

KIRKLAND ALERT

January 2016

Federal Circuit Holds That Section 2(a) of the Lanham Act for Disparaging Marks is Unconstitutional under the First Amendment

The U.S. Court of Appeals for the Federal Circuit, ruling en banc, recently held that the portion of Section 2(a) of the Lanham Act that prohibits registration of disparaging trademarks is unconstitutional because “[i]t is a bedrock principle underlying the First Amendment that the government may not penalize private speech merely because it disapproves of the message it conveys.” *In re Tam*, No. 2014-1203, 2015 WL 9287035 (Fed Cir. Dec 22, 2015).

Simon Tam, a member of an Asian-American band from Portland, Oregon, filed an application to register THE SLANTS as the name of his band. The U.S. Patent and Trademark Office refused to register the mark finding that it is disparaging to “people of Asian descent.” After both the Trademark Trial and Appeal Board and a Federal Circuit panel upheld the examining attorney’s refusal, the Federal Circuit sua sponte ordered rehearing en banc and asked the parties to brief the following issue: “Does the bar on registration of disparaging marks in 15 U.S.C. § 1052(a) violate the First Amendment?” The court ultimately answered that question in the affirmative, holding that:

The government cannot refuse to register disparaging marks because it disapproves of the expressive messages conveyed by the marks ... The government regulation at issue amounts to viewpoint discrimination, and under the strict scrutiny review appropriate for government regulation of message or viewpoint, we conclude that the disparagement proscription of § 2(a) is unconstitutional.

The court explained that to determine whether a mark is disparaging under Section 2(a), a trademark examiner considers whether it “dishonors by comparison with what is inferior, slights, deprecates, degrades, or affects or injured by unjust comparison.” According to the court, this standard allows a single examiner, without review by a higher authority, to reject a mark based on the examiner’s conclusion that the mark would be disparaging to a substantial composite of the referenced group.

The government had argued that strict scrutiny should not apply, for two reasons. First, the government argued that strict scrutiny should not be applied because Section 2(a) regulates commercial, rather than expressive, speech. The court disagreed, noting that “it is always the mark’s expressive character, not its ability to serve as a

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source identifier, that is the basis for the disparagement exclusion.” In particular, the court found that by using the mark in question, Tam was making a “statement about racial and ethnic identity.” The court further held that even if speech has a “commercial component,” strict scrutiny applies because the government regulation is directed to the expressive component of the speech.

The court applied strict scrutiny because it determined that Section 2(a) burdens private speech based on “disapproval of the message conveyed” and thus it is neither content nor viewpoint neutral. Rather, “the disparagement provision at issue is viewpoint discriminatory on its face.” As such, the provision is presumptively unconstitutional and can only be justified if the government could prove that “[the provision] is narrowly tailored to serve compelling state interests.” The court noted, however, that “the government here does not even argue that § 2(a) satisfies strict scrutiny.”

Second, the government argued strict scrutiny did not apply because the First Amendment is not implicated (1) Section 2(a) does not ban speech, (2) trademark registration is government speech, and (3) trademark registration is a government subsidy. The court rejected each of these arguments. Specifically, it held that Section 2(a) “significantly chills private speech on discriminatory grounds” because the denial of a federal trademark registration, which “bestows truly significant and financially valuable benefits upon markholders,” creates what amounts to a serious disincentive to adopt a trademark that the government may consider disparaging based on an uncertain speech-affecting standard. As far as the government’s arguments that the “accoutrements of registration,” and other aspects of the registration process, convert the underlying speech to governmental speech, the court rejected them as “meritless” because if the parallel is drawn to copyright, “this sort of censorship” would not be “consistent with the First Amendment or government speech jurisprudence.” The court also found that “[t]rademark registration is not a subsidy” because the process of trademark registration does not “implicate” the power to spend or to control use of governmental property.

The court also analyzed Section 2(a) under an intermediate level of scrutiny applying the *Central Hudson* test, which provides that a restriction on commercial speech violates the First Amendment when (1) the speech “concern[s] [a] lawful activity and [is] not ... misleading”; (2) the governmental interest is not “substantial”; (3) the regulation does not “directly advance the governmental interest asserts” and (4) and it is not narrowly tailored to serve that interest. *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, 447 U.S. 557 (1980). Applying this standard, the court found Section 2(a) unconstitutional because there is “[n]othing illegal or misleading about a disparaging trademark like Mr. Tam’s mark” and the government did not advance a substantial governmental interest that would justify the ban on disparaging marks. According to the court, the arguments made by the government “boil down to permitting the government to burden speech it finds offensive,” which is not a legitimate government interest.

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The majority opinion concluded by saying that “the First Amendment protects Mr. Tam’s speech, and the speech of other trademark applicants.” The case was remanded to the Board for further proceedings. The majority opinion also made clear that it was not endorsing the mark at issue and that this opinion was limited to the constitutionality of the Section 2(a) disparagement provision.

Judges O’Malley, Dyk, Lourie and Reyna filed separate opinions. In her concurring opinion, Judge O’Malley concluded that Section 2(a) is unconstitutionally vague because the “First Amendment concerns require a stringent vagueness test”, that Section 2(a) cannot meet because the same mark, under the current test, can be successfully registered or rejected depending on the examiner.

Judge Dyk, joined by Judges Lourie and Reyna in part, concurred in part and dissented in part from the court’s opinion. Although agreeing with the majority that “the bar on registration of disparaging marks is unconstitutional as applied to” THE SLANTS, because the speech was political, he disagreed that “the statute [is] facially unconstitutional as applied to purely commercial speech” because “many trademarks lack the kind of ‘expressive character’ that would merit First Amendment protection for offensive content.” Judge Dyk also disagreed with the majority that trademark registration is not a subsidy because it “deprives a benefit” and “[f]ederal trademark registration ... is a government-bestowed collection mechanism for enforcing trademarks.”

Judge Lourie dissented “with respect to the result reached by the majority holding the disparagement provision of § 2(a) unconstitutional as violating the First Amendment” because “Mr. Tam may use his trademark as he likes” regardless of whether he is able to obtain a federal registration.

Finally, Judge Reyna also dissented because “the refusal to register disparaging marks under § 2(a) of the Lanham Act is an appropriate regulation that directly advances the government’s substantial interest in the orderly flow of commerce” and survives intermediate scrutiny. Judge Reyna explained, for example, that a name for a restaurant that advises certain groups that they are not welcome would interrupt the flow of commerce. Judge Reyna concluded that Section 2(a) should be reviewed under intermediate scrutiny because trademarks are commercial speech and Section 2(a) is content-neutral.

This decision is in tension with the recent decision by the U.S. District Court for the Eastern District of Virginia, which upheld a ruling cancelling six federal trademark registrations incorporating the term REDSKINS owned by the Washington, D.C. football team. See *Pro-Football, Inc. v. Blackhorse*, No. 1:14-cv-01043, 2015 WL 4096277 (E.D. Va. July 8, 2015). Depending on how the cases fare on appeal, that tension may ultimately have to be resolved by the Supreme Court.

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