Insights: Alerts

Supreme Court Holds a Portion of Section 2(a) of the Lanham Act Unconstitutional

JUNE 20, 2017 Written by Theodore H. Davis Jr.

In *Matal v. Tam*,[1] the Supreme Court held that a portion of Section 2(a) of the Lanham Act[2] prohibiting the federal registration of potentially disparaging trademarks and service marks violated the Free Speech Clause of the First Amendment. The decision is the first opinion by the Court since 1879—and only the second in the history of the republic—to invalidate a federal intellectual property statute as unconstitutional.[3] It marks a departure from the Court's traditional reliance on *Central Hudson Gas & Electric Corp. v. Public Service Comm'n of New York* [4] when determining whether a governmental regulation of commercial speech violates the Free Speech Clause. The eight justices participating in the case[5] agreed the prohibition constituted a viewpoint-based government restriction, but they divided evenly on the constitutional significance of that consideration. Whatever the resolution of that division ultimately may be, though, the outcome of the litigation is unlikely to affect the validity of most (but not all) of the Lanham Act's other prohibitions on registration.

Section 2(a) of the Lanham Act

Section 2(a) of the federal Lanham Act bars the registration of several categories of trademarks and service marks, including those "consisting or comprising immoral . . . or scandalous matter, or . . . which may disparage . . . persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute."[6] The ban on the registration of immoral and scandalous marks was first enacted as Section 2(a) of the Trademark Act of 1905, and congressional disapproval of potentially disparaging marks became a part of federal law in 1946 as part of the federal Lanham Act. As this provenance suggests, litigation concerning the registrability of immoral, scandalous, and potentially disparaging marks under Section 2(a) is not a recent development in trademark jurisprudence.[7]

The language from Section 2(a) quoted above has two distinct prongs, namely, whether a mark is "immoral or scandalous," and whether a mark "may disparage"; only the latter of these prohibitions was at stake in *Tam*. The two bans are closely related, and it is possible for a mark to be rejected for violating both.[8] In addition, when a challenge is brought to an existing registration under these prongs of Section 2(a), the challenger must demonstrate the registration "was obtained" in violation of the statute, meaning that the challenger's evidentiary showing must focus on whether the mark in question was scandalous, immoral, or potentially disparaging as of the date it was registered,[9] rather than on the date on which the merits of the challenge are decided.

Nevertheless, there are significant differences in how the USPTO and courts traditionally have interpreted these two prongs of Section 2(a). One is that, although the challenger to the registrability of a mark under the first prong must demonstrate actual immorality or scandal to prevail, a mere showing of *potential* disparagement will suffice under the second prong. Another is how offense under the two prongs is measured: (1) where scandal and immorality are

concerned, "whether the mark consists of or comprises scandalous matter must be determined from the standpoint of a substantial composite *of the general public* (although not necessarily a majority), and in the context of contemporary attitudes, keeping in mind changes in social mores and sensitivities";[10] but (2) "if [the mark's] meaning is found to refer to identifiable persons, institutions, beliefs or national symbols, whether that meaning may be disparaging to a substantial composite *of the referenced group*."[11] A mark therefore may be unregistrable under the "may disparage" prong of Section 2(a), even if the general public (as opposed to the referenced group) does not find it offensive.

Procedural history of *Tam*

Tam arose from the USPTO's rejection of an application to register the mark THE SLANTS for entertainment services because the mark potentially disparaged Asian-Americans despite the membership of the applicant, Simon Tam, in that group. In an appeal from that action, a Federal Circuit panel affirmed the refusal on the merits and additionally rejected the applicant's argument that the refusal was an unconstitutional condition under the First Amendment.[12] Immediately following that holding, however, the full Federal Circuit vacated the panel opinion so it could address the constitutionality of the relevant portion of the statute. That rehearing resulted in the invalidation of Section 2(a)'s "may disparage" prohibition on registration as fatally inconsistent with the Amendment's Free Speech Clause. Despite the absence of a split in the Circuits, the Supreme Court granted the government's petition for a writ of certiorari, which presented the following question: "Whether the disparagement provision in 15 U.S.C. [§] 1052(a) is facially invalid under the Free Speech Clause of the First Amendment."[13]

The Supreme Court Holds Section 2(a)'s Prohibition on the Registration of Potentially Disparaging Marks Unconstitutional

The Supreme Court affirmed the Federal Circuit's invalidation of the statutory language at issue. As an initial matter, the Court unanimously rejected Tam's argument that Section 2(a)'s reference to "persons" did not apply to racial and ethnic groups, noting such a reading would be inconsistent with the rest of the clause, which also applies to "institutions" and "beliefs," and would lead to absurd results.[14] The Court's opinion also confirmed several basic propositions of trademark law, including that (1) a determination of mark unregistrability does not restrict the mark owner's right to use the mark in commerce; and (2) such a determination also does not mean the mark at issue is ineligible for registration on the USPTO's Principal Register does not necessarily render that mark invalid and unprotectable; but also that (3) owners of marks registered on the Principal Register enjoy certain substantive and procedural advantages in litigation to protect their marks that are unavailable to the owners of unregistered marks.[15]

The Supreme Court then turned to whether the decision to register or not to register a particular mark constitutes government speech immune from First Amendment scrutiny. The Court unanimously held it does not, calling the argument "far-fetched."[16] The Court also concluded that "[t]rademarks have not traditionally been used to convey a Government message . . . . And there is no evidence that the public associates the contents of trademarks with the Federal Government."[17] In doing so, the Court distinguished its earlier opinion in *Walker v. Texas Division, Sons of Confederate Veterans, Inc*.,[18] in which it had classified messages on specialty license plates as government speech. The Court determined none of the elements present in *Walker*—the states' long-standing practice of using license plates to convey messages, the public's identification of license plates with states, and the states' direct control over

the messages conveyed on specialty plates—were present in *Tam*.[19]

Just as all Justices agreed on these points and that the statutory language at issue therefore was subject to First Amendment scrutiny, they were also unanimous that the portion of Section 2(a) at issue was not viewpoint-neutral, even if it evenhandedly prohibited the potential disparagement of all groups. To Justices Kennedy, Ginsberg, Sotomayor, and Kagan, the lack of viewpoint neutrality meant the prohibition on registration necessarily invoked "heightened scrutiny."[20] They would have held the prohibition invalid without additional analysis, despite the commercial nature of trademarks: "Unlike content based discrimination, discrimination based on viewpoint, including a regulation that targets speech for its offensiveness, remains of serious concern in the commercial context."[21]

In contrast, Justice Alito, joined by Chief Justice Roberts and Justices Thomas and Breyer addressed "the Government's argument that this case is governed by cases in which this Court has upheld the constitutionality of government programs that subsidized speech expressing a particular viewpoint."[22] Alito's opinion rejected the assertion that government programs subsidizing speech expressing a particular viewpoint are necessarily constitutional. Alito distinguished prior case law from the Court suggesting otherwise, noting that "the decisions on which the Government relies all involved cash subsidies or their equivalent,"[23] while the subsidy the government claimed in this case was the non-monetary benefit of trademark registration. Alito also rejected the government's attempt to create a "government program" doctrine under which to analyze the disparagement clause, concluding, similar to Kennedy, the issue to be a simple matter: Viewpoint-based discrimination is impermissible.[24]

Finally, Alito considered whether trademarks are commercial speech, and thus if restrictions on them should be subject to a lower level of scrutiny under *Central Hudson*, a test historically applicable to that category of speech. Nevertheless, Alito's opinion did not decide whether trademarks qualified for that treatment, determining only that, if so, the potential disparagement clause could not withstand even *Central Hudson* review, which requires only that a restriction on commercial speech serve "a substantial interest" and be "narrowly drawn." Alito concluded the disparagement clause was neither, writing that any intention to prevent offense "strikes at the heart of the First Amendment" and that, in any event, the statutory language could not be "narrowly drawn"[25] to exclude from registration marks that support "invidious discrimination."[26] Significantly, however, Alito and the three Justices joining his opinion expressly left open "the question whether *Central Hudson* provides the appropriate test for deciding free speech challenges to provisions of the Lanham Act."[27] Consequently, not a single Justice fully committed himself or herself to *Central Hudson's* viability in this context.

Potential Impact

The most immediate effect of the Supreme Court's holding will be on another trademark dispute currently pending before the Fourth Circuit (but suspended pending the Court's disposition of *Tam*). In *Pro-Football, Inc. v. Blackhorse*,[28] the Trademark Trial and Appeal Board and then the Eastern District of Virginia concluded that six service marks owned by the parent company of the Washington Redskins football franchise potentially disparaged Native Americans and that the registrations covering the marks therefore were void under Section 2(a). Because that opinion rested on many of the same arguments advanced by the government in *Tam*, its ability to survive appellate scrutiny is doubtful.

Other beneficiaries of the outcome will almost certainly include the owners of immoral and scandalous marks, which also are denied registration under Section 2(a). Like the one targeting potentially disparaging marks, that prohibition is viewpoint-discriminatory. Consequently, and especially because proffered justifications for it historically have overlapped with those for Section 2(a)'s potential disparagement prong, it likely will fail for the same reasons as articulated by the various opinions in *Tam*. Indeed, the government has conceded as much in a pre-*Tam* letter brief submitted to the Federal Circuit in another case.[29]

Otherwise, though, the effects of the primary opinions in the case on the federal trademark registration system overall likely will be minimal. Although Sections 2, 13, and 14 of the Lanham Act identify myriad grounds on which a mark can be found unregistrable, most other than Section 2(a)'s prohibitions on potentially disparaging matter, on the one hand, and immoral and scandalous matter, on the other, are viewpoint neutral.[30] The odds of the outcome in *Tam* resulting in the invalidation of other grounds for unregistrability therefore are low.

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[1] No. 15-1293, 2017 WL 2621315 (U.S. June 19, 2017).

[2] 15 U.S.C. § 1052(a) (2012).

[3] The first was United States v. Steffens (The Trademark Cases), 100 U.S. 82 (1979).

[4] 447 U.S. 557 (1980).

[5] Justice Gorsuch did not participate.

[6] 15 U.S.C. § 1052(a) (2012).

[7] *See, e.g.*, Doughboy Indus. v. Reese Chem. Co., 88 U.S.P.Q. 227 (Exam'r in Chief 1951) (DOUGH-BOY mark potentially disparaging of World War I soldiers when used in connection with preparation for the prevention of venereal disease); *Ex parte* Martha Maid Mfg. Co., 37 U.S.P.Q. 156 (Comm'r Pats. 1938) (QUEEN MARY mark scandalous when used in connection with women's undergarments).

[8] *See, e.g.*, Boston Red Sox Baseball Club LP v. Sherman, 88 U.S.P.Q.2d 1581 (T.T.A.B. 2008) (refusing registration to SEX ROD mark for clothing); Greyhound Corp. v. Both Worlds Inc., 6 U.S.P.Q.2d 1635 (T.T.A.B. 1988) (refusing registration to defecating dog design).

[9] *See* 15 U.S.C. § 1064(3) (2012).

[10] *In re* Boulevard Entm't, 334 F.3d 1336, 1340 (Fed. Cir. 2003) (emphasis added).

[11] *In re* Geller, 751 F.3d 1355, 1358 (Fed. Cir. 2014) (emphasis added).

[12] *In re* Tam, 785 F.3d 567, 570 (Fed. Cir.), *rehg en banc granted, opinion vacated* , 600 F. App'x 775 (Fed. Cir. 2015), *revd* , 808 F.3d 1321 (Fed. Cir. 2015) (en banc), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* Lee v. Tam, 137 S. Ct. 30 (2016), *affirmed sub nom.* Matal v. Tam, No. 15-1293, 2017 WL 2621315 (U.S. June 19, 2017).

[13] Brief for the Petitioner at i, *Matal v. Tam*, No. 15-1293, 2017 WL 2621315 (U.S. June 19, 2017).

[14] *Matal*, 2017 WL 2621315, at *10 n.4.

[15] *Id.* at *12.

[16] *Id*. at *6-7.

[17] *Id*. at *14.

[18] 135 S. Ct. 2239 (2015).

[19] *Matal*, 2017 WL 2621315, at *14.

[20] *Matal v. Tam*, 2017 WL 2621315, at *23 (U.S. June 19, 2017) (Kennedy, J., concurring in part and concurring in the

judgment).

[21] *Id*.

[22] *Matal v. Tam*, No. 15-1293, 2017 WL 2621315, at *15 (U.S. June 19, 2017) (opinion of Alito, J.).

[23] *Id*.

[24] *Id*. at *18.

[25] *Id*. at *19.

[26] *Id*. at *20.

[27] *Id*. at *18 n.17.

[28] 112 F. Supp. 3d 439 (E.D. Va. 2015), *cert. denied*, 137 S. Ct. 44 (2016).

[29] That letter is accessible at http://business.cch.com/ipld/InreBrunettiDOJLetter.pdf.

[30] A third possible exception is a determination of unregistrability because the mark in question likely dilutes the distinctiveness of a senior user's famous mark through tarnishment.

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