

Cancellation of a Registered Mark Based on Fraud in Section 15 Affidavit Not Allowed

Article By:

Stephanie D. Scruggs

Angela Holt

On Wednesday, a divided panel of the Federal Circuit issued a precedential decision reversing the USPTO's cancellation of a registered trademark (*Great Concepts, LLC v. Chutter, Inc.*, No. 2022-1212). As detailed in the [opinion](#), the majority held that the Trademark Trial and Appeal Board lacked the power to cancel a trademark registration based on fraud in a declaration of incontestability.

The Back Story

In 2003, Great Concepts applied to register DANTANNA'S for restaurant services. In March 2005, the mark was registered ([Registration No. 2929764](#)). Then, in June 2005, Dan Tana applied to register DAN TANA for restaurant services. The USPTO refused registration at the end of the year based on the DANTANNA'S registration.

In June 2006, Dan Tana argued against the refusal and also filed a petition to cancel DANTANNA'S registration alleging a likelihood of confusion with Dan Tana's common law DAN TANA mark for the LA-based restaurant. According to the [petition](#), Dan Tana's is known as a "legendary Hollywood hotspot" and the "ultimate LA hangout" with patrons such as George Clooney, Matt Damon, and Brad Pitt. To even things out—for those that have not had the opportunity to visit any of the Atlanta area [DANTANNA'S](#)—the self-described "upscale sports restaurants" offer a tasty, braised beef short rib. In any event, three and a half years later, in December 2010, the TTAB dismissed the cancellation proceeding with prejudice "[based on petitioner's apparent loss of interest](#)" after Dan Tana failed to respond to an order to show cause.

Tana had also filed a civil action for trademark infringement against Great Concepts in the Northern District of Georgia (Civil Action No. 1:08-CV-975-TWT) in 2008. The district court granted summary judgment in favor of Great Concepts, which was ultimately upheld on appeal by the Eleventh Circuit and made final in August 2010 (and likely the cause for Dan Tana's "loss of interest" in the cancellation proceeding).

Earlier in 2010, Great Concepts' former counsel had submitted a combined Section 8 and 15

declaration that sought to both maintain the DANTANNA'S registration (under Section 8) and obtain incontestable status (under Section 15). The Section 15 affidavit, among other statements, explicitly stated that no proceedings involving the DANTANNA'S mark were pending:

The mark is in use in commerce on or in connection with the goods and/or services identified above, as evidenced by the attached specimen(s) showing the mark as used in commerce. The mark has been in continuous use in commerce for five (5) consecutive years after the date of registration, or the date of publication under Section 12(c), and is still in use in commerce. There has been no final decision adverse to the owner's claim of ownership of such mark, or to the owner's right to register the same or to keep the same on the register; and there is no proceeding involving said rights pending and not disposed of either in the U.S. Patent and Trademark Office or in the courts.

However, as previously discussed, the cancellation proceeding (and related litigation) were still ongoing.

In 2015, Chutter, Inc. (Dan Tana's successor) filed a [new petition](#) to cancel the DANTANNA'S registration, alleging Great Concepts' 2010 Section 15 declaration constituted fraud warranting cancellation of its registration under Section 14 of the Lanham Act. The TTAB agreed, found Great Concepts' prior counsel knowingly made false statements with intent to deceive the USPTO, held that the fraudulent declaration enabled Great Concepts to obtain a new right—incontestability, and issued a cancellation order. Great Concepts appealed the TTAB's cancellation of its DANTANNA'S mark to the Federal Circuit.

The Appeal

The appeal primarily centered around how Section 15 and Section 14 relate to one another. Obtaining “incontestability” status for a mark requires compliance with Section 15 of the Lanham Act (15 U.S.C. § 1065). Specific to the facts here, the statute requires the mark owner to file “an affidavit ... with the Director” that includes a number of required statements. One such statement is that “there is no proceeding involving said rights pending.” As discussed above, Great Concepts' Section 15 affidavit made this statement (even though the cancellation proceeding was still pending).

Section 14 of the Lanham Act (15 U.S.C. § 1064(3)) gives the USPTO the power to act on a petition to cancel a registered trademark on a number of bases including, but not limited to, whether the “registration was obtained fraudulently.” Recall that the TTAB cancelled DANTANNA'S because it found that Great Concepts' prior counsel knowingly made false statements with intent to deceive the USPTO and held that the fraudulent declaration enabled Great Concepts to obtain a new right—incontestability. Thus, the question on appeal was whether Section 14 gave the USPTO the power to cancel a registration for fraudulent acts committed while attempting to establish incontestability.

The majority found that Section 14 statute permits cancellation only for fraudulent acts taken while obtaining the registration—not for establishing incontestability. More specifically, the majority explained that, even though the Section 8 and 15 filings were combined, the fraudulent statement in question pertained only to the Section 15 declaration. As “a Section 15 declaration only relates to a mark's incontestability, not its registration,” Section 14 does not apply here. By way of further explanation, the majority distinguished a scenario where a fraudulent statement was made on renewal under Section 8 because, in that case, the registration itself would be compromised. Long story short, the TTAB exceeded its power.

Notably, in the dissent, Judge Reyna argued that the majority's statutory interpretation improperly restricts the TTAB's ability to combat fraud before the agency. The majority addressed this argument and passed the baton to Congress:

Even if it were true that our decision would result in an unwelcome increase in fraud perpetrated against the Board – which, again, we do not believe it will – we would nonetheless adhere to the unambiguous language of the statute.

. . .

Whether we would prefer a different result be reflected in the statute is irrelevant to our responsibility to decide the case before us based on the law as it exists.

The Warning

This opinion also serves as a cautionary tale for those filing affidavits with the USPTO. While checking a box or including a form paragraph for trademark practitioners and corporate declarants certainly seems like a relatively easy and/or harmless task, the statements that are being averred have real consequences both from a potential loss of rights for the mark holder and sanctions and penalties for the declarant. Indeed, if the warning that a "Section 15 declaration is filed under penalty of perjury . . . ('The undersigned being hereby warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001.')" is not enough to garner attention, the majority also noted that the USPTO has other means for punishing fraud, including sanctions and penalties against an attorney declarant.

In its [final decision](#) in the 2015 cancellation proceeding filed by Chutter, the TTAB explained that "reckless disregard satisfies the requisite intent for fraud on the USPTO in trademark matters." So, what is it reckless disregard in this context? For one, "failing to make an appropriate inquiry into the accuracy of the statements." According to the TTAB, this qualifying failure applies even if the declarant is not aware of the legal requirements for a particular affidavit. In fact, the TTAB explained that Great Concepts' attorney acted with reckless disregard because he "paid little, or no, attention to the document he was signing under oath and thereby disregarded the significance of the benefits he was obtaining for his client."

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