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Federal Circuit Takes a New Slant on Disparaging Trademarks

While the world's attention has been focused on the Washington Redskins' 0-2 record before the Trademark Office and federal court (its appeal to a federal appellate court is currently pending), a similar case has been making its way through the appeals process in a different appellate court – the Court of Appeals for the Federal Circuit. On Dec. 22, the Federal Circuit ruled that the portion of the federal trademark statute – the Lanham Act – that prohibited the registration of disparaging trademarks is unconstitutional.

In 2006, Simon Shiao Tam began using the name “The Slants” for his Asian-American band. And in 2011, Mr. Tam applied for a federal registration of his service mark, THE SLANTS, for entertainment services. The Trademark Office refused Mr. Tam's application because the term “slants” is disparaging to Asian-Americans and Section 2(a) of the Lanham Act prohibits the registration of disparaging marks. The Trademark Trial and Appeal Board (TTAB), an administrative court that can review the actions of trademark examiners, held that the refusal was proper. Mr. Tam appealed the TTAB's decision to the Federal Circuit.

In April 2015, the Federal Circuit affirmed the TTAB's decision refusing to register THE SLANTS. During the appeal, in addition to arguing that the statute was incorrectly applied, Mr. Tam questioned whether the Trademark Office's ability to refuse trademark applications because they are “disparaging” is constitutional. The panel of three Federal Circuit judges noted that they did not have the authority to declare Lanham Act Section 2(a) unconstitutional even if they wanted to because such a ruling would impermissibly directly conflict with a previously Federal Circuit decision, *In re McGinley*. But one of the three judges, Judge Kimberly Ann Moore, issued 23 pages of “additional views” discussing that if she was allowed to declare the prohibition against the registration of disparaging marks unconstitutional, she probably would. One week later, the Federal Circuit vacated the decision and announced that its 12 judges would reconsider the matter *en banc*, with the authority to diverge from the *In re McGinley* decision that handcuffed the three-judge panel.

On Dec. 22, 2015, the Federal Circuit issued its *en banc* decision, which was authored by Judge Kimberly Ann Moore. In its decision, the Federal Circuit ruled that the Lanham Act's prohibition against the registration of disparaging marks was

unconstitutional because it was a restriction on free speech that did not meet the high level of strict scrutiny. In reaching this decision, the Federal Circuit rejected three primary arguments advanced by the government that strict scrutiny should not apply to the prohibition against the registration of disparaging marks.

First, the government argued that Lanham Act Section 2(a) regulates commercial speech, and therefore is not subject to strict scrutiny. Specifically, the government argued that the prohibition against the registration of disparaging marks does not technically limit free speech because Mr. Tam is free to name his band as he wishes and use the name in commerce. The Federal Circuit summarily dismissed this argument noting that federal registration conveys significant benefits on trademark owners – exclusive nationwide use, *prima facie* evidence of validity, *prima facie* evidence of ownership, *prima facie* evidence of exclusivity, the ability to stop the importation of counterfeit goods through U.S. Customs, treble damages in infringement actions, and access to various anti-cybersquatting provisions – and that the unavailability of these significant benefits was a disincentive to adopting marks that could be refused under Lanham Act Section 2(a). The Federal Circuit also parsed the Trademark Office’s analysis of trademarks into two parts – the commercial component and the expressive component – and noted that the prohibition against disparaging marks was directed solely to the expressive component of the trademark, and was therefore not a regulation of commercial speech.

Second, the government argued that trademark registrations are government speech, and, as a result, that the government had a legitimate interest in preventing the registration of disparaging trademarks. The government analogized trademark registration certificates and the Trademark Office’s *Official Gazette*, a publication listing approved trademark applications, to state license plates. But the Federal Circuit rejected these arguments, noting that the registration of a trademark is no more the government’s endorsement of a brand than the registration of a copyright is the government’s endorsement of a creative work and stating “[w]hen the government registers a trademark, it regulates private speech. It does not speak for itself.”

Third, the government argued that trademark registrations were a subsidy, and under previous decisions, the government was allowed to regulate the availability of the subsidy. The Federal Circuit noted that, unlike a subsidy, there is no private alternative to federal trademark registration and that the Lanham Act was a “regulatory regime” and not a subsidy. The Federal Circuit poignantly noted that “[t]he government’s viewpoint- and content-based discrimination in this case is completely untethered to the purposes of the federal trademark registration program.”

After rejecting the government’s three key arguments as to why it had a compelling interest in refusing to register disparaging marks and that strict scrutiny should not apply, the Federal Circuit then explained that even if it had applied intermediate scrutiny instead of strict scrutiny, it would still have declared that the prohibition against the registration of disparaging marks was unconstitutional. The Federal Circuit concluded that the U.S. Constitution protects speech, even when it inflicts great pains and offends others, and, as a result, the Lanham Act’s prohibition against the registration of disparaging marks is unconstitutional.

The Federal Circuit’s decision can be appealed to the U.S. Supreme Court. But the U.S. Supreme Court has wide discretion to decide which cases it wishes to hear, and in 2015, the Supreme Court uncharacteristically issued two trademark law decisions. So it is far from certain that the U.S. Supreme Court will grant certiorari to hear an appeal of the Federal Circuit’s decision. If the Supreme Court does not grant certiorari, then on a going-forward basis, the Lanham Act’s prohibition against the registration of disparaging marks will be neutered, because the Federal Circuit’s decision is binding on the Trademark Office and the TTAB.

The effect of the *In re Tam* decision on the Washington Redskins’ service mark registrations is less certain. Both the Washington Redskins and Amanda Blackhorse (the plaintiff seeking to cancel the Washington Redskins’ registrations) submitted amicus briefs in the *In re Tam* case, recognizing the persuasiveness of the Federal Circuit’s decision on their dispute. Notably, the Washington Redskins’ amicus brief was cited in support of key points in the decision, including anecdotal evidence about the chilling and sudden negative economic effects of the denial of applications or cancellation of registrations. But the Federal Circuit’s decision, while persuasive and directly on point, is not binding on the Fourth Circuit, where the Washington Redskins and Blackhorse are currently litigating the Washington Redskins’ latest appeal. So it is possible that, despite the Federal Circuit’s decision, the Washington Redskins will still lose their current registrations,

while the door would remain open for the Washington Redskins to refile and obtain new registrations.

The Federal Circuit's decision may also apply to other portions of the Lanham Act that allow the Trademark Office to refuse applications because of the nature of the applied-for mark. For example, the Lanham Act prohibits the registration of "immoral matter" and "scandalous matter." These two prohibitions seem to be the low-hanging fruit that would fall next. Other portions of the Lanham Act, such as refusals based on deceptiveness and conflicts with third-party rights, would seem to be safe as these grounds for refusal relate more to the commercial component of the marks and less to the expressive components of the mark.

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