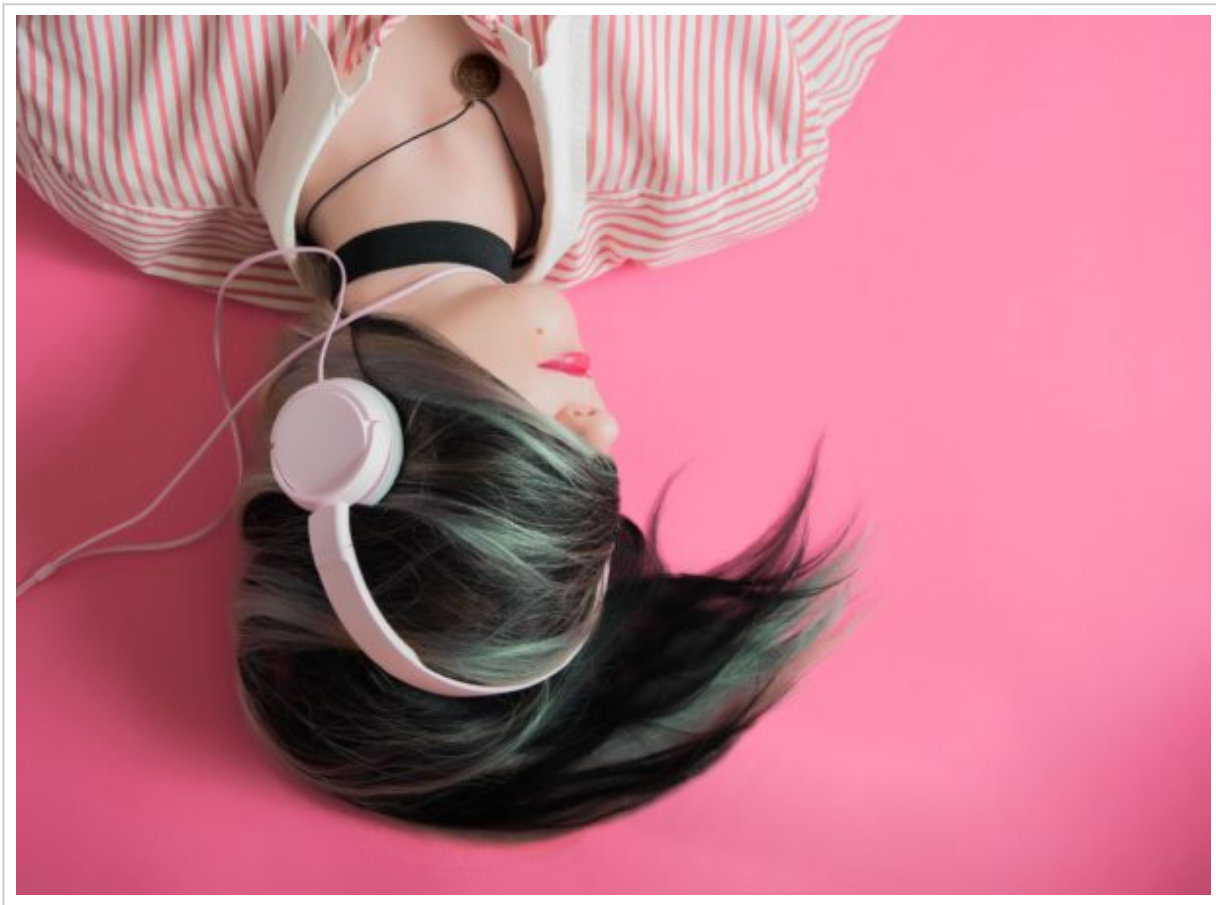


## U.S. Supreme Court Invalidates Statutory Provision against Offensive Trademarks

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Although U.S. common law trademark rights are gained through use of the mark in commerce (without registration), registration of a trademark with the U.S. Patent and Trademark Office (“USPTO”) provides the owner with additional rights and benefits. These include nationwide enforcement of the mark against infringers; constructive notice of the registrant’s claim of ownership of the mark; evidentiary presumptions of the validity of the mark, the registrant’s ownership of the mark, and the registrant’s exclusive right to use the mark in commerce on or in connection with the goods or services in the registration; the status of “incontestability” once the mark has used in commerce for five years after registration; and the ability to stop importation of infringing goods into the U.S.

However, the U.S. Lanham Act (15 U.S.C. 1051), which provides for federal registration of marks, contains a number of provisions barring the registration of certain kinds of marks. In addition to barring registration of marks confusingly similar to other registered marks or merely descriptive of the goods or services, the Act also prevents registration of marks comprising “immoral, deceptive, or scandalous matter”; marks that “disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute”; a “geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods”; a mark that “consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation”; or a mark that “consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow” except by written consent.

## Disparagement as Grounds for Refusal to Register

Although not always applied consistently, the USPTO has used the “disparagement” clause since 1946 to refuse registration to marks that the examiners conclude are disparaging. Under § 1203.03(b)(i) of the Trademark Manual of Examining Procedures, they first consider “the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services.” If a “substantial composite, although not necessarily a majority, of the referenced group would find the proposed mark...to be disparaging in the context of contemporary attitudes,” the burden shifts to the applicant to prove that the trademark is not disparaging. Even if “an applicant may be a member of that group or has good intentions underlying its use of a term,” that will not overrule the examiner’s finding that the term is objectionable to a substantial composite of the referenced group. A disparaging mark was refused registration on the Principal or the Supplemental Register.

Last week, the liberals and conservatives on the U.S. Supreme Court joined forces under the Free Speech banner to unanimously strike down the disparagement clause as unconstitutional, because it permits the USPTO to discriminate among marks based on the offensive or inoffensive viewpoint expressed by the owner. *Matal v. Tam*, 582 U.S. \_\_\_\_ (No. 15-1293, June 19, 2017).

## History of “The Slants” Trademark

In November 2011, Simon Tam, founding member of the dance-rock band “The Slants,” whose members are all Asian-Americans, applied to register the band’s name as a trademark for “entertainment in the nature of live performances by a musical band.” Although aware that “Slants” is a derogatory term for persons of Asian descent, the band members adopted the name to “reclaim” the term and “take ownership” of stereotypes about people of Asian ethnicity. The band’s lyrics are inspired by “childhood slurs” and “mocking nursery rhymes.” The USPTO examiner refused registration based on the disparagement clause, relying on dictionary definitions that the term was derogatory or offensive, that the band’s name was found offensive, causing a performance to be cancelled, and that “several bloggers and commenters to articles on the band have indicated that they find the term and the applied-for mark offensive.”

Tam unsuccessfully appealed the refusal to the Trademark Trial and Appeal Board and then to the U.S. Court of Appeals for the Federal Circuit. Although the three-judge panel at the Federal Circuit initially

affirmed the refusal to register, the full court sitting *en banc* found that the disparagement clause was unconstitutional because it (1) engaged in viewpoint-based discrimination, (2) regulated the expressive component of trademarks, and (3) required strict scrutiny, which it could not satisfy. The Court also rejected the USPTO's arguments that registered trademarks constitute "government speech" not subject to the First Amendment's Freedom of Speech clause, and that federal trademark registration is a form of government subsidy not subject to the First Amendment's protections.

## The Supreme Court Decision

On review, the Supreme Court first rejected Tam's argument that the Lanham Act disparagement clause does not apply to racial or ethnic groups, only individual "persons". The Court found that a mark that disparages a "substantial" percentage of the members of a racial or ethnic group necessarily disparages many "persons." Moreover, the disparagement clause applies to "institutions" and "beliefs," not just "persons," so it applies to members of any group sharing particular beliefs, not just particular natural persons. The Court noted that even though the vagueness of the disparagement clause has resulted in highly subjective and inconsistent determinations of what is "disparaging" and a "haphazard record of enforcement," registration of other offensive marks relied on by Tam was likely attributable to "the regrettable attitudes and sensibilities of the time in question" when the marks were registered.

## Trademarks as Government Speech – Not!

In concluding that the disparagement clause violates the Free Speech Clause of the First Amendment, the Supreme Court rejected the government's arguments that (1) trademarks are government, not private, speech, (2) trademarks are a form of government subsidy, and (3) there is a new "government-program" doctrine for testing constitutionality of limitations on speech. As only the first point was joined by a majority of the Justices, only the ruling on the first point is the formal opinion of the Court.

The Government's own speech is exempt from the First Amendment because government could not function if it had to maintain viewpoint neutrality when its officers and employees speak about a course of action taking by a government entity. The Court observed that the government produced posters during World War II promoting the war effort by encouraging military enlistment, war bond purchases, and conservation of scarce resources. The First Amendment did not require the government to balance viewpoints by producing posters urging Americans to take the opposite actions. However, the court concluded that the government speech doctrine is susceptible to dangerous misuse. The government could silence or muffle private expression by "affixing a government seal of approval."

The Court observed that although trademarks registrations are issued by an arm of the federal government, the USPTO does not "dream up these marks" and does not edit the marks applicants submit for registration. Other than under the disparagement clause, the USPTO cannot reject a mark based on the viewpoint it expresses and cannot inquire whether the viewpoint conveyed is consistent with government policy or other viewpoints expressed by previously registered marks. Unless challenged, an examiner's conclusion to allow registration of a mark is not reviewed by any higher official, and once a mark is registered, the USPTO cannot remove it from the register unless a third party moves for cancellation, the registration expires, or the Federal Trade Commission has objections. Therefore, the Court held, registration of a trademark is not government speech and, if it were, the government "is babbling prodigiously and incoherently," saying "many unseemly things," "expressing contradictory views," and "unashamedly endorsing a vast array of commercial products and services."

Registration does not constitute government approval of a mark. Only a tiny fraction of the public knows what federal registration of a trademark means and there is no evidence that the public associates the

content of trademarks with the government. As an example of government speech, the Court pointed to a federal statute calling for creation of a program of paid advertising to “advance the image and desirability of beef and beef products.” Trademarks do not share the characteristics of such advertising. The Court also rejected the USPTO’s argument that trademarks are like state-issued vehicle license plates, where the state is allowed to maintain control over the messages conveyed on specialty license plates.

The Court also concluded that allowing the USPTO to control the viewpoint expressed in a trademark would set a dangerous precedent for the content of speech expressed in materials registered by the U.S. Copyright Office. If trademark registration is characterized as government speech, then copyright registration would also amount to government speech, which is an unacceptable conclusion.

## **Trademarks as Government Subsidies or Government Programs – Not!**

The Court also rejected the argument that trademarks are a form of government subsidy. That line of cases involves cash subsidies or their equivalent but the government does not pay money to parties seeking to register a mark. Rather, those parties pay fees to the government to obtain and maintain trademark registrations. Similarly, the “government-program” cases, which involve public employers collecting union dues from all employees, including non-union employees, do not apply to trademark registration.

As the Court concluded, “the public expression of ideas may not be prohibited merely because the ideas are themselves offensive to some of their hearers.” It is a bedrock principle underlying the First Amendment that the government “may not prohibit the expression of an idea simply because society finds the idea itself offensive or disagreeable.” Even if trademarks are considered to be “commercial speech,” the disparagement clause cannot be upheld because the government does not have an interest in preventing speech expressing ideas that offend, even if those ideas are hateful. The disparagement clause is not an anti-discrimination provision; it is a “happy-talk” clause. It is also too broad in protecting every person living or dead as well as every institution. For example, commerce would not be disrupted by a trademark saying “James Buchanan [15th president, 1857-1861] was a disastrous president.” The Court further observed, “The commercial market is well stocked with merchandise that disparages prominent figures and groups, and the line between commercial and non-commercial speech is not always clear.” Suppression of any speech leading to political or social volatility would endanger the right to free speech.

Four of the Justices joined in the decision that the disparagement clause is an unconstitutional limitation on free speech because whether a mark is disparaging bears no plausible relation to the central goal of trademark registration to facilitate source identification of goods and services. They observed that “A law that can be directed against speech found offensive to some portion of the public can be turned against minority and dissenting views to the detriment of all” and that power is not entrusted to the government’s benevolence but to free and open discussion in a democratic society.

## **Where Do We Go from Here?**

The first action expected following this decision (besides registration of THE SLANTS) is that the U.S. Court of Appeals for the Fourth Circuit will reinstate the registrations owned by the Washington Redskins football team that the USPTO cancelled as disparaging. In addition, the USPTO has just issued [an Examination Guide](#) stating that disparagement is no longer a valid ground for refusing registration.

The Supreme Court's opinion does not consider the other portions of § 2(a) of the Lanham Act relating to expressive speech – whether the USPTO can refuse to register marks that are “immoral, deceptive, or scandalous matter.” The USPTO uses that provision to bar registration of marks considered to be obscene. It is difficult to see how the “immoral” and “scandalous” portions of that provision can stand in light of this decision. The pending case of *In re Brunetti* (No. 15-1109) before the Federal Circuit, based on the scandalous matter provision (the mark is “fuct” for apparel), was stayed awaiting the *Tam* decision but the Federal Circuit has ordered the parties to submit supplemental briefing explaining how the constitutionality of the scandalous matter provision should be resolved in light of *Tam*. Until that decision issues, the USPTO is suspending applications that would be refused as scandalous. However, the long history of prevention of deceptive marks from registering, and the number of provisions in the Lanham Act seeking to prevent deception of the public mean that the “deceptive” ground is unlikely to be invalidated as unconstitutional.

The USPTO sometimes uses that “immoral” or “scandalous” provision to prevent registration of marks for goods or services that are illegal to sell, such as marijuana. Whether that particular ground for refusal will stand in light of this case remains to be seen. The USPTO could still rely on its opinion that a mark for a product unlawful under federal law (such as the Controlled Substances Act) cannot fulfill the requirement that the mark be used in commerce, because “use” means “lawful use.”

A number of advocacy groups have indicated that they will take their disparagement cases to the court of public opinion and attempt to sway organizations like the Redskins away from using marks deemed disparaging through use of social media and other venues. There have also been predictions that the USPTO will suffer a large number of applications for the Marks Formerly Known as Disparaging. Given the basic commercial purpose of trademarks to indicate the source of goods and services, others believe that such marks will not greatly increase in the market place because consumer distaste for the marks will result in low sales.

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