

ALERT

SYNOPSIS OF RECENT TRADEMARK-RELATED COURT DECISION

Posted: June 25, 2017

LANHAM ACT “DISPARAGEMENT CLAUSE” FOUND TO VIOLATE THE FIRST AMENDMENT

In striking a blow for freedom of speech, the Supreme Court has struck down a provision of the Lanham Act that prohibits the registration of marks that may “disparage” any person or group. *Matal v. Tam*, 582 U. S. ____ (June 19, 2017) Justice Alito, writing for the Court, found this provision violates the Free Speech Clause of the First Amendment and “offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend.” The decision likely will impact the result of the far better known legal action seeking to cancel registrations for the REDSKINS mark on the grounds they disparage native Americans.

Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), bars registration of marks that consist of or comprise matter which may disparage persons, institutions, beliefs, or national symbols, or bring them into contempt or disrepute. This is sometimes referred to as the “disparagement clause”. Although not at issue in this case, the same section also prohibits the registration of marks that consist of immoral or scandalous matter

The case arose out of the application filed by Simon Tam, the leader of the dance-rock band THE SLANTS, to register the band’s name as a trademark in the United States Patent and Trademark Office (“USPTO”). It is agreed that “slants” can be used as a derogatory term for persons of Asian descent. That being said, the band members are Asian Americans and Mr. Tam chose the name to “reclaim” the term and drain its denigrating force.

The USPTO did not much care about the band’s heritage or noble intentions and invoked the disparagement clause to deny the application finding: 1) the term “slants” is used to refer to Asians; and 2) a substantial composite of Asians would find the term “slants” to be objectionable. And that is all you need to find to refuse registration of an application on the grounds of disparagement.

Mr. Tam appealed the refusal to register to the Trademark Trial and Appeal Board but the Board affirmed. Undaunted, Mr. Tam took the case to federal court, where the *en banc* Federal Circuit found the disparagement clause to be facially unconstitutional under the First Amendment’s Free Speech Clause because the clause engages in impermissible viewpoint-based discrimination. *In re Tam*, 808 F. 3d 1321, 1331, 1334-1339 (CA Fed. 2015).

The case then went to the Supreme Court. In an 8-0 decision (Justice Gorsuch did not participate) the Supreme Court affirmed the decision of the Federal Circuit finding the provision to violate the First Amendment. Justice Alito wrote the opinion with concurring opinions written by Justice Kennedy and Justice Thomas.

In reaching the conclusion the clause did violate the First Amendment, Justice Alito first considered and rejected arguments by the government that the First Amendment should not apply in the first place because: 1) trademarks are not a form of private speech but rather are a form of

government speech not subject to the First Amendment; 2) trademarks are a form of government subsidy where the government has the discretion not to subsidize ideas that it does not wish to promote; and 3) the constitutionality of the disparagement clause should be tested under a new “government-program” doctrine which seems to combine elements of 1) and 2).

Turning to the heart of the First Amendment discussion, Justice Alito found it would not be necessary to resolve the dispute between the parties as to whether trademarks are a form of commercial speech - which would be subject to the relaxed scrutiny outlined in *Central Hudson Gas & Elect. v. Public Serv. Comm’n of N. Y.*, 447 U. S. 557 (1980) - because the disparagement clause cannot even withstand the less stringent review of *Central Hudson*.

Under *Central Hudson* any restriction on speech must serve a “substantial interest,” and it must be “narrowly drawn.” The Court found the disparagement clause falls short in both respects.

The government had argued the disparagement clause served the interests of preventing underrepresented groups from being bombarded with demeaning messages and protecting the orderly flow of commerce from the disruption that would occur if disparagement based on race, gender, ethnicity and the like were permitted.

But, as Justice Alito noted, the argument regarding the interest in prevention demeaning messages strikes at the heart of the First Amendment:

Speech that demeans on the basis of race, ethnicity, gender, religion, age, disability, or any other similar ground is hateful; but the proudest boast of our free speech jurisprudence is that we protect the freedom to express “the thought that we hate.”
(Cites Omitted)

In addressing the orderly flow of commerce argument, Justice Alito concluded the disparagement clause is not sufficiently “narrowly drawn” to drive out only trademarks that might support the type of discrimination that could adversely affect commerce:

The clause reaches any trademark that disparages *any person, group, or institution*. It applies to trademarks like the following: “Down with racists,” “Down with sexists,” “Down with homophobes.” It is not an anti-discrimination clause; it is a happy-talk clause. In this way, it goes much further than is necessary to serve the interest asserted.

The clause is also overbroad in that it purports to protect any person living or dead and any institution. “Is it conceivable” Justice Alito asked, “that commerce would be disrupted by a trademark saying: “ ‘James Buchanan was a disastrous president’ or ‘Slavery is an evil institution’? “

Justice Alito also noted a deeper problem with the argument that commercial speech should be cleansed of any expression likely to cause offense. That problem is that the commercial market already is well stocked with merchandise that disparages prominent figures and groups, and the line between commercial and non-commercial speech is not always clear. If affixing the commercial label to this type of activity permits the suppression of any speech that may lead to political or social volatility, free speech would be endangered.

In concurring opinions some of the other Justices expressed additional and arguably stronger opinions as to why the disparagement clause constitutes impermissible viewpoint discrimination and

speech suppression. As Justice Kennedy wrote, in a concurring opinion joined by Justices Ginsburg, Sotomayor and Kagan:

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. The First Amendment does not entrust that power to the government's benevolence. Instead, our reliance must be on the substantial safeguards of free and open discussion in a democratic society.

In his concurring opinion, Justice Thomas found the whole commercial/non-commercial speech distinction to be irrelevant because he continued to believe that "when the government seeks to restrict truthful speech in order to suppress the ideas it conveys, strict scrutiny is appropriate, whether or not the speech in question may be characterized as 'commercial.'" (Cite Omitted).

So the disparagement clause is dead and it is now official that it violates the First Amendment. In light of this decision, it is possible a similar fate awaits a pending case involving the question of whether the prohibition against the registration of scandalous marks in the same section of the Lanham Act also violates the First Amendment. See *In re Brunetti*, No. 15-1109 (Federal Circuit). Both clauses may have survived for so long in the Lanham Act because they have historically been invoked only on rare occasions (possibly because trademark owners do not want to intentionally adopt marks that might offend potential customers). In most of those cases, the trademark being refused registration is not sufficiently valuable to warrant the costs of an appeal beyond the TTAB particularly in light of the fact that the clause only prevents registration and not use of the mark. It is rare that someone like Mr. Tam will have the determination to pursue the issue.

The series of legal actions that have sought to invoke the disparagement clause to cancel registrations for the REDSKINS mark are atypical because the registrations were not challenged, in the most part, until years after they issued and the marks were extremely valuable by the time the proceedings were brought. It is very likely the decision in *Tam* will result in a similar finding in the current pending case involving the REDSKINS mark.

There will likely be an uptick in applications to register marks that would have previously been refused under the disparagement clause as a result of the *Tam* decision. This could include marks incorporating undeniably offensive language as well as more edgy marks like THE SLANTS. But I expect it will not have a significant impact in the decision process of the typical corporate trademark owner as they will probably still not want to risk offending potential customers even if they can. It is nevertheless important in that it removes uncertainty in the Lanham Act and serves to further promote free speech by extending it to the registration of trademarks.

UPDATE

On June 26, 2017 the USPTO issued a revised guideline noting that the portions of Trademark Manual of Examining Procedure (TMPEP) §1203 that relate specifically to examination under the disparagement clause no longer apply.

Following the *Tam* decision, the Department of Justice and the Native American plaintiffs agreed to end the legal action seeking to cancel registrations for the REDSKINS mark.

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June 25, 2017