

REPORT

**SUPREME COURT STRIKES DOWN
THE LANHAM ACT'S DISPARAGEMENT CLAUSE**

July 11, 2017

On June 19, 2017 the Supreme Court issued a unanimous decision striking down a 70-year-old restriction on the registration of disparaging trademarks under Section 2(a) of the Lanham Act. *Matal v. Tam* No. 15-1293, 582 U.S. ___ (2017). The Court held that Section 2(a)'s prohibition on the registration of disparaging marks offends "a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend."

I. Background

Simon Tam, the lead singer in an Asian American rock band, applied to register THE SLANTS as a trademark and the name of his band. The term SLANTS is known as a derogatory term for people of Asian descent. However, Tam and his band members, who are of Asian descent, said they adopted THE SLANTS so they could "reclaim" and "take ownership" of the term. The United States Patent and Trademark Office (USPTO) refused registration of the mark on the basis of a provision of federal trademark law that prohibits the registration of trademarks that "may disparage ... persons, living or dead, institutions, beliefs, or national symbols."

Tam appealed to the Trademark Trial and Appeal Board (TTAB). The TTAB affirmed the USPTO decision finding that the term was disparaging and likely offensive to a "substantial

composite" of people of Asian descent. Tam then appealed to the Federal Circuit. The initial panel of the Federal Circuit affirmed the TTAB decision following which the full court ultimately ruled *en banc* that the anti-disparagement clause was unconstitutional because it violated the free speech principles of the First Amendment. The government filed a petition for certiorari, which the Supreme Court granted in 2016.

II. Supreme Court Decision

The disparagement clause reads "No trademark ... shall be refused for registration on the principal register ... unless it (a) consists of or comprises ... matter which may disparage ... persons, living or dead, institutions, [or] beliefs ... into contempt, or disrepute." Before addressing the arguments raised by the government in support of the restriction on disparaging marks, the Supreme Court considered an argument made by Tam that the disparagement clause does not reach marks that disparage racial or ethnic groups since those non-juristic entities are not "persons" as contemplated in the language of the statute. The Supreme Court disagreed with Tam's "narrow" reading of the term "persons" noting that the clause applies equally to marks that disparage institutions and beliefs and therefore by definition to any group whose members share the same beliefs such as ideological and religious groups.

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The Court then addressed the three primary arguments advanced by the government which were focused on eliminating any First Amendment protection, or at least inviting only a rational-basis review of the disparagement clause.

A. Trademarks Are Private Speech, Not Government Speech

The government argued that trademarks are government speech and therefore outside the reach of the Free Speech Clause and First Amendment scrutiny. The Court strongly disagreed, pointing out, with many examples of the limitations on Trademark Examiner powers, that if a trademark meets the USPTO's viewpoint neutral requirements, registration is mandatory. Justice Alito, writing for the Court, noted that "if the federal registration of a trademark makes the mark government speech, the Federal Government is babbling prodigiously and incoherently. It is saying many unseemly things.... And it is providing Delphic advice to the consuming public." Justice Alito mused that "if trademarks represent government speech, what does the Government have in mind when it advises Americans to "Think Different (Apple) or Have it Your Way (Burger King.)" The Court further noted that a finding that trademarks constitute government speech would necessarily also lead to a finding that copyrights constitute government speech and thus eliminate all First Amendment protections for such expressive works. Thus, the Court concluded that trademarks are private, not government, speech.

B. Trademarks Are Not Government Subsidies

The government, relying on several Supreme Court cases involving cash subsidies, next argued that trademarks are a form of government subsidy. Such cases have held that substantive conditions can be imposed on the recipient of a subsidy. The Court vehemently

disagreed, pointing out that because the USPTO does not pay money or subsidize the cost of seeking a registration, trademark registration is not a subsidy. To the contrary, the Court found that the federal trademark registration system is nothing like the programs at issue in the cited cases, because trademark applicants, in fact, pay filing and maintenance fees that support the registration process.

C. The Court Will Not Sustain The Disparagement Clause Under A New "Government Program" Doctrine

The government argued next that the Court should adopt a new, broad "government program" doctrine, allowing it to apply the disparagement clause. The government relied both on the subsidy cases and cases in which the Court had upheld some content based and speaker based restrictions on private speech in limited public forums, such as a public university meeting hall or a city-owned theater. However, the Court noted that viewpoint discrimination (a fundamental principle of the First Amendment that the government may not punish or suppress speech based on disapproval of the ideas or perspectives the speech conveys) is forbidden even in these situations. The Lanham Act's disparagement clause, while evenly prohibiting discrimination against all groups, denies registration solely on whether or not a mark is offensive, which the Court found to be viewpoint discrimination and an impermissible suppression of speech.

D. The Disparagement Clause Cannot Withstand Even Relaxed Scrutiny

Acknowledging a dispute between the parties on whether trademarks are commercial speech subject to relaxed scrutiny, the Court declined to resolve the debate. It concluded

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instead that even under the more relaxed standard for restrictions on commercial speech adopted by the Court in *Central Hudson Gas & Electric Corp. v. Public Service Commission of N.Y.*, 447 U.S. 557 (1980), the disparagement clause is unconstitutional because the restriction is not a "narrowly drawn" anti-discrimination clause.

Because it applies to any person, group, or institution, the Court said that "it is not an anti-discrimination clause; it is a happy talk clause," concluding that it goes much further than is necessary to serve the interest asserted. Justice Kennedy, in a concurring opinion, said it another way - "A law that can be directed against speech found offensive to some portion of the public can be turned against minority and dissenting views to the detriment of all. The First Amendment does not entrust that power to the government's benevolence. Instead, our reliance must be on the substantial safeguards of free and open discussion in a democratic society."

III. Effects of Decision

While this case is unlikely to have any considerable impact for most of our clients, we can anticipate, that at least in the short term, there will be an increase in the numbers of colorful trademarks filed. These will include marks the USPTO and the TTAB have previously refused and marks that Section 2(a) discouraged registering in the first place. However, because, with a few exceptions, trademarks have to be eventually used in commerce in order to achieve and keep registration status, it will not make sense to rush to apply for such marks without a bona fide intention to use such marks in commerce.

In addition, this case and the resulting decision by the Supreme Court have been closely watched by the Washington Redskins and the National Football League. Native American groups have long challenged the use and registration of the name REDSKINS for the Washington football team as offensive. In June 2014, the TTAB ordered that all registrations for the REDSKINS trademark be cancelled under the disparagement clause. In August 2014, the Redskins Organization challenged the Board's decision to cancel its marks as well as the constitutionality of the disparagement clause. The case was stayed pending the decision in the *Matal v. Tam* case. With the decision by the Supreme Court that the disparagement clause is indeed unconstitutional, the Washington Redskins will very likely be able to reinstate their cancelled trademark registrations.

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