

TM

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SCOTUS Declares Lanham Act's Prohibition Against Registering Disparaging Trademarks Unconstitutional

On June 19, 2017, the U.S. Supreme Court issued its decision in *Matal v. Tam*, affirming the Federal Circuit and holding that the Lanham Act's prohibition against registering disparaging trademarks is unconstitutional because it "is not 'narrowly drawn' to drive out trademarks that support invidious discrimination."

Background

The Lanham Act is a federal law that governs the use and registration of trademarks in the United States. Portions of the Lanham Act tell the Trademark Office how to examine trademarks. One rule is that the Trademark Office cannot approve proposed trademarks that are confusingly similar to already-registered trademarks. Another rule is that the Trademark Office cannot approve proposed trademarks that are immoral, scandalous, or disparaging. Most of these rules have existed since at least 1946, when the law was enacted.

Since 2012, Simon Tam, the lead singer of an Asian-American rock band, has been fighting the U.S. Trademark Office's refusal to register "The Slants," the name of his band. The assigned trademark examiner initially refused Mr. Tam's application on the basis that the term "The Slants" is a derogatory term directed towards those of Asian descent. When Mr. Tam was unable to change the trademark examiner's mind, he appealed the decision to the Trademark Trial and Appeal Board, an administrative tribunal housed within the U.S. Trademark Office that resolves disputes between applicants and trademark examiners. The Board sided with the trademark examiner, holding that notwithstanding Mr. Tam's apparent altruistic intent in adopting his band's name, the term "The Slants" was disqualified for registration because it was disparaging.

Unsatisfied with the Board's decision, Mr. Tam appealed the decision to the [U.S. Court of Appeals for the Federal Circuit](#), where the focus of the litigation shifted from whether the applied-for mark was disparaging to whether the prohibition against registering disparaging trademarks was constitutional. In late 2015, the Federal Circuit issued an *en banc* decision

ruling that the Lanham Act's prohibition against registering disparaging marks was unconstitutional because it was a restriction of free speech that did not meet the high level of strict scrutiny.

In September 2016, the U.S. Supreme Court granted certiorari to review the Federal Circuit's decision. And on June 19, 2017, the U.S. Supreme Court issued its decision in *Matal v. Tam*, affirming the Federal Circuit and holding that, notwithstanding the fact that "The Slants" is a derogatory term for persons of Asian descent, the Lanham Act's prohibition against registering disparaging trademarks is unconstitutional because it "is not 'narrowly drawn' to drive out trademarks that support invidious discrimination." In soon-to-be-famous wording, Justice Alito summarized that the prohibition against registering disparaging trademarks "is not an anti-discrimination clause; it is a happy-talk clause." In his concurring opinion, Justice Kennedy succinctly explained "The central purpose of trademark registration is to facilitate source identification . . . Registered trademarks do so by means of a wide diversity of words, symbols, and messages. Whether a mark is disparaging bears no plausible relation to that goal."

While it is now apparent that, on a going-forward basis, the Trademark Office will no longer refuse applied-for trademarks on the basis that they are disparaging to persons (living or dead), institutions, beliefs, or national symbols, brand owners are left to wonder whether the striking of the prohibition against disparaging marks will lead to the striking of other prohibitions within the Lanham Act.

Immoral and Scandalous Marks

What we know: The Lanham Act currently prohibits the registration of trademarks that are immoral or scandalous. This provision has been the basis of the Trademark Office's refusal to register vulgar marks. Since March 2016, in anticipation of the Court's potential review of the Federal Circuit's *Tam* decision, the Trademark Office began issuing "advisory refusals" for marks it considered vulgar, and suspending the examination of these applications pending the outcome of the *Tam* litigation. The *Tam* decision did not expressly address whether the prohibition against registering immoral or scandalous marks was unconstitutional.

What we think: Although the First Amendment concerns with respect to immoral or scandalous marks seem to be the same as or greater than the First Amendment concerns with respect to disparaging marks (a point conceded by the Trademark Office), for the time being, the Lanham Act continues to codify Congress's law that the Trademark Office must refuse to register immoral and scandalous marks. Therefore, it is unclear whether the Trademark Office can simply ignore this prohibition in its examination of trademarks, absent a court's ruling that this prohibition is unconstitutional. Such a case is waiting in the wings. Erik Brunetti's application to register "Fuct" for clothing was refused by the Trademark Office as immoral and scandalous, and the Board affirmed the Trademark Office's refusal in light of the *Tam* decision. The applicant appealed to the Federal Circuit, and the Federal Circuit can now consider the constitutionality of the Lanham Act's prohibition on registering immoral or scandalous trademarks. Many experts are in agreement that the constitutionality of this prohibition is doubtful, at best. In the meantime, for owners of trademark applications that have been suspended based on an immoral or scandalous advisory refusal, it is likely that the Trademark Office will allow these applications to remain suspended.

Dilutive Marks

What we know: Dilution is a cause of action that allows owners of famous brands to object to the use and registration of marks that are likely to harm ("tarnish") the reputation of the famous mark (for example, New York Rangers-branded cow manure) or impair ("blur") the exclusivity of the famous mark (for example, Rolls Royce bowling balls), even if there is no confusion. Under the Lanham Act, trademark examiners cannot refuse trademark applications on the basis of dilution. But brand owners can oppose applications before the Board on the basis that the applied-for mark will dilute the famous brand. This Lanham Act provision was the basis of the Board's refusal to register items like "The House That Juice Built" for clothing and "The Other Red Meat" for fresh and frozen salmon.

What we think: Experts are split on whether the Lanham Act's provision allowing the refusal of dilutive marks, especially marks that tarnish rather than blur, can withstand a constitutional challenge, in light of the *Tam* decision. On one hand, whether a mark is dilutive may bear no plausible relation to the goal of facilitating source identification. That is, from a

First Amendment perspective, if a mark solely tarnishes the reputation of a famous brand, is the tarnishment of that brand more harmful than the disparagement of an entire nationality? Perhaps not. On the other hand, dilutive marks, especially marks that blur, affect source identifiers to the extent that they diminish the economic value of the trademarks. Therefore, inherent in the government's authority to regulate source identifiers may be the government's authority to regulate the registration of marks that diminish the economic value of such source identifiers. It is reasonable to expect the constitutionality of the Lanham Act's anti-dilution provisions to be challenged in the near future, although this would be in the context of a dispute between two parties, not a dispute between the Trademark Office and one party.

Misleading and Confusing Marks

What we know: In his concurring opinion, Justice Kennedy stated "This case does not present the question of how other provisions of the Lanham Act should be analyzed under the First Amendment. It is well settled, for instance, that to the extent a trademark is confusing or misleading, the law can protect consumers and trademark owners." The Lanham Act's prohibition against misleading and confusing marks is unlikely to be affected by the *Tam* decision.

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