

In re Tam: Federal Circuit Rules That First Amendment Requires
Federal Government To Allow Registration of Disparaging Trademarks
by David R. Todd

On December 22, 2015, the *en banc* Federal Circuit ruled 9-3 in *In re Tam* that the statute barring federal registration of “disparaging marks” violates the First Amendment and is unconstitutional on its face. Judge Dyk, Judge Lourie, and Judge Reyna all filed separate opinions raising cogent arguments in dissent.

Mr. Simon Tam is the “front man” for an Asian-American band named The Slants. Mr. Tam named the band The Slants to “reclaim” and “take ownership” of Asian stereotypes. The band draws inspiration for its lyrics from childhood slurs and mocking nursery rhymes, but “feel[s] strongly that Asians should be proud of their cultural heri[ta]ge, and not be offended by stereotypical descriptions.” The band has been using its name since 2006, but in 2011, Mr. Tam filed an application with the U.S. Patent and Trademark Office (PTO) seeking to register the mark THE SLANTS for “Entertainment in the nature of live performances by a musical band.” The examiner refused to register the mark based on 15 U.S.C. § 1052(a), which prohibits registration of a mark that “consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute....” In particular, the examiner concluded that Mr. Tam’s mark disparaged people of Asian descent because “a substantial composite of persons of Asian descent would find the term offensive.” The Trademark Trial and Appeal Board affirmed the examiner’s decision. On appeal, a Federal Circuit panel concluded that there was substantial evidence to support the finding that the mark is disparaging, and rejected the argument that the statute was unconstitutional based on a binding decision by the Federal Circuit’s predecessor court, the Court of Customs and Patent Appeals, in *In re McGinley*, 660 F.2d 481 (CCPA 1981). *McGinley* had concluded that the prohibitions against “scandalous matter” in § 1052(a) did not violate the First Amendment because “it is clear that the PTO’s refusal to register appellant’s mark does not affect his right to use it. No conduct is proscribed, and no tangible form of expression is suppressed.” Based on *McGinley*, the Federal Circuit panel affirmed the decision of the PTO against Mr. Tam. However, the panel’s opinion was accompanied by the “additional views” of Judge Moore, who urged the *en banc* court to revisit the holding in *McGinley*.

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The Federal Circuit then *sua sponte* ordered rehearing *en banc*, and the *en banc* court overruled *McGinley* in an opinion written by Judge Moore. The majority reaffirmed the panel's conclusion that there was substantial evidence to support the finding that the mark at issue is disparaging. However, it concluded that the statute precluding registration of "disparaging marks" was a regulation of speech based on the content of that speech, that the statute was therefore subject to strict scrutiny, and that the statute could not survive strict scrutiny because it was not supported by a "compelling state interest." The majority recognized that withholding a registration for a mark is different than an outright prohibition on using a mark—the distinction on which the decision in *McGinley* had turned—but the majority quoted the Supreme Court in explaining that "[t]he distinction between laws burdening and laws banning speech is but a matter of degree" and that "content-based *burdens* must satisfy the same rigorous scrutiny as...content-based *bans*." The majority explained that the prohibition on registration of disparaging marks is a significant burden on the use of a disparaging mark and therefore a significant burden on disparaging speech. Because the benefits of federal registration are significant, a denial of the benefits of registration "creates a serious disincentive to adopt a mark which the government may deem offensive or disparaging."

In response to an argument that a trademark is commercial speech and therefore subject to only intermediate scrutiny, the majority concluded that the prohibition on disparaging marks "regulates expressive speech, not commercial speech." The majority reasoned that "marks often have an expressive aspect over and above their commercial-speech aspect" and "it is always a mark's expressive character, not its ability to serve as a source identifier, that is the basis for the disparagement exclusion from registration." In other words, "every time the PTO refuses to register a mark under the [disparagement statute], it does so because it believes the mark conveys an expressive message—a message that is disparaging to certain groups." The majority concluded that even if "the speech is used in commerce or has a commercial component," this "should not change the inquiry when the government regulation is entirely directed to the expressive component of the speech." In any event, the majority concluded that even if the mark at issue were considered "commercial speech," so that only intermediate scrutiny applies, it would still fail to survive because the government

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had provided no “substantial government interest” justifying it.

The majority also rejected an argument that a federally registered mark constitutes “government speech” and further rejected an argument that the benefits of a federal registration constitute a “government subsidy” that the government can refuse when the government disapproves of the message a mark conveys. With respect to the subsidy argument, the majority concluded that the “unconditional conditions doctrine” precluded the government from denying “benefits” based on “message-based disapproval of private speech that is not part of a government-speech program.” The majority distinguished Supreme Court decisions in *Davenport v. Washington Education Association* and *Ysursa v. Pocatello Education Association*, in which the Court held that the government is not required to assist others in funding the expression of particular ideas, reasoning that the government in those cases was “viewpoint-neutral,” whereas the majority viewed the statute in this case as being viewpoint-discriminatory. The majority reasoned that if trademark registration was a government subsidy that allowed the government not to register disparaging marks, then copyright registration would also be a government subsidy that would allow the government to “pass a law prohibiting the copyrighting of works containing ‘racial slurs,’ ‘religious insults,’ ‘ethnic caricatures,’ and ‘misogynistic images.’” In the end, the majority concluded that “[t]rademark registration is not a subsidy” but is rather “a regulatory regime” because “[t]he benefits of trademark registration...are not monetary.”

Judge O’Malley, joined by Judge Wallach, filed a concurring opinion concluding that the disparagement statute was not only unconstitutional in view of the First Amendment but was also unconstitutional for vagueness under the Fifth Amendment.

Judge Dyk filed an opinion concurring in part and dissenting in part, concluding that the statute was unconstitutional as applied to Mr. Tam but not unconstitutional on its face, and disagreeing with much of the majority’s reasoning. Much—but not all—of Judge Dyk’s opinion was joined by Judge Lourie and Judge Reyna. Judge Dyk began by emphasizing the difference between expressive speech and commercial speech, explaining that there is a “well-recognized disparity in the types of restrictions that are permissible as applied to commercial

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as opposed to political speech.” For example, Judge Dyk explained, the Supreme Court has held that Florida was within its rights to restrict permissible methods of advertising in order to protect the target audience’s privacy interests, and Title VII of the Civil Rights Act precludes “racially or sexually disparaging speech” in the workplace in a presumptively constitutional manner. Quoting the Supreme Court, Judge Dyk explained that “the government has a distinct and substantial interest in ‘proscribing intrusive and unpleasant formats’ for commercial expression.” In Judge Dyk’s view, the purpose of the statute prohibiting registration of disparaging marks “is to protect underrepresented groups in our society from being bombarded with demeaning messages in commercial advertising” or “the protection of disparaged groups” and that this *could* be a substantial governmental interest that would satisfy intermediate scrutiny for *many* trademarks.

Judge Dyk further concluded that the statute at issue is not an outright ban on disparaging speech but rather the denial of a government subsidy, observing that “every single Supreme Court decision upholding the protection of commercial speech has involved a prohibition or restriction of speech—not a subsidy.” Judge Dyk likened the situation here to the situation before the Supreme Court in *Davenport v. Washington Education Association* and *Ysursa v. Pocatello Education Association*, in which the Court held that even in the arena of core expressive speech, the government is not required to assist others in funding the expression of particular ideas, *i.e.*, that “[t]he First Amendment ‘protects the right to be free from government abridgement of speech,’ not the right to be ‘assist[ed] [] in funding the expression of particular ideas.’” Likewise, “[f]ederal trademark registration,” Judge Dyk observed, is “a government-bestowed collection mechanism for enforcing trademarks” by “providing...original jurisdiction in federal courts for infringement claims, eligibility for treble damages for willful infringement, the ability to petition Customs to prevent the importation of infringing articles, and various enhanced protections for marks.” The fact that the “denial of registration benefits will have a chilling effect on the use of disparaging marks” is not dispositive because “that is commonly the effect of the denial of subsidies” and “the decision not to subsidize...speech does not violate the First Amendment.” Judge Dyk asserted that “[t]he majority’s contrary arguments are the very arguments rejected by the Supreme

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Court's recent decision" in *Agency for International Development v. Alliance for Open Society International, Inc.*, 133 S.Ct. 2321 (2013). Judge Dyk also disagreed with the majority that a subsidy must be "viewpoint neutral" but concluded that even if a subsidy must be, the statutory provision at issue *is* "viewpoint neutral" because the bar on registration of disparaging marks determines which viewpoints are acceptable based not on the government's disagreement with the viewpoint but based on an objective, neutral assessment as to whether the viewpoint expressed would be disparaging to an identified group.

Judge Dyk concluded by conceding that even in subsidy cases, the government needs some interest to justify its regulation, but Judge Dyk found that interest is satisfied by the government's interest in "the protection of disparaged groups." Judge Dyk explained that he did not need to decide whether this interest is sufficiently compelling to justify a *ban* on disparaging commercial speech, but he concluded that "[i]t is more than sufficient to justify the government's 'decision not to assist' disparaging commercial expression," particularly where "there is no countervailing First Amendment interest." He reasoned that the purpose for protecting commercial speech is to protect its "information function" and "[i]t is certainly difficult to imagine, for example, how the disparaging elements of an advertisement" would further any legitimate "information function" associated with a product. He emphasized that "[n]o case before the majority opinion's today has imposed an obligation on the government to subsidize offensive, commercial speech."

That said, Judge Dyk concluded that "the bar on registration of disparaging marks is unconstitutional as applied to Mr. Tam." This is because "there can be no doubt that Mr. Tam's speech is both political and commercial" in that his choice of mark "reflects a clear desire to editorialize on cultural and political subjects." Judge Dyk reasoned that "[g]iven the indisputably expressive character of Mr. Tam's trademark in this case, the government's recognized interests in protecting citizens from targeted, demeaning advertising and proscribing intrusive formats of commercial expression—interests that are sufficient to justify the provision as applied to commercial speech—are insufficient to justify application of the

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provision to Mr. Tam....[T]he government cannot justify restricting disparaging trademarks when those marks, like Mr. Tam's, actually consist of core expression." According to Judge Dyk, this is the reason that copyright registration can be distinguished from trademark registration: because "[c]opyrights, unlike trademarks, principally cover core protected expression."

Judge Lourie filed a dissenting opinion, pointing out that the statute at issue dates back nearly seventy years and that a similar statute has been in effect even longer—since the Trademark Act of 1905. He emphasized that the statute has not "lain unused and latent," but has been actively applied for that entire period of time. For Judge Lourie, the constitutional question was answered by merely observing that a trademark holder like Mr. Tam "may use his trademark as he likes." The statute merely precludes "access to certain federal statutory enforcement mechanisms," and *stare decisis* augurs in favor of upholding the statute. In addition, Judge Lourie stated his belief that registration is a form of government speech, with registered trademarks having "two message contexts: one from the provider of goods or services, who has chosen to use a certain mark to link its product or services to itself, and one from the government, which has deemed the mark qualified for the federal registration program."

Finally, Judge Reyna filed a dissenting opinion. Judge Reyna built on Judge Dyk's opinion, emphasizing the difference between core expressive speech and commercial speech, but Judge Reyna went further. Judge Reyna rejected Judge Dyk's and the majority's assertion that a trademark should be parsed into part-expressive speech and part-commercial speech. According to Judge Reyna, "[t]rademarks are commercial speech," even if they include expressive elements, and "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."

Citing *Bolger v. Youngs Drug Products Corp.* and other Supreme Court cases, Judge Reyna first explained that "[t]he courts have long recognized that some trademarks can include expressive elements concerning matters of public interest, and that such trademarks

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nevertheless remain commercial speech.” According to Judge Reyna, the nature of the speech must be analyzed “as a whole” and the intertwining of commercial speech with political elements “does not necessarily alter the essentially commercial character of the speech.” He concluded that “[t]he nature of trademarks seeking federal registration..., when considered as a whole, is indisputably commercial, not political.”

Judge Reyna then addressed why intermediate scrutiny rather than strict scrutiny applied. His analysis hinged on the principle that “[i]n analyzing content-neutrality an apparently content-based law is nevertheless considered content-neutral if the government’s *purpose* is not to suppress speech, but to address the harmful secondary *effects* of that speech.” “Thus, when a regulation’s purpose is to address the secondary effect of certain speech, intermediate scrutiny is appropriate, even if the regulation implicates content.” With this premise, Judge Reyna concluded that, like other regulations of commercial speech, the statute is subject to intermediate scrutiny:

Commercial speech that insults groups of people, particularly based on their race, gender, religion, or other demographic identity, tends to disrupt commercial activity and to undermine the stability of the marketplace in much the same manner as discriminatory conduct. The government’s refusal to promote such speech in commerce is not an effort to suppress free expression, but to mitigate the disruptive secondary effects that a particular type of low-value speech may have when used in a commercial context. Because the government’s purpose is to mitigate these secondary effects on commerce rather than to suppress speech, the regulation is content-neutral and intermediate scrutiny applies.”

After concluding that intermediate scrutiny was the proper standard, Judge Reyna then concluded that the statute satisfies intermediate scrutiny because the purpose of the statute “is the same as the purpose of the Lanham Act as a whole—to promote the orderly flow of commerce,” and “[t]he government’s interest in the orderly flow of commerce is substantial.” “If it were not,” Judge Reyna reasoned, then “the government would be powerless to implement a trademark registry” and require a ban on trademark infringement

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in the first place. In other words, the interest that motivates the government to ban trademark infringement is the same interest that motivates the government to regulate “deceptive or misleading” commercial speech and to regulate “disparaging” trademarks: the interest in the orderly flow of commerce. In this respect, Judge Reyna explains, “[t]he marketplace of ideas differs dramatically from the marketplace of goods and services”:

While the marketplace of ideas may tolerate or even benefit from the volatility that accompanies disparaging and insulting speech, the marketplace of goods and services is a wholly different animal. Commerce does not benefit from political volatility, nor from insults, discrimination, or bigotry. Commerce is a communal institution regulated for the mutual economic benefit of all. Commercial speech that discredits or brings reproach upon groups of Americans, particularly based on their race, has a discriminatory impact that undermines commercial activity and the stability of the marketplace in much the same manner as discriminatory conduct....

Nearly every disparaging mark identified in the voluminous briefing and opinion in this case has involved disparagement of race, gender, ethnicity, national origin, religion, sexual orientation, and similar demographic classification. The impact of advancing these bigoted messages through the ubiquitous channels of commerce may be discriminatory, and even if not discriminatory, at least *disruptive* to commerce.

Judge Reyna observed that the Supreme Court concluded in *Katzenbach v. McClung* that Congress may conclude that discriminatory *conduct* disrupts commerce for purposes of Title II of the Civil Rights Act, and Judge Reyna concluded that the distinction between conduct and speech is a distinction “without a difference in this context.”

Finally, Judge Reyna assessed whether the government’s interest in the orderly flow of commerce outweighed the burden on users of disparaging trademarks. In this context, he observed that the burden on Mr. Tam’s speech is not to ban Mr. Tam’s speech but to deny Mr. Tam a government-created benefit. Moreover, Judge Reyna pointed out that the Supreme Court has concluded that “insulting speech” is “low-value speech” and reasoned

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that “[t]o whatever extent ‘disparaging’ speech differs from ‘insulting’ speech, its value is not much greater.” Therefore, Judge Reyna concluded that “the government’s interest in avoiding...commercial disruption outweighs the modest ‘burden’ that its refusal to register the offending marks places on the freedom of speech.”

Interestingly, the Fourth Circuit is currently considering an appeal on this same constitutional issue in *Pro-Football, Inc. v. backhoe*, involving the USPTO’s decision to cancel the registration for the Washington Redskins football team. Regardless of whether the Fourth Circuit comes to the same conclusion as the Federal Circuit, but particularly if it does not, this issue is a promising candidate for Supreme Court review