

Supreme Court Holds Disparagement Clause Unconstitutional

In a much anticipated decision, the U.S. Supreme Court held in *Matal v. Tam*, 582 U.S. ____ (June 19, 2017) that a provision of the Lanham Act banning the registration of marks considered disparaging to "persons, institutions, beliefs, or national symbols" (known as the "disparagement clause") constituted a violation of the Free Speech Clause of the First Amendment. The holding directly benefits both the rock band The Slants, which were the subject of the rejected application that prompted the dispute, as well as the Washington Redskins, who also attacked the constitutionality of the disparagement clause in response to a challenge against their trademark registration. The following update provides a brief overview of the background and the Supreme Court's ruling, as well as some considerations for trademark owners going forward, including guidance issued by the U.S. Patent and Trademark Office (USPTO) in response to the ruling.

Background

On November 14, 2011, Simon Tam, lead singer of the Asian American rock band, applied to register his band's name, THE SLANTS, on the principal register of the USPTO. The USPTO denied the registration under the disparagement clause of the Lanham Act on the basis that the central term of the mark "has long been a derogatory term towards those of Asian descent." The Trademark Trial and Appeal Board (TTAB) affirmed that decision, citing among other evidence the band's own Wikipedia page entry, which stated that "[t]he band name, The Slants, is derived from an ethnic slur for Asians." The TTAB noted further that Tam himself had acknowledged the connection between the band's name and the term's derogatory associations, quoting him as saying, "We want to take on these stereotypes that people have about us, like the slanted eyes, and own them. We're very proud of being Asian – we're not going to hide that fact. The reaction from the Asian community has been positive."

Thus, in essence, the band's own attempt to reclaim the term "slants" and embrace its history as a derogatory term only emphasized its offensive nature as far as the USPTO was concerned. The TTAB observed in this regard that "those who attend the live performances will necessarily understand THE SLANTS to refer to the persons who comprise the musical band," i.e. people of Asian descent. The applicant argued that such logic would suggest that "non-Asians would be entitled to registration of the word 'slants' but Asians are not."

On appeal, Tam argued that Section 2(a) of the Lanham Act, which bans the registration of marks "which may disparage ... persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute," violated the Free Speech Clause of the First Amendment. Previously, the courts had held that the disparagement clause, in effect since the Lanham Act was enacted in 1946, did not violate the First Amendment insofar as the refusal to register a mark did not prevent actual use of the mark by the applicant, nor did it prevent the owner of the mark from enforcing its rights under common law. In an en banc decision, the U.S. Court of Appeals for the Federal Circuit held to the contrary, finding that the disparagement clause was facially unconstitutional given that it (1) engaged in viewpoint-based discrimination, (2) regulated the expressive components of marks, and (3) failed to satisfy the applicable strict scrutiny for such restrictions on speech. The federal government appealed the decision to the U.S. Supreme Court.

In parallel with these proceedings, the Washington Redskins raised similar arguments after the USPTO cancelled the team's mark in 2014 because it was "disparaging to Native Americans and thus ineligible for trademark registration under the Lanham Act." Five Native American activists sued the team and alleged that the racist slur

should never have been registered in the first place. The Washington Redskins had filed an extraordinary request to skip the appeals court and join *Tam* at the Supreme Court; the Court denied the request.

The Court's Ruling

The Court began by addressing Tam's argument that the term "persons" included only natural and juristic persons, not racial or ethnic groups. (The argument had not been raised previously by Tam and the Court initially declined to consider the question. The Court took up the question at the urging of the government, which argued that—if the Court agreed with Tam—it would resolve the matter without recourse to the First Amendment.) The Court found that the plain terms of the disparagement clause refuted this argument, reasoning that "a mark that disparages a 'substantial' percentage of the members of a racial or ethnic group necessarily disparages persons, namely members of that group." Further, Tam's narrow reading of the term "persons" clashed with the clause's broad language, which also included "institutions" and "beliefs." The Court further noted that early examples of the USPTO registering marks that plainly disparage certain groups was only indicative of "regrettable attitudes and sensibilities of the time in question," not of legislative intent in support of Tam's interpretation.

Next, the Court considered the three arguments raised by the government: (1) that trademarks are government speech, not private; (2) that trademarks are a form of government subsidy; and (3) that the constitutionality of the disparagement clause should be tested under a new "government-program" doctrine.

First, the Court held that trademarks are private, not government speech. The Court reasoned that "if private speech could be passed off as government speech by simply affixing a government seal of approval, government could silence or muffle the expression of disfavored viewpoints." The Court noted that government does not create or edit the trademarks for registration, and, apart from the restrictions in 15 U.S.C. §1052(a), an examiner cannot otherwise reject a mark based on its viewpoint. Furthermore, once a mark is registered, the USPTO can only remove it from the register if (1) another party moves for cancellation, (2) the registration expires, or (3) the Federal Trade Commission initiates proceedings based on certain grounds. As such, the Court found the notion that trademarks constituted government speech "far-fetched." If true, reasoned the Court, then the government is "babbling prodigiously and incoherently" given the contradictory views it has expressed and the vast array of products and services it has seemingly endorsed— e.g. Apple computers ("Think Different"), Nike shoes ("Just do it"), or Burger King burgers ("Have it your way"). The USPTO itself has stated in the past that registration does not constitute approval of a mark. Finally, the Court concluded that none of their prior cases concerning government speech supported the argument that trademarks are government speech. Hence, the Court held that to equate trademarks to government speech would result in a "huge and dangerous extension of the government-speech doctrine."

Second, the Court held that trademarks are not a form of subsidized government speech, noting that the cases on which the government relied all involved cash subsidies or their equivalent. Here, by contrast, the USPTO does not pay money to parties seeking registration of a mark. Rather, applicants must pay the government a one-time filing fee to register the mark and an additional fee every 10 years to maintain federal registration. Further, the fact that registration provides valuable non-monetary benefits linked to government resources devoted to trademarks is immaterial because, as the Court opines, "every government service requires the expenditure of government funds."

Third, the Court held that the disparagement clause cannot be sustained under a new "government-program" doctrine, since the cases the government relied on were no more relevant than the subsidy cases discussed above. Instead, the Court found the present case was more analogous to cases in which the government creates a limited public forum for private speech. Although some content- and speaker-based restrictions had been allowed in those cases, the Court had forbidden viewpoint discrimination. Here, the Court found that the disparagement clause violated this rule because it discriminates on the basis of viewpoint. The clause prohibits disparagement

of *all* groups, and applies equally to *any* marks and *every* possible issue. The Court thus concluded that "giving offense is a viewpoint" under the clause. This conclusion, however, conflicts with the Court's previous rulings and the underlying principle of the First Amendment—that "the public expression of ideas may not be prohibited merely because the ideas are themselves offensive to some of their hearers."

Turning to the parties' dispute concerning whether trademarks are a form of commercial speech subject to relaxed scrutiny, the Court declined to opine, as the line between commercial and non-commercial speech here was blurry. The Court did, however, find that the disparagement clause failed *Central Hudson* review. Under *Central Hudson*, a restriction of speech must serve "a substantial interest" and must be "narrowly drawn." Here, the government expressed an interest in preventing offensive speech and protecting the flow of commerce from discriminatory conduct. The Court rejected the former interest because it "strikes at the heart of the First Amendment," reasoning that "the proudest boast of our free speech jurisprudence is that we protect the freedom to express "the thought that we hate." The Court also found the later interest problematic. Though discriminatory conduct has an adverse effect on commerce, the disparagement clause is not narrowly drawn to drive out trademarks that support invidious discrimination. Rather, it applies broadly to any person (living or dead), group or institution. Thus, it is not narrowly tailored to serve the government interest.

With respect to the Redskins case, it is still pending in the U.S. Court of Appeals for the Fourth Circuit, although *Tam* appears to render it moot. As might be expected, the Washington Redskins hailed the ruling as a vindication of their own position challenging the disparagement clause.

The USPTO Reacts

In response to the Supreme Court's ruling, the USPTO issued an [Examination Guide](#) on June 26, 2017, in which it confirmed that (1) the portions of the Trademark Manual of Examining Procedure (TMEP) that related to examination under the disparagement provision no longer applied, and (2) the examination of any applications that had been suspended pending the outcome in *Tam* would resume. Any applications that had been refused and were beyond the deadline to petition for revival, however, will need to be refiled.

The USPTO also clarified that the "scandalousness provision" of the Lanham Act, which bans the registration of marks containing immoral or scandalous matter, remained in effect pending the outcome in the unrelated matter *In re Brunetti*, No. 15-1109 (Federal Circuit). The scandalousness provision is distinguishable from the disparagement clause insofar as the former bans the registration of marks that are deemed offensive to a "substantial composite of the general public" in the context of "contemporary attitudes and the relevant marketplace." In other words, the examining attorney need not find that the term offends or disparages any particular person or people, but only that the term is vulgar as a general matter. As noted by the Supreme Court in *Tam*, the scandalousness provision is—like the disparagement clause—"somewhat vague," and the determination that a mark is immoral or scandalous is "necessarily a highly subjective one." Until the Federal Circuit rules on the constitutionality of the scandalousness provision in *Brunetti*, however, the USPTO will continue to examine applications for compliance with that provision.

Implications for Trademark Owners and Applicants

It is quite likely that the holding in *Matal v. Tam* will not significantly impact most trademark owners and applicants, at least not directly.

As a practical matter, refusals under the disparagement clause have been comparatively rare relative to other bases for refusal. Moreover, and as the USPTO argued in defense of the disparagement clause, the refusal to register offensive marks has not prohibited the owners of such marks from using them in commerce or asserting their rights against third parties under common law. That said, striking down the disparagement clause may open the registry to new filings for marks that their owners had previously refrained from submitting to avoid such a

refusal. In addition, the decision may prompt U.S. Congress to determine a workaround that may impose a new standard of review of the USPTO while heeding the majority's warning against viewpoint discrimination. On the other hand, examining attorneys may turn to the scandalousness provision—which remains in effect—to refuse marks that they deem to be "shocking to the sense of propriety, offensive to the conscience or moral feelings or calling out for condemnation," to quote the TMEP.

In the short term, trademark owners and applicants are encouraged to (1) consider whether any mark in their portfolio should be reconsidered for registration now that any potential concerns over disparagement have been rendered moot (bearing in mind that "immoral", "vulgar" or otherwise generally offensive marks may still be unregistrable), (2) watch for new applications that may be filed in the wake of this decision that—irrespective of the disparagement issue—raise likelihood of confusion concerns with their established marks, and (3) keep an eye on any new laws proposed by Congress that may impose new standards—and could have unintended consequences—that would apply to all future trademark applications.

For more information and questions on the implications of the case, please contact an experienced attorney.

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