an appropriate standard for courts to apply as a scienter requirement for claims of fraud on the USPTO. In *In re Bose*, the Federal Circuit held that fraud can only be found where a false statement was knowingly made with a “willful intent to deceive” the USPTO.<sup>190</sup> The Supreme Court has clearly stated that willful blindness is a higher standard of scienter than recklessness and should be applied in appropriate contexts, looking for guidance to regional circuits’ well-developed jurisprudence on this standard of scienter.<sup>191</sup>

In *Global Tech*, the Supreme Court stated that, “[g]iven the long history of willful blindness and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits.”<sup>192</sup> While it is not entirely clear that the Federal Circuit (or other regional circuits applying these claims) would accept willful blindness as meeting the strict standards of *In re Bose*, the Supreme Court noted in *Global-Tech* that one who is willfully blind “can almost be said to have actually known” the facts.<sup>193</sup> The Court also condemningly stated that “[t]he traditional rationale for this doctrine is that defendants who behave in this manner are just as culpable as those who have actual knowledge.”<sup>194</sup> The doctrine

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<sup>190</sup> *In re Bose Corp.*, 580 F.3d 1240, 1245–46 (Fed. Cir. 2009).

<sup>191</sup> See *Global-Tech*, 131 S. Ct. at 2070. Certainly, there is a fine distinction between willful blindness and the standard that the Supreme Court displaced, “deliberate indifference to a known risk.” *Id.* at 2065. See *supra* Part V.A for various courts’ definitions of “willful blindness.”

<sup>192</sup> *Global-Tech*, 131 S Ct. at 2069.

<sup>193</sup> *Id.* at 2070–71.

<sup>194</sup> *Id.* at 2069.

has been applied by the Federal Circuit as a standard of knowledge in patent law,<sup>195</sup> as well as by various regional circuits to find knowledge in criminal law,<sup>196</sup> and scienter in certain trademark contexts, with several circuit courts comfortably saying that “willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.”<sup>197</sup> All of this logically indicates that, under the *In re Bose* standard, willful blindness is an appropriate scienter requirement for finding fraud on the USPTO.

## Conclusion

While the Federal Circuit set forth a knowledge requirement for parties alleging fraud on the USPTO in their trademark disputes,<sup>198</sup> there are three viable interpretations of that level of scienter. Looking to other areas of law, it becomes apparent that “knowledge” may be interpreted to mean (1) actual knowledge; (2) recklessness or reckless disregard;<sup>199</sup> or, looking creatively to historically and legally-related patent law, as well as to other applications of trademark law, (3) willful blindness.<sup>200</sup> Supreme Court precedent should guide all areas of jurisprudence. The Supreme Court has provided a useful standard in willful blindness.<sup>201</sup> To simply close one’s eyes to analogies in related areas of law would be unwise.

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<sup>195</sup> See *Minn. Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.3d 1559, 1581 (Fed. Cir. 1992); see also *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1428–29, (Fed. Cir. 1988). As noted, *supra*, the Federal Circuit has also recently accepted “objective recklessness” as an appropriate scienter requirement for finding “willful” infringement in patent claims. See *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

<sup>196</sup> See cases cited *supra* Part V.A.

<sup>197</sup> *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992); see also cases cited *supra* Part V.B.

<sup>198</sup> See *In re Bose Corp.*, 580 F.3d 1240, 1245 (Fed. Cir. 2009).

<sup>199</sup> See *supra* Part IV.C.

<sup>200</sup> See *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2069 (2011); *Louis Vuitton S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989).

<sup>201</sup> See *Global-Tech*, 131 S. Ct. at 2063, 2069.