



## US Supreme Court holds that the disparagement clause of the Lanham Act is unconstitutional

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*Journal of Intellectual Property Law & Practice*, jpx146,

<https://academic.oup.com/jiplp/article/doi/10.1093/jiplp/jpx146/4085326/US-Supreme-Court-holds-that-the-disparagement?guestAccessKey=0606b8a6-ed40-4202-9dec-b9150d5e3178>

*Matal v Tam*, 582 US \_\_\_\_ (2017) (*Tam*)

On 19 June 2017 the US Supreme Court issued its decision in *Matal v Tam*, 582 US \_\_\_\_ (2017) (*Tam*), holding that the ‘disparagement clause’ of the Lanham Act, which prohibits the federal registration of disparaging trade marks, ‘violates the Free Speech Clause of the First Amendment’ of the US Constitution. According to the court, the disparagement clause ‘offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend’ (Slip op. at 1–2).

### Legal context

The disparagement clause of the Lanham Act provides that the US Patent & Trademark Office (USPTO) shall refuse to register marks that ‘may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs or national symbols, or bring them into contempt or disrepute’ (15 USC § 1052(a)). Although the provision historically has not been particularly controversial, in recent years, as two authors of this article have pointed out in a previous Current Intelligence note, several high-profile and divisive cases have arisen under this provision (Charles R. Macedo and David P. Goldberg, ‘Lanham Act constitutionality affirmed as six federal REDSKINS-based trade marks are cancelled’ ((2016) 11(1) JIPLP 7).

The most consequential of these cases may be *Pro-Football, Inc. v Blackhorse*, 112 F.Supp.3d 439 (ED Va 2015), which involves a challenge by Native Americans to trade mark registrations owned by the ‘Washington Redskins’ American football team. The Washington Redskins’ popularity is especially strong because it has been among the most successful of Washington DC’s professional sports teams. Of course, Washington DC is the seat of numerous important political and legal institutions, including the US Supreme Court, the US court of ultimate appeal for federal matters.

The Washington Redskins’ team name was selected in 1933, ostensibly because



it implied stamina and an outdoorsy toughness, and the team eventually obtained six US trade mark registrations for various REDSKINS-based marks. In modern times, Native Americans have voiced objections to the REDSKINS marks, which literally identify a race by the colour of its skin. The *Pro-Football* case, the latest in a series of lawsuits that began in 1971, is currently being heard by the US Court of Appeals for the Fourth Circuit.

Over the past few years, trade mark owners and applicants seeking to maintain or obtain protection for allegedly disparaging trade marks have sought to bolster their arguments with free speech references. The test case for the success of such arguments, notably, has not been the difficult *Pro-Football* case, but the instant case *In re Tam*, 600 F App'x 775 (Fed Cir 2015), which involves the alleged 're-appropriation' of the racial slur 'slants' by an Asian-American musical band and therefore presents a more palatable fact pattern.

In this case, the constitutionality of the disparagement clause was considered by the US Court of Appeals for the Federal Circuit (Federal Circuit) in the context of the USPTO's denial of a federal registration for the mark THE SLANTS for an Asian-American dance-rock band. In its decision, the Federal Circuit ultimately found the disparagement clause 'facially unconstitutional' under the First Amendment's Free Speech Clause (*In re Tam*, 808 F.3d 1321 (Fed Cir 2015) (en banc)). The US government appealed, and the Supreme Court swiftly and unsurprisingly granted the government's petition for a writ of certiorari.

## Facts

Simon Tam is the lead singer of an Asian-American dance-rock band called The Slants (id at 1331). He named the band 'The Slants' 'to "reclaim" and "take ownership" of Asian stereotypes' and later applied for federal registration of the mark THE SLANTS (id).

At the USPTO, a prima facie case of disparagement occurs if a trade mark examiner finds that 'a substantial composite, although not necessarily a majority' of a group that is referred to by the meaning of the applied-for mark would find it 'disparaging in the context of contemporary attitudes'. (Trademark Manual of Examining Procedure § 1203.03(b)(i)). The applicant for the mark then has the burden to prove that the mark is not disparaging. The fact that the applicant is a member of the group, or that good intentions are behind the applicant's use of the mark, does not weigh in favour of the registration of the mark if it is otherwise deemed to be objectionable.

The trade mark examiner rejected Mr Tam's application to register the mark under the disparagement clause, finding that a 'substantial composite' of persons would find the mark THE SLANTS offensive (Slip op. at 7). The USPTO's Trademark Trial and Appeal Board (TTAB) upheld the examiner's denial of registration for the mark.

In its original panel decision, the Federal Circuit affirmed the TTAB's determination that the mark is disparaging (785 F.3d at 570–1). The panel noted that binding Federal Circuit



precedent—namely *In re McGinley*, 660 F.2d 481, 484 (CCPA 1981)—held that ‘the refusal to register a mark under [the disparagement clause of the Lanham Act] does not bar the applicant from using the mark, and therefore does not implicate the First Amendment’ (*In re Tam*, 808 F.3d at 1333). However, based on concerns about the viability of the *McGinley* decision in view of subsequent First Amendment jurisprudence, the Federal Circuit sua sponte vacated the panel decision and ordered rehearing en banc to consider whether the disparagement clause violates the First Amendment.

In its en banc decision, the Federal Circuit held that the disparagement clause is unconstitutional under the First Amendment (*id* at 1358). The Federal Circuit found that ‘[s]ection 2(a) is a viewpoint-discriminatory regulation of speech, created and applied in order to stifle the use of certain disfavored messages. Strict scrutiny therefore governs its First Amendment assessment—and no argument has been made that the measure survives such scrutiny’ (*id* at 1337). The Federal Circuit also held that:

1. ‘The government cannot escape strict scrutiny by arguing that § 2(a) regulates commercial speech’ because ‘critically, it is always a mark’s expressive character, not its ability to serve as a source identifier, that is the basis for the disparagement exclusion from registration’ (*id* at 1337–38).
2. Strict scrutiny applies to the disparagement clause, even though the disparagement clause does not ban the use of the mark, because ‘the [disparagement clause’s] bar on registration creates a strong disincentive to choose a “disparaging” mark’ (*id* at 1340–1).
3. Trade mark registration does not constitute government speech, and thus the disparagement clause is not insulated from First Amendment review on that basis (*id* at 1345).
4. Trade mark registration is not a subsidy that the federal government can withhold when it disapproves of the message the mark conveys, and thus the disparagement clause is not exempt from strict scrutiny (*id* at 1348–55).
5. The disparagement clause is aimed at the expressive aspect of a mark, and ‘therefore should be evaluated under the First Amendment Standards applicable to the regulation of expressive speech’ (*id* at 1355). Thus, the intermediate scrutiny standard for commercial speech is not applicable to the disparagement clause, even though trade marks have been referred to as commercial speech. Even if marks were treated as commercial speech, the disparagement clause would fail to survive intermediate scrutiny because ‘[t]he entire interest of the government in [the disparagement clause] depends on disapproval of the message’ (*id*).

Several judges wrote separately to present the following concurring and dissenting opinions: (1) the disparagement clause is unconstitutionally vague; (2) the disparagement clause is



facially constitutional, but is unconstitutional as applied to the mark THE SLANTS; (3) the disparagement clause is facially constitutional, and is constitutional as applied to the mark THE SLANTS; (4) trade mark registration is a government subsidy; and (5) trade marks are commercial speech and the disparagement clause survives intermediate scrutiny afforded to commercial speech (*id* at 1358–82).

The US federal government (on behalf of the USPTO charged with enforcing the statute) filed a petition for certiorari. The Supreme Court granted certiorari, and its decision is discussed below.

## Analysis

In *Tam*, the US Supreme Court affirmed the en banc decision of the Federal Circuit, holding that the disparagement clause ‘violates the Free Speech Clause of the First Amendment [of the US Constitution]. It offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend’ (*Slip op.* at 1–2).

As a threshold issue, the court addressed Respondent Tam’s argument that the disparagement clause does not apply to marks that disparage the members of racial or ethnic groups. The court considered this argument even though Tam did not raise it before the USPTO or the Federal Circuit, and even though the court denied Tam’s request to grant certiorari on this question, because the case would be resolved without having to address the constitutional question if the court agreed with Tam’s argument (*id* at 9).

Based on the ‘plain terms’ of the disparagement clause, which applies to marks that disparage ‘persons’, the court held that the disparagement clause applies to the members of a racial or ethnic group because ‘a mark that disparages a “substantial” percentage of the members of a racial or ethnic group ... necessarily disparages many “persons”, namely, members of that group’ (*id* at 10). The court further found that, since the disparagement clause also expressly applies to ‘institutions’, ‘beliefs’, and, according to Tam, ‘juristic’ persons, ‘the clause is not limited to marks that disparage a particular natural person’ (*id*).

Since the court concluded that the disparagement clause applies to marks that disparage the members of racial or ethnic groups, it next considered whether the disparagement clause violates the Free Speech Clause of the First Amendment to the US Constitution. In particular, the court considered three arguments that would render the disparagement clause immune to First Amendment scrutiny or would permit a more lenient standard of review: ‘(1) that trademarks are government speech, not private speech, (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’ (*id* at 12).

## Trade marks are not government speech

Under the ‘government speech’ doctrine, the First Amendment’s protections against viewpoint discrimination with regard to speech do not apply to the speech of the federal



government (id at 12–13). In this regard, the Supreme Court noted that the federal government does not create the marks that are registered, and that ‘if the mark meets the Lanham Act’s viewpoint-neutral requirements, registration is mandatory’ unless the trade mark examiner finds that the disparagement clause applies (id at 14). The court also noted that, once a mark is allowed by a trade mark examiner, it is not further reviewed by a higher official unless it is challenged. Additionally, once a mark has been registered, it is not removable from the trade mark register unless the mark expires or certain proceedings are commenced either by a party or by the US Federal Trade Commission.

The court considered that the USPTO ‘has made it clear that registration does not constitute approval of a mark’ (id at 15), and in any case none of its government speech cases supports the proposition that trade marks are government speech (id at 16–17).

Accordingly, the court concluded that ‘[t]rademarks are private, not government, speech’ (id at 18). As such, the Free Speech Clause of the First Amendment, which applies only to private speech, applies to the disparagement clause. A contrary conclusion—that trade marks are government speech—would have a ‘most worrisome implication’ for the US copyright system, the court noted (id at 18).

#### **Trade mark registration is not a form of government subsidy**

The US Supreme Court also rejected the argument that the disparagement clause could be saved by considering trade mark registration as a type of subsidized speech that expresses a particular viewpoint. In this regard, the court stated that the federal registration of a trade mark is ‘nothing like the programs at issue’ in the government-subsidy cases relied on by the government (id at 19). In particular, those cases all involved ‘cash subsidies or their equivalent’, whereas the USPTO does not pay applicants to register their marks (id). The court also discounted any non-monetary benefits of trade mark registration resulting from USPTO expenditures on the trade mark examination process, reasoning that ‘just about every government service requires the expenditure of government funds’ (id).

#### **Trade mark registration is not a type of government programme in which some content- and speaker-based restrictions are permitted**

The court likewise rejected the argument that the disparagement clause could be saved by analysing trade mark registration as a type of government programme in which some restrictions on content and speech are permitted. The court found that the cases cited by the government in regard to this argument that related to a public employer’s collection of union dues from its employees ‘are far removed from the registration of trademarks’ and ‘are no more relevant for present purposes than the subsidy cases previously discussed’ (id at 20, 22). As to other cases involving government programs in which some content and speech restrictions were permitted, the court stated that those cases did not permit viewpoint discrimination. The court concluded that, since the disparagement clause denies registration of a mark based on whether that mark would offend a substantial percentage of the members of a group, it impermissibly involves viewpoint discrimination. Oddly, however, the court left open ‘the question whether this is the appropriate framework for analyzing free speech challenges to provisions of the Lanham Act’ (id at n.16).



## The Supreme Court left open the question of whether trade marks are commercial speech

Finally, the court found that it did not need to resolve the question of whether trade marks are commercial speech, and thus entitled to more relaxed constitutional scrutiny as set forth in *Central Hudson Gas & Electric Corp. v Public Service Commission of NY*, 447 US 557 (1980).

Under *Central Hudson*, a restriction on speech must be ‘narrowly drawn’ to serve ‘a substantial interest’ (Slip op. at 24). Here, the court found, the government could not meet the test. The government argued that the disparagement clause served two substantial interests. First, ‘[t]he Government has an interest in preventing speech expressing ideas that offend’. However, the court found that ‘this idea strikes at the heart of the First Amendment’, and could not be sustained. Second, the government argued that eliminating trade marks that support discriminatory conduct and disrupt the market, ‘protect[s] the orderly flow of commerce’ (id at 25). However, the court found that the disparagement clause is too broadly drawn to eliminate such trade marks, since the clause ‘reaches any trademark that disparages *any person, group, or institution...* . In this way, it goes much further than is necessary to serve the interest asserted’ (id).

The court thus left open the issue of whether *Central Hudson* governs free speech challenges to provisions of the Lanham Act (id at n.17).

## Concurring opinions

In separate opinions, Justice Kennedy (joined by Justices Ginsburg, Sotomayor and Kagan) and Justice Thomas concurred in the court’s judgment and concurred in the majority opinion in part. Justices Kennedy and Thomas both opined that the viewpoint discrimination at issue in the disparagement clause of the Lanham Act requires strict scrutiny, regardless of whether trade marks qualify as commercial speech. Justice Thomas also expressed his view that procedurally the court should not have considered the issue of whether the disparagement clause applies to marks that disparage the members of racial or ethnic groups, since the court declined to grant certiorari on this question.

## Practical significance

The band The Slants will now be able to obtain a US federal trade mark registration on its name. Likewise, as the US federal government has conceded in a 28 June 2017 letter to the court, the Washington Redskins football team will regain control over the federal registrations for the six trade marks that were cancelled in *Pro-Football, Inc. v Blackhorse* (see Letter from US Dep’t of Justice to US Court of Appeals for the Fourth Circuit (28 June 2017), *Pro-Football, Inc. v Blackhorse*, No 15-1874). Only time will tell how many more offensive marks will make it on to the Trademark Registry in the USA.

Further afield, the Supreme Court’s *Tam* decision calls into question whether certain other of the Lanham Act’s prohibitions on federal trade mark registration are similarly unconstitutional. Most immediately, the Lanham Act also prohibits registration of a mark that



'[c]onsists of or comprises immoral ... or scandalous matter' (15 USC § 1052(a)). This 'scandalous clause', which prohibits the federal registration of trade marks including, for example, profanities, sexually explicit images and the like, may be deemed unconstitutional for similar reasons as the disparagement clause. The constitutionality of this clause has been challenged in the case *In re Brunetti*, no. 15-1109, which appeals the USPTO's refusal to grant a registration for the mark FUCT and is pending before the US Court of Appeals for the Federal Circuit. The USPTO has advised that examination of US trade mark applications subject to a provisional rejection for containing scandalous material have been suspended pending the outcome of *In re Brunetti* (TMEP Examination Guide 1-17 (26 June 2017)).

Despite these developments, it should be recalled that an applicant seeking the federal registration of a trade mark in the USA must still either use or intend to use the mark in commerce in connection with the specified goods or services. This, coupled with concerns about how disparaging or scandalous marks may be viewed by consumers, will hopefully moderate the number of such marks that are applied for, registered, and used in US commerce.