

# Disparagement in the dock

## THE CASE:

*In re Tam*

Trademark Trial and Appeal Board

22 December 2015

An Asian-American rock band's attempt to register 'The Slants' saw the First Amendment trump the Lanham Act, explains **Timothy Buckley**

On 14 November 2011 Simon Shiao Tam, frontman for the Asian-American dance-rock band The Slants, filed an application (Serial No 85472044) with the US Patent and Trademark Office (USPTO) to register the mark 'THE SLANTS' for entertainment by a musical band, claiming use of the mark in commerce since 2006. The band allegedly adopted the name 'The Slants' in order to reclaim and 'take ownership' of Asian stereotypes and to "weigh in on cultural and political discussions about race and society".<sup>1</sup> The examining attorney refused registration under Section 2(a) of the Lanham Act, 15 USC § 1052(a), which bars the registration of a mark if it "consists of or comprises . . . matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute". The examiner held that the applied-for mark would be considered disparaging by a substantial composite of people of Asian descent.

The Trademark Trial and Appeal Board affirmed the refusal of the registration and on 20 April last year a panel of the Court of Appeals for the Federal Circuit (CAFC) affirmed the board's determination that the mark is disparaging, rejecting Tam's argument that Section 2(a) violates the First Amendment. Shortly thereafter the CAFC, on its own initiative, ordered an *en banc* rehearing to consider the constitutional question. In December 2015 the court held the disparagement provision of Section 2(a) unconstitutional under the First Amendment, vacated the board's holding that the mark THE

SLANTS is unregistrable, and remanded the case for further proceedings

### The disparagement provision was held to regulate the expressive aspects of trademarks and could not withstand scrutiny under the First Amendment

Strict scrutiny review is used by courts to determine the constitutionality of government regulation of message or viewpoint. Laws that target speech based on its topic, subject matter or content are presumptively unconstitutional and may be justified only if the government proves that they are narrowly tailored to serve compelling state interests. Regulations that target particular viewpoints, ideologies, opinions or perspectives are even more suspect because they "raise[] the spectre that the government may effectively drive certain ideas or viewpoints from the marketplace".<sup>2</sup>

Commercial speech occupies a lower rung of the hierarchy of First Amendment values than expressive speech. Commercial speech has been defined by courts as speech that does "no more than propose a commercial transaction," and it involves the "dissemination of information as to who is producing and selling what product, for what reason and at what price".<sup>3</sup>

Intermediate scrutiny – the relevant framework for regulation of commercial speech – requires courts to first determine whether the regulated activity is lawful and not misleading. If speech is lawful and not misleading, courts then ask whether the asserted governmental interest is substantial and whether the

regulation directly and materially advances the government's asserted interest and is narrowly tailored to achieve that objective.

The court in *In re Tam* held that Section 2(a) not only discriminates on the basis of topic, but it amounts to viewpoint discrimination – a particularly "egregious form of content discrimination".<sup>4</sup> The test for disparagement in the USPTO is based on listeners' reactions and because this basis for regulation is not content-neutral the court held that strict scrutiny applies. The commercial function of trademarks as source identifiers did not trigger the less demanding intermediate scrutiny framework because speech may be both commercial and expressive in character and regulations must be assessed according to which aspect of the speech they target. When marks are denied registration under Section 2(a), it is their expressive character – namely, their tendency to disparage – that serves as the basis for discriminatory treatment.

The court held that strict scrutiny was appropriate, but reasoned that Section 2(a) is unconstitutional under either First Amendment standard. The interests advanced by the government in seeking to justify the regulation were all rooted in disapproval of certain messages, which is insufficient to pass constitutional muster. The Constitution protects against government suppression of disfavoured messages because "in public debate [we] must tolerate insulting, and even outrageous, speech in order to provide adequate breathing space to the freedoms protected by the First Amendment".<sup>5</sup> While the court in this case expressly disavowed any endorsement of the mark at issue, it recognised

that “[e]ven when speech ‘inflict[s] great pain,’ our constitution protects it ‘to ensure that we do not stifle public debate’”.<sup>6</sup>

### Disparagement provision is an unconstitutional condition

In holding that the disparagement provision violates the First Amendment, the CAFC overruled a 1981 decision by its predecessor, the Court of Customs and Patent Appeals, which had held that Section 2(a) does not implicate the First Amendment because it only concerns the right to register and does not suppress expression or affect a markholder's right to use a mark.<sup>7</sup> That precedent was relied upon by the Eastern District of Virginia in July when it ruled against Pro-Football in holding that cancellation of the Washington Redskins' trademark registrations under § 2(a) did not implicate the First Amendment.<sup>8</sup>

The CAFC explained that registration of a trademark with the USPTO confers significant and commercially valuable benefits upon brand owners. A federal registration provides exclusive, nationwide rights against junior users of a trademark while, by contrast, common law rights are limited geographically to where a mark has actually been used. Registered trademarks carry a presumption of validity and they can generally become incontestable after five continuous years of use in commerce subsequent to registration. Federal registration generally enables a markholder to enforce its trademark in federal court, recover treble damages for willful infringement, restrict importation of infringing and counterfeit goods with the assistance of US Customs and Border Protection, prevent domain name infringement by cybersquatters and seek registration in any of the countries that have joined the Madrid Agreement Concerning the International Registration of Marks (Madrid protocol) by filing a single international application. Registration also furnishes a complete defence to state and common law claims of trademark dilution.

Under the unconstitutional conditions doctrine, the government may not condition the receipt of government benefits on the waiver of a constitutionally protected right. Although Section 2(a) does not ban speech, the court concluded that it burdens some speakers by denying them the valuable benefits of a federal trademark registration – or by exposing them to a cancellation challenge years later – and thus threatens to chill private speech and drive disfavoured ideas from the marketplace. The court held that this content-based burden must satisfy the same rigorous scrutiny as content-based bans because “lawmakers may no more silence unwanted speech by burdening its utterance than by censoring its content”.<sup>9</sup>

### Trademark registrations are neither government speech nor government subsidies

In support of its argument that strict scrutiny review should not apply to the disparagement provision, the government maintained that trademark registration is government speech that does not implicate the First Amendment. The court rejected that argument, holding that registration of trademarks is regulation of private speech and that “manifestations of government registration” such as a markholder's right to attach the ® symbol to its mark, placement of the mark on the Principal Register and the government's issuance of a certificate of registration “do not convert the underlying speech to government speech”.<sup>10</sup> Unlike Texas licence plates, which were held to constitute government speech by the Supreme Court in 2015, the Federal Circuit explained that registered trademarks are not understood by the public as communicating messages from the states or performing any government function. Additionally, trademarks by definition are tied to their owners and trademark registration does not amount to government endorsement of a mark's expressive elements.

The court also rejected the government's argument that trademark registration is a government subsidy programme, the limits of which can be constitutionally defined by viewpoint-based funding decisions. Noting the resemblance between trademark registration and copyright registration, which the government agreed is protected by the First Amendment, the court characterised the trademark registration system as a regulatory regime because the benefits of trademark registration are not monetary and do not directly affect the public fisc. Instead, a registered trademark benefits its owner by redefining the nature of the markholder's exclusive rights as against the rights of other citizens. Section 2(a)'s viewpoint-based discrimination was held to be “completely untethered” to the Lanham Act's goals of preventing consumer confusion and protecting the goodwill of markholders and deemed an unconstitutional condition on the conference of valuable benefits and advantages.

### Discussion

The CAFC's decision represents a potential sea-change in US trademark law to the extent that it overruled *In re McGinley* and other precedents that foreclosed courts from considering the constitutionality of Section 2(a) of the Lanham Act. The holding in *In re Tam* was limited to the constitutionality of the disparagement provision, but the court intimated that Sections 2(a)'s exclusions of immoral or scandalous marks may likewise

suffer from constitutional defects. The opinion is thus something of an invitation for future panels to strike down those additional bars to registration under the same constitutional analysis that was applied to the disparagement provision.

The *Tam* decision may also influence the Fourth Circuit's consideration of the same issue in the pending appeal concerning the Washington Redskins' trademarks. If the Fourth Circuit affirms the cancellation of the Redskins' marks and upholds the disparagement provision as constitutional, a circuit split would be ripe for resolution by the Supreme Court. And if the Supreme Court finds the provision unconstitutional, practitioners and the USPTO may observe a sudden uptick in applications to register marks that contain slurs, insults and other disparaging material.

### Footnotes

1. *In re Tam*, 2015 US App LEXIS 22593, \*13–14 (Fed. Cir. 22 Dec, 2015).
2. *Simon & Schuster, Inc v Members of NY State Crime Victims Bd.*, 502 US 105, 116, 112 S. Ct 501, 116 L. Ed. 2d 476 (1991).
3. *Virginia State Bd. of Pharmacy v Virginia Citizens Consumer Council*, 425 US 748, 765, 762 (US 1976).
4. *Reed v Town of Gilbert*, 135 S. Ct 2218, 2230 (2015).
5. *Snyder v Phelps*, 562 US 443, 458 (US 2011) (quoting *Boos v Barry*, 485 US 312, 322, 108 S. Ct 1157, 99 L. Ed 2d 333 (1988)) (internal quotation marks omitted).
6. *Tam*, 2015 US App LEXIS 22593, \*86 (quoting *Snyder*, 562 US at 461.).
7. *In re McGinley*, 660 F.2d 481, 484 (CCPA 1981).
8. *Pro-Football, Inc v Blackhorse*, 2015 US Dist. LEXIS 90091, \*24 (E.D. Va. 8 July, 2015).
9. *Sorrell v IMS Health Inc*, 131 S. Ct 2653, 2664 (2011).
10. *Tam*, 2015 US App LEXIS 22593, \*52.

*The views expressed herein are those of the author and do not necessarily reflect those of the Cowan, Liebowitz & Latman firm or its clients.*

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