ARE Trademark Law Alert: Federal Circuit Panel Holds Lanham Act Prohibition Against Registration of Immoral or Scandalous Trademarks to Be Unconstitutional

Author(s): Anthony F. Lo Cicero, Chester Rothstein, Charles R. Macedo, Max Vern , Jessica Capasso, David Goldberg,

On December 15, 2017, a three-judge panel of the U.S. Court of Appeals for the Federal Circuit in the case *In re Brunetti* (no. 15-1109) held the Lanham Act's prohibition against the federal registration of "immoral . . . or scandalous" trademarks to be an unconstitutional violation of the First Amendment. This ruling has been widely expected since the Supreme Court's decision earlier this year in *Matal v. Tam*, 137 S. Ct. 1744 (2017), which struck down a similar prohibition against the registration of 'disparaging' trademarks.

In re Brunetti involves the appeal of a U.S. Patent and Trademark Office ("PTO") Trademark Trial and Appeal Board ("TTAB") decision refusing registration of the trademark FUCT for clothing. The refusal was based on Section 2(a) of the Lanham Act which provides, in part, that the PTO may refuse to register a trademark that "[c]onsists of or comprises immoral . . . or scandalous matter." 15 U.S.C. § 1052(a). To determine whether a trademark should be refused on this basis, the PTO asks whether a "substantial composite of the general public" would find the trademark to be "shocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; . . . giving offense to the conscience or moral feelings; . . . or calling out for condemnation." *In re Fox*, 702 F3d 633, 635 (Fed. Cir. 2012) (alterations omitted). Alternatively, "the PTO may prove scandalousness by establishing that a mark is 'vulgar.'" *Id*.

In its decision, written by Judge Kimberly A. Moore, the Federal Circuit panel found that the TTAB did not err in finding the FUCT trademark to be immoral or scandalous matter. However, since the Section 2(a) bar on registering such trademarks was found to be unconstitutional, the TTAB decision was reversed.

In *Brunetti*, the Federal Circuit flatly dismissed the government's argument that *Tam* was not dispositive because the disparagement clause test implicated viewpoint discrimination, while the immoral or scandalous clause test is viewpoint neutral. Slip op. at 13. Instead, the court found that the clause violated the First Amendment regardless of whether it was viewpoint neutral. *Id*. Indeed, the Federal Circuit's reasoning in *Brunetti* closely followed its reasoning in *Tam*. *Compare In re Brunetti*, slip op. at 13-38, *with In re Tam*, 808 F.3d

1321, 1339-58 (Fed. Cir. 2015) (en banc), *aff'd sub nom. Matal v. Tam*, 137 S. Ct. 1744 (2017).

In short, the *Brunetti* panel recognized that content-based prohibitions are presumptively invalid, and refuted the government's arguments that the federal trademark registration scheme falls under exceptions for government subsidy programs or for limited public forums. Slip op. at 14-28. Finally, the panel determined that even if the scheme were exceptional, and the prohibition was evaluated under the lesser scrutiny afforded to commercial speech under *Central Hudson Gas & Electric Corp. v. Public Service Commission*, 447 U.S. 557 (1980), because the government asserted no credible substantial interest justifying the clause, it would fail. Slip op. at 28-38.

Judge Timothy B. Dyk wrote a concurring opinion in which he agreed that the immoral or scandalous clause raised serious First Amendment concerns. Nevertheless, since courts must, "where possible, construe federal statutes so as 'to avoid serious doubt of their constitutionality,'" Judge Dyk believed that the panel could, instead of invalidating the clause, simply have "limit[ed] the clauses's reach to obscene marks, which are not protected by the First Amendment." Dyk, J., concurring op. at 2 (quoting *Stern v. Marshall*, 564 U.S. 462, 477 (2011)).

This panel decision will no doubt be the subject of further appeals. Nevertheless, given the Supreme Court's ruling in *Tam*, it is almost certain that the eventual outcome of the process will be the invalidation of the prohibition against the federal registration of "immoral . . . or scandalous" trademarks.

In view of *Tam* and *Brunetti*, it is possible that concerns over free speech rights may also affect federal and state trademark dilution laws. These laws allow trademark owners to bring legal actions against those who use a trademark to either: (i) tarnish; or (ii) whittle away the distinctiveness of another trademark owner's mark or reputation. The courts may soon have to address the availability of First Amendment defenses of these uses, especially with regard to tarnishment. We are continuing to monitor developments regarding this and other related issues.

Please feel free to contact our attorneys if you have questions regarding this alert.

*Anthony F. Lo Cicero, Chester Rothstein, Charles R. Macedo, and Max Vern are partners, and Jessica Capasso and David P. Goldberg are associates, at Amster, Rothstein & Ebenstein LLP. Their practice specializes in intellectual property issues. They may be reached at alocicero@arelaw.com, crothstein@arelaw.com, cmacedo@arelaw.com, mvern@arelaw.com, jcapasso@arelaw.com, and dgoldberg@arelaw.com.

Messrs. Macedo and Goldberg represented *amicus curiae* New York Intellectual Property Law Association at the Supreme Court in *Tam*.