

Practice Update

In re Tam: Section 2(a) Unconstitutional Under The First Amendment

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In a landmark First Amendment decision relating to the Lanham (Trademark) Act, the Federal Circuit, *en banc*, struck down § 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), the statutory provision barring registration of “disparaging” marks. By a 9-3 vote, the Court held that § 2(a) violates a trademark applicant’s free speech rights. *In re Tam*, No. 14-1203 (Fed. Cir., December 22, 2015).

The Lanham Act

The Lanham Act provides for the federal registration of trademarks. Its purposes are twofold. First, the Lanham Act protects “the public so it may be confident that, in purchasing a product bearing a particular trademark which is favorably known, it will get the product which it asks for and wants to get.” Second, it ensures that the trademark owner can protect “his investment from ... misappropriation by pirates and cheats.”

- Federal registration of trademarks confers important legal rights and benefits.
- The holder of a registered mark has a right to exclusive nationwide use of that mark where there was no prior use by others. In contrast,

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unregistered (common law) marks can be enforced only in those geographic areas where those marks are actually used.

- Registered marks are presumed to be valid and owned by the registrant.
- After five years of consecutive post-registration use, registered marks become incontestable.
- A trademark registrant may sue for infringement in federal court, and under some circumstances, recover treble damages.
- A trademark registrant may also obtain the assistance of U.S. Customs and Border Protection in stopping infringing or counterfeit goods at the border.

These are some of the many important benefits granted by federal registration of a trademark.

Under the Lanham Act, the United States Patent and Trademark Office (PTO) must register trademarks unless the mark falls into one of several categories precluded from registration. At issue in this case was § 2(a), which bars registration of “scandalous, immoral, or disparaging marks” that a substantial composite of the referenced group perceives as disparaging a religion, nation, ethnic group, belief system, and the like.

Factual and Procedural Background

In 2006, Simon Shiao Tam launched his Asian-American band called “The Slants.” In 2011, Tam applied for a federal registration of his service mark, THE SLANTS, for entertainment services. The Examining Attorney refused the application under § 2(a) of the Lanham Act because the term “slants” was disparaging to Asians. The Trademark Trial and Appeal Board (Board) upheld the Examining Attorney’s decision, and Tam appealed to the PTO’s reviewing court, the Court of Appeals for the Federal Circuit.

In April 2015, the Court affirmed the Board's refusal to register THE SLANTS. During the appeal, in addition to arguing that the statute was incorrectly applied, Tam questioned the constitutionality of § 2(a). The Court's panel noted that they lacked the authority to declare § 2(a) unconstitutional because such a ruling would impermissibly directly conflict with a previous Court decision. However, Judge Moore issued 23 pages of "additional views" discussing that *if* she were allowed to declare the prohibition against the registration of disparaging marks unconstitutional, she probably would. One week later, the Court vacated the decision and announced that it would reconsider the matter *en banc*.

On December 22, 2015, the Court issued its *en banc* decision, authored by Judge Moore. In its decision, the Court ruled that the Lanham Act's prohibition against the registration of disparaging marks – which was used to cancel the registration of the Washington REDSKINS, as well as bar registration of numerous other marks – was unconstitutional because it was a restriction on free speech that did not pass strict scrutiny.

The Majority Opinion

In reaching this decision, the Court rejected three arguments advanced by the government that § 2(a) should not be analyzed under First Amendment strict scrutiny. The government argued that: first, denial of registration on the Principal Trademark Register was not a prohibition against "speech;" second, First Amendment scrutiny should not be applied to § 2(a) because trademark registration is "government speech;" and finally, § 2(a) merely withholds a government subsidy, rather than prohibiting speech.

1. Section 2(a) Denies Important Legal Rights to Private Speech Based on Disapproval of the Message, and Is Therefore Subject to Strict Scrutiny.

The Court held that exclusion of disparaging marks from federal trademark protection denies important legal rights to trademark owners. While trademark owners are not precluded from *using* their marks and relying on common law rights, § 2(a) deprives marks of protections that are important to trademark owners, and therefore tends to discourage people from using disparaging marks. The Court reasoned that denying a benefit to a person because of constitutionally-protected speech is penalizing and inhibiting that freedom.

The Court found that the denial was viewpoint-based. The exclusion was imposed because of “disapproval of the message conveyed” by the marks. “Underscoring its hostility to these messages, the government repeatedly asserts in its briefing before this court that it ought to be able to prevent the registration of ‘the most vile racial epithets and images.’” Majority Op. at 20.

While the government argued that § 2(a) is viewpoint-neutral because it only eliminates particular disparaging words, the Court found otherwise. “The PTO rejects marks under § 2(a) when it finds the marks refer to a group in a negative way” (*e.g.*, REDSKINS, STOP THE ISLAMISATION OF AMERICA), “but it permits the registration of marks that refer to a group in a positive, non-disparaging manner” (*e.g.*, CELEBRASIANS, ASIAN EFFICIENCY). The Court noted that, in fact, PTO has not even treated identical words identically (*e.g.*, DYKES ON BIKES, SQUAW VALLEY in connection with one of the applied-for classes of goods, but not the others). The Court found that the disparagement provision at issue was viewpoint-discriminatory on its face. “Speech that is offensive or hostile to a particular group conveys a distinct viewpoint from speech that carries a positive message about the group. STOP THE ISLAMISATION OF AMERICA and THINK ISLAM express two different viewpoints. Under § 2(a), one of these viewpoints garners the benefits of registration, and one does not.” Majority Op. at 23.

Additionally, the Court found that § 2(a) regulates expressive aspects of the mark, not its function as

commercial speech. Although trademarks may sometimes be seen as “commercial speech,” and therefore less protected than noncommercial speech, § 2(a) implicates trademarks’ “expressive character.”

In this case, Tam explicitly selected the mark THE SLANTS to create a dialogue on controversial political and social issues. With his band name, Tam made a statement about racial and ethnic identity. He seeks to shift the meaning of, and thereby reclaim, an emotionally charged word.

Moreover, in previous cases, the PTO clearly recognized and faulted applied-for marks based on their expression. For instance, “STOP THE ISLAMISATION OF AMERICA” is expressive. In refusing to register the mark, the Board explained that the mark’s admonition to “‘STOP’ Islamisation in America ‘sets a negative tone and signals that Islamisation is undesirable and is something that must be brought to an end in America.’ And by finding HEEB and SQUAW VALLEY disparaging, the PTO necessarily did so based on its finding that the marks convey an expressive message over and above their function as source identifiers namely, an expressive message disparaging Jewish and Native American people.” Majority Op. at 24 (citation omitted).

The Court reasoned that commercial speech is no exception to the need for heightened scrutiny of content-based impositions. Strict scrutiny applies to government regulation that is directed at the expressive content of speech. That the speech is used in commerce does not change the inquiry.

2. Trademark Registration Is Not “Government Speech.”

Next, the government argued that trademark registrations are government speech and, as a result, outside the coverage of the First Amendment. The government analogized trademark registration certificates and the PTO’s *Official Gazette*, a publication listing approved trademark applications, to state license plates, which are subject to viewpoint-based restrictions. The Court rejected these arguments, noting that the registration of a

trademark says nothing about the government's views of the mark or the product it represents. Manifestations of government registration do not convert the underlying speech to government speech. When the government registers a trademark, the only message it conveys is that the mark is registered. Private trademarks are not created by the government, owned or monopolized by the government, sized and formatted by the government, immediately understood as performing any government function (unlike license plates), aligned with the government, or used as a platform for government speech. As the government itself explained, "the USPTO does not endorse any particular product, service, mark, or registrant" when it registers a mark. Majority Op. at 41.

3. Section 2(a) Is Not A Government Subsidy Exempt From Strict Scrutiny.

The Court also rejected the government's argument that § 2(a)'s message-based discrimination was merely the government's shaping of a subsidy. "The Supreme Court has repeatedly invalidated denials of 'benefits' based on message-based disapproval of private speech that is not part of a government-speech program. In such circumstances, denial of an otherwise-available benefit is unconstitutional at least where, as here, it has a significant chilling effect on private speech." Majority Op. at 45.

The Court conceded that "viewpoint-based funding decisions can be sustained in instances ... in which the government used private speakers to transmit specific information pertaining to its own program." *See, e.g., Rust v. Sullivan* (which held that "the government could prohibit the expenditure of public federal family planning funds on abortion-related counseling because the government distributed those funds to promote the conveying of a particular message"). "But as already described, trademark registration is not a program through which the government is seeking to get its message out through recipients of funding (direct or indirect)." Majority Op. at 48-49.

Moreover, the Court observed, "the scope of the subsidy cases has never been extended to a 'benefit'

like recognition of legal rights in speakers against private interference. The cases cannot be extended to any ‘program’ conferring legal rights on the theory that the government is free to distribute the legal rights it creates without respecting First Amendment limits on content and viewpoint discrimination.” *Id.* at 49.

4. Section 2(a) Would Not Be Saved Under An “Intermediate” Scrutiny Analysis.

After rejecting the government’s three key arguments as to why it had a compelling interest in refusing to register disparaging marks and that strict scrutiny should not apply, the Court explained that even if it had applied an intermediate scrutiny standard, it would still have declared that the prohibition against the registration of disparaging marks was unconstitutional. The Court concluded that the Constitution protects speech, even when it inflicts pain and offends others and, as a result, the Lanham Act’s prohibition against the registration of disparaging marks is unconstitutional.

The Court held that the government may not exclude disparaging marks even under intermediate scrutiny on the theory that it does not want to be associated with those marks. The government’s “disassociation” argument” rests on intense disapproval of the disparaging marks. ... And that disapproval is not a legitimate government interest where, as here, for the reasons we have already discussed, there is no plausible basis for treating the speech as government speech or as reasonably attributed to the government by the public.” Majority Op. at 58. Nor can the government rely on a “compelling interest in fostering racial tolerance.” *Bob Jones University v. United States*, which the government cited to support that interest, concerned racially discriminatory conduct, not speech. The Supreme Court there held that “the government has an interest in combating ‘racial discrimination in education,’ not a more general interest in fostering racial tolerance that would justify preventing disparaging speech.” Majority Op. at 59.

The government also argued that it has a legitimate interest in “declining to expend its resources to

facilitate the use of racial slurs as source identifiers in interstate commerce.” However, the Court ruled that directing limited government resources did not warrant regulation of these marks. Trademark registration is user-funded, not taxpayer-funded. The government expends few resources registering these marks. Its costs are the same costs that would be incidental to any governmental registration: articles of incorporation, copyrights, patents, property deeds, etc. Furthermore, accepting the “limited resources” argument would merely create an end-run around the unconstitutional conditions doctrine. All government benefits involve the resources of the federal government in a similar sense, and nearly every government act could be justified under this ground, no matter how minimal. For example, the government could also claim an interest in declining to spend resources to issue permits to racist, sexist, or homophobic protests. The government cannot target speech on this basis, even if it must expend resources to grant parade permits or close down streets to facilitate such speech.

The Concurrence and Dissents

Two of the judges in the majority, Judges O’Malley and Wallach, joined the majority opinion, but also reasoned that § 2(a) fails because it is unconstitutionally vague. They noted that, for instance, HAVE YOU HEARD SATAN IS A REPUBLICAN was denied registration, while THE DEVIL IS A DEMOCRAT was allowed. “I agree with the majority that there appears to be ‘no rationale for the PTO’s seemingly arbitrary registration decisions, let alone one that would give applicants much guidance.” Concurring Op. at 4.

Judge Dyk concurred in part and dissented in part. He reasoned that the exclusion was constitutional as applied to commercial uses of trademarks, but not to “core political” uses, which he believed THE SLANTS to be. Judge Dyk viewed trademark registration as a government subsidy. “Section 2(a) does not regulate any speech, much less impose a blanket ban. It merely deprives a benefit.” These subsidies do not need to be viewpoint-neutral. Concurring Op. at 15, citing *Rust v. Sullivan*. Additionally, Judge Dyk

viewed § 2(a) as basically viewpoint neutral. Finally, Judge Dyk viewed the protection of disparaged groups as a sufficient reason to deny government subsidies. While the government has no legitimate interest in protecting disparaged groups in the case of core protected speech, commercial speech is different. The government has an interest in “proscribing intrusive and unpleasant formats” for commercial expression.

Judge Lourie wrote a separate dissenting opinion, largely agreeing with most of Judge Dyk’s reasoning, but also arguing that registered trademarks are government speech, and stressing the history of the disparaging mark exclusion. Judge Reyna also dissented, arguing that the government could permissibly restrict disparaging commercial speech to protect “the orderly flow of commerce.”

The Redskins

Looming large over this case was the REDSKINS trademark cancellation. The majority opinion noted more than once that § 2(a) undermines the basic interests of the Lanham Act because it can “even be employed in cancellation proceedings challenging a mark many years after its issuance and after the trademark holder has invested millions of dollars protecting its brand identity and consumers have come to rely on the trademark as a brand identifier.” Notably, the Washington Redskins’ amicus brief was cited in support of key points in the decision, including anecdotal evidence about the chilling and sudden negative economic effects of the denial of applications or cancellation of registrations. The Federal Circuit’s decision, while persuasive and directly on point, is not binding on the Fourth Circuit, where the Washington Redskins appeal is pending. The Washington Redskins should now be in a far better position to win back the registration on their controversial name.

Because the Federal Circuit has struck down part of a longstanding and oft-applied federal statute, and because there may be a split in the Circuits, the Supreme Court may likely agree to review the case. The Federal Circuit’s decision in *In re Tam* is

unlikely to be the final word on the matter.

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