
Trademark Trial and Appeal Board: First Successful Fraud Case in Five Years

By [Laura Popp-Rosenberg](#)

Nationstar Mortgage LLC v. Ahmad, Opp. No. 91177036, — U.S.P.Q.2d — (T.T.A.B. 2014)

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In a precedential decision released September 30, 2014, the Trademark Trial and Appeal Board (“TTAB” or the “Board”) sustained a fraud claim for the first time since 2009.

Fraud in procuring or maintaining a trademark registration occurs when an applicant or registrant makes false, material representations of fact in connection with a trademark application or registration with the intent to deceive the U.S. Patent and Trademark Office (“USPTO”). Before the 2009 decision of the U.S. Court of Appeals for the Federal Circuit (“CAFC”) in *In re Bose Corporation*, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009), parties could successfully object to applications or registrations by showing that the applicant or registrant made material representations of fact to the USPTO that it knew or should have known to be false. In *In re Bose*, the CAFC rejected the “should have known” standard, holding that such standard “erroneously lowered the fraud standard to a simple negligence standard.” 91 U.S.P.Q.2d at 1940. Following the CAFC’s 2009 decision, many parties have tried to prove fraud but have floundered in establishing “knowing intent to deceive,” direct evidence of which is rarely available.

In the most recent precedential decision to rule on a fraud claim, applicant Mujahid Ahmad, without the help of an attorney, prepared and filed a use-based application to register the mark NATIONSTAR for “real estate brokerage; rental of real estate; real estate management services, namely, management of

commercial and residential properties; real estate investment; residential and commercial property and insurance brokerage; mortgage brokerage; and business finance procurement services.” Nationstar Mortgage LLC opposed, alleging fraud on the basis that Ahmad had not used the NATIONSTAR mark for any of the recited services before the filing date of the application and had submitted a fabricated specimen of use. In sustaining the opposition, the TTAB agreed that Ahmed’s averments about his use of the NATIONSTAR mark for the recited services at the time he filed the application were fraudulent. Having ruled in Nationstar’s favor on the “principal” fraud claim, the Board declined to rule on the “alternative” fraud claim regarding the allegedly fabricated specimens. Slip Op. at 30.

According to the record:

- Ahmad was licensed as a real estate agent in September 2004.
- Ahmad registered the domain names *nationstarmortgage.com* and *nationstarmortgage.net* on April 4, 2005 – the date of first use alleged in the trademark application – and registered three other *nationstar* domain names a few weeks later. But no content was displayed on the websites until February 2007.
- Ahmad incorporated NationStar Mortgage, Inc. in May 2006, but that company never did any business nor filed any tax returns.
- NationStar Mortgage, Inc. first obtained a mortgage broker license in October 2006, but neither Ahmad nor his company ever obtained real estate broker or insurance broker licenses.
- The only documentary evidence bearing the NATIONSTAR marks consisted of business cards, postcards and flyers allegedly distributed in late 2004 and early 2005. But the documents identify NationStar Mortgage, Inc. as a mortgage broker even though the company neither existed nor was a licensed mortgage broker before 2006.
- Ahmad’s fact witnesses (who also self-identified as Ahmad’s “good friends”) testified that Ahmad acted as their real estate agent but referred them elsewhere for insurance and mortgages.

The TTAB had no problem with the materiality element of Nationstar’s fraud claim, holding that Ahmad’s statements regarding use of the NATIONSTAR mark for the recited services as of the application filing date were material to the USPTO’s approval of the application for publication, since “if

it had been disclosed to the examining attorney that the mark was not in use for the identified services . . . , registration would have been refused.” Slip Op. at 9.

The TTAB also had little trouble finding that Ahmad’s averments regarding use were false. The Board found that Ahmad’s testimony was entirely “lacking in conviction and credibility.” Slip Op. at 28. For example, although Ahmad was the owner and president of NationStar Mortgage, Inc., he claimed not to know whether the company had any earnings. *Id.* He also professed not to know which advertising materials he had created himself and which had been created by outside vendors, or even who those outside vendors were. *Id.* at 22-25. The Board emphasized that Ahmad was not a licensed mortgage broker, insurance broker, or real estate broker at or before the time he filed his trademark application, and thus could not have legally held himself out as providing those services, which were among those recited in the application. *Id.* at 32. Ultimately, the Board refused to credit either Ahmad’s testimony or the documents on which he relied, and concluded that there was no evidence that Ahmad had been using the NATIONSTAR mark before the application date. *Id.* at 29. (Interestingly, the Board did credit evidence that Ahmad had been providing real estate agency services prior to his application date, but those services are not recited in the application.)

As to whether Ahmad’s false statements were made knowingly and with an intent to deceive the USPTO, the Board concluded that the evidence supported no other conclusion and that it was appropriate on the record to infer culpable intent: “The surrounding facts and circumstances provide clear and convincing evidence that applicant did not have a good faith reasonable basis for believing that he was using the NATIONSTAR mark in commerce for all the services identified in the application.” Slip Op. at 33-34. The Board pointed out that Ahmad was participating in a strictly regulated industry and was aware of the licensing requirements in that industry. *Id.* at 29. The Board concluded that this case did not involve “a nuance of trademark law that applicant may have incorrectly interpreted,” but rather “false statements about [applicant’s] own industry and his own activities.” *Id.* at 37. As a real estate agent, Ahmad was aware that “reading, understanding, and verifying the accuracy of documents that one signs is critical.” *Id.* at 29. Thus, there could be no excuse for Ahmad’s false declaration.

Having concluded that Ahmad made false, material representations of fact with the intent to deceive the USPTO, the Board sustained the fraud claim and refused to register the NATIONSTAR mark to Ahmad.

While it will be interesting to see whether this case restarts a line of successful fraud claims before the TTAB, we note one important practice point. Ahmad apparently attempted to avoid a fraud ruling by filing a motion to amend the filing basis of his application from use in commerce under Section 1(a) of the Lanham Act, to intent to use under Section 1(b) of the Lanham Act after the opposition had been instituted. While the TTAB granted the motion early in the proceeding, it noted in doing so that “amending the filing basis of the opposed application to Section 1(b) does not protect the application from the fraud claim.” Slip Op. at 6. In the opposition decision, the TTAB “confirm[ed] that once an opposition has been filed, fraud cannot be cured merely by amending the filing basis for those goods or services on which the mark was not used at the time of the signing of the use-based application.” *Id.* The TTAB also suggested that a change in the filing basis will not moot a fraud claim if made *after* an application is published for opposition, stating that “a fraud claim in an opposition notice is predicated on the opposer’s belief in damage based on the application *as published.*” *Id.* at 7 (emphasis added). While it is still unclear whether any later corrections can cure fraudulent intent, the TTAB’s statement, at the very least, suggests that where the fraud occurs at the application stage, an applicant’s only chance to avoid a fraud ruling may be to make any necessary corrections *before* publication.