

CLIENT ALERT

Supreme Court Upholds Federal Circuit's Holding That Trademark Disparagement Rejections Are Unconstitutional

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UPDATE: On June 19, 2017, the U.S. Supreme Court upheld the Federal Circuit's holding in *In Re Tam*, holding that the disparagement clause of the Lanham Act, 15 U.S.C. § 1052(a), violates the First Amendment's Free Speech Clause. The Supreme Court decision [can be found here](#).

Federal Circuit Won't Chill ... Free Speech: Trademark Disparagement Rejections Under §2(a) Are Unconstitutional

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On Tuesday, December 22, 2015 in *In re: Simon Shiao Tam* (No. 14-1203), the Federal Circuit, *en banc*, addressed the question: "Does the bar on registration of disparaging marks in 15 U.S.C. § 1052(a) violate the First Amendment?"

The answer? YES.

In November 2011, Mr. Tam, the "'front man' for the Asian -American dance-rock band The Slants," filed a trademark application with the United States Patent and Trademark Office for THE SLANTS. Opinion at 10. The USPTO refused its registration, "finding it likely disparaging to 'persons of Asian descent'" under § 2(a) of the Lanham Act. Op. at 11. Section 2(a) of the Lanham Act prohibits the USPTO from registering scandalous, immoral, or disparaging marks. 15 U.S.C. § 1052(a). On appeal, a panel of the Court upheld the Board's refusal to register THE SLANTS, while *sua sponte* ordering a rehearing to address the constitutionality of the specific statutory provision. *En banc*, the Court held that the First Amendment precludes the USPTO from refusing to register a trademark based on the "disparagement provision," vacating and remanding the Trademark Trial and Appeal Board's refusal to register THE SLANTS. Op. at 17.

Noting that "the First Amendment protects even hurtful speech," the Court established that government regulations refusing to register disparaging trademarks amounted to "viewpoint discrimination," unable to survive strict scrutiny review: "[w]hen the government discriminates against speech because it disapproves of the message conveyed by the speech, it discriminates based on viewpoint." Op. at 21 (citation omitted). The Court also refused to find any legitimate interests to justify the USPTO's prohibition of disparaging trademarks, concluding that even under the standard of intermediate scrutiny reserved for pure commercial speech, the Lanham Act's disparagement provision is unconstitutional.

In explaining that the disparagement provision improperly regulates "expressive aspects" of trademarks, not just their function as commercial speech, Judge Moore, writing for the majority, noted that not only do trademarks serve as a source identifier for consumers, but "they commonly do much more than that." Op. at 23. For example, Mr. Tam himself had argued that his band's name is meant "to create a dialogue" over political and social issues. Op. at 24. Accordingly, the Court found that trademarks are

often necessarily expressive speech, subject to the highest level of constitutional review: "commercial speech that is inextricably intertwined with expressive speech is treated as expressive speech under the First Amendment when the expressive aspect is being regulated." Op. at 25-26 (internal citations omitted).

Further, Judge Moore explained that the prohibition of disparaging marks not only has a chilling effect on speech, but also deprives the denied registrant of the many benefits a federal trademark registration. "Denial of [those] benefits creates a serious disincentive to adopt a mark which the government may deem offensive or disparaging." Op. at 29. Judge Moore declined to characterize the benefits of a federal trademark registration as government subsidies immune to strict scrutiny, finding that a federal trademark registration does not involve "government funding or government property," but rather a private right that "redefines the nature of the markholder's rights as against other citizens, depriving others of their ability to use the mark." Op. at 50, 52.

Eight other judges joined Judge Moore in the majority opinion, with Judges Lourie and Reyna writing separate dissenting opinions. Judge Lourie disagreed that a federal trademark registration does not constitute "permissibly restricted government speech," explaining that the government's publication of a trademark in the Official Gazette "is still a form of government speech that is partially controlled or affected by government action." Dissenting Op. (Lourie) at 3. Judge Reyna's dissent focused on the commercial nature and purpose of trademarks, finding trademarks to be "commercial speech" and therefore their regulation subject to intermediate scrutiny. To underscore his argument, Judge Reyna set forth the shared purpose of § 2(a) and the Lanham Act: "to promote the orderly flow of commerce." Dissenting Op. (Reyna) at 6.

The same issue is now before the Fourth Circuit, which will decide the high-profile trademark case involving the Washington Redskins. While the Fourth Circuit is not bound by the Federal Circuit's holding in *In Re Tam*, the Federal Circuit's analysis is likely to be influential.

For those on the cutting-edge or industry influencers seeking to push the envelope with their brands by stoking hot-button, political or social issues, this case now paves the road for them to seek federal trademark registration for such brands, and obtain the following benefits, among others, that Judge Moore lauds:

- Right to exclusive nationwide use of the mark where there was no prior use by others.
- Presumption of validity.
- Possibility of incontestability after five years of consecutive post-registration use.
- Federal question jurisdiction.
- Ability to seek the assistance of U.S. Customs and Border Protection in restricting importation of infringing or counterfeit goods.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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