

Fed. Circ. Ruling May Trigger New Wave Of TM Applications

By Perry Viscounty, Jennifer Barry, David Troutman and Carl Bacon

January 9, 2018, 6:04 PM EST

The U.S. Patent and Trademark Office is the gatekeeper for federal trademark registration, empowered by statute (the Lanham Act) to reject attempts to register trademarks that are merely descriptive, deceptively misdescriptive or likely to cause confusion with an already-registered trademark. In addition to these relatively tame bases for rejection, Section 2(a) of the Lanham Act provides that the PTO can also exercise its gatekeeper discretion to reject applications for trademarks that are “immoral” or “scandalous” or that “disparage ... persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute.”[1] The interpretation and application of Section 2(a) has produced a long line of cases analyzing a wide array of controversial marks, from a cheeky double entendre for a rooster-shaped lollipop[2] to allegedly disparaging names of bands[3] and professional sports teams.[4]

In June 2017, in the context of a rejected application to register the band name “The Slants,” the United States Supreme Court unanimously determined Section 2(a)’s bar on the registration of “disparaging” trademarks to be unconstitutional.[5] As the court explained, the so-called disparagement clause “offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend.”[6]

A few months later, the Federal Circuit — now with the benefit of being able to reference the Supreme Court’s Tam decision — held Section 2(a)’s prohibition on the registration of “immoral or scandalous matter” to also constitute an unconstitutional restriction of free speech.[7] As a result of the Tam and Brunetti decisions, the PTO’s gatekeeper function should no longer involve judgment calls regarding whether marks are disparaging, immoral, or scandalous, thereby opening up the federal register to a diverse range of applicants whose marks were previously precluded by Section 2(a).

Background: Brunetti Case

Erik Brunetti owns the clothing brand “fuct.” In 2011, he filed a federal trademark application for that mark, but the examining attorney rejected it on the grounds that the mark contained “immoral or scandalous matter.” Following an unsuccessful appeal to



Perry
Viscounty



Jennifer Barry



David
Troutman



Carl Bacon

the Trademark Trial and Appeal Board, Brunetti appealed to the Federal Circuit. During the pendency of Brunetti's appeal, the Supreme Court issued its opinion finding the "disparagement clause" portion of Section 2(a) unconstitutional. The primary question, then, for the Federal Circuit in Brunetti was whether the Supreme Court's reasoning in *Tam* applied with equal force to Section 2(a)'s prohibition on immoral and scandalous marks (the "immoral/scandalous provision").

The Federal Circuit Decision

At the outset, the court expressed its opinion that Brunetti's mark was vulgar, immoral and scandalous.[8] Thus, the fate of Brunetti's mark hinged on whether Section 2(a) could prohibit immoral and/or scandalous marks from federal registration without violating the Constitution. Because the immoral/scandalous provision treats instances of speech and expression (i.e., applied-for marks) differently based on "the topic discussed or the idea or message expressed," the provision is a content-based restriction on speech.[9]

As a content-based speech restriction, the immoral/scandalous provision is subject to strict scrutiny, the highest level of judicial review.[10] Accordingly, the provision could only survive a constitutional challenge if the government could prove that the provision serves a "compelling interest and is narrowly tailored to achieve that interest." [11]

In an attempt to either avoid or meet that exacting standard, the government made the following arguments, which the court rejected:

- The government argued that the immoral/scandalous provision is exempt from any First Amendment review at all because trademark registration is a government subsidy program and the bar on immoral or scandalous marks is a reasonable exercise of the government's spending power. The court rejected this argument, holding that the trademark application process implicates the commerce clause, not the government's spending power.[12] The court noted that a trademark applicant does not receive federal funds in the application process — rather, the funds flow from the applicant to the PTO. Further, trademark registration fees — not tax money — fund the operating expenses associated with trademark registration. Finally, the court noted that while the government-conferred trademark registration "benefits are valuable," these benefits "are not analogous to Congress' grant of federal funds," and the "government's involvement in trademark processing does not transform trademark registration into a government subsidy." [13]
- The government argued that the immoral/scandalous provision should not be subject to strict scrutiny review because the trademark registration program constitutes a "limited public forum," where less stringent First Amendment restrictions apply. Again, the court disagreed. In limited public forums, the court explained, content-based restrictions are subject to less scrutiny because a limited public forum is a place that the government has "limited to use by certain groups or dedicated solely to the discussion of certain subjects." [14] However, a forum can only qualify as a "limited public forum" if it is either government property or "tethered" to government property.[15] Here, the court held, the trademark registration process cannot be deemed a "limited public forum" because trademark speech is not limited or tethered to a specific place — it exists to convey messages throughout all of commerce.[16]

- The government argued that the immoral/scandalous provision seeks to regulate only commercial speech and is thus subject to only intermediate scrutiny, not strict scrutiny. While commercial speech regulations are indeed subject to the lesser “intermediate scrutiny” standard, the court explained that trademarks convey expressive content in addition to their commercial message.[17] Therefore, trademark speech is not purely commercial and the government cannot restrict such speech based on content unless the restriction passes the strict scrutiny standard. The government failed to meet that standard. The government’s only articulated interest in barring immoral or scandalous trademarks was to protect society from offensive speech.[18] Quoting several Supreme Court cases, the court held that this interest was insufficient, whether applying strict or intermediate scrutiny: “[T]he fact that society may find speech offensive is not a sufficient reason for suppressing it.”[19] Moreover, the court found that even if protection against offensive language was an adequate government interest, the immoral/scandalous provision would not serve that purpose because applicants can use their allegedly offensive marks whether federally registered or not.[20]

Thus, the court held that the Lanham Act’s bar on immoral or scandalous trademarks unconstitutionally restricted speech content.[21]

Future Implications

As a result of the Supreme Court’s decision in *Tam* and the Federal Circuit’s *Brunetti* decision, the PTO should no longer reject trademark applications on the grounds that they are immoral, scandalous or disparaging. Because the Federal Circuit’s reasoning and ultimate decision so closely parallel the Supreme Court’s *Tam* opinion, the odds of reversal appear fairly slim. It is likely that owners of “scandalous” or “immoral” trademarks will now go on the offensive, so to speak, in seeking all of the benefits and protections that federal registration of those marks would provide.

This anticipated rush to registration will likely result in the following:

An Uptick in the Trademark Applications Submitted to the PTO

Removing the bar to registration for immoral, scandalous or disparaging marks opens up the federal register to a potentially massive universe of heretofore unregistrable marks. Consider (if you are so inclined) the number of potential and existing “immoral” or “scandalous” trademarks relevant to the multibillion-dollar-per-year adult entertainment industry that are now potentially registrable. Of course, that industry does not have a monopoly on the use of allegedly offensive or disparaging marks, as shown by both *Brunetti* (an “immoral/scandalous” mark use on clothing) and *Tam* (a “disparaging” mark used by a musical group). Given the benefits of federal registration, we expect that the PTO will soon see an influx of applications for trademarks across virtually every industry that utilize words that used to render registration a nonstarter.

A Heavier Workload for the PTO and the Possibility of Delays in the Registration Process

An uptick in trademark applications will necessarily require the PTO to process more applications. It will be interesting to see how the PTO responds and whether it will increase the number of examiners to meet the expected increase in applications and avoid potential delays. While it is impossible to predict

the precise impact at this time, applicants should consider the possibility of a protracted application process as the impact of Tam and Brunetti materializes and the PTO determines the appropriate response.

An Increase in Opposition Proceedings

The increased number of applications, coupled with the removal of Section 2(a)'s bars to registration for immoral, scandalous or disparaging marks, will necessarily result in a marked increase in the number of marks that survive the PTO's initial review and are published for opposition. While these types of marks have not been registered, they have nevertheless been used in commerce. Thus, there are individuals and entities throughout the country with valid, and potentially competing, claims of rights in marks that, before Tam and Brunetti, were not eligible for federal registration. One key front of the looming battle to sort out those rights will be before the Trademark Trial and Appeal Board, in the context of opposition proceedings.

An Increase in Trademark Infringement Litigation

The ultimate battles to sort out the competing claims of trademark rights in scandalous, immoral and disparaging terms will undoubtedly be fought in the courts. With the Brunetti decision essentially legitimizing the rights of owners of scandalous and immoral marks by opening up the federal register to such marks, litigation is undoubtedly on the horizon to determine whose common law rights have seniority, what the geographic scope of those rights is, whether marks that share a common term (think of Brunetti's mark) are confusingly similar to each other, and other questions that will arise from the expansion of the federal trademark universe to include words and terms that were previously excluded.

Perry J. Viscounty is a partner in the Orange County, California, and San Francisco offices of Latham & Watkins LLP.

Jennifer L. Barry is a partner in the firm's San Diego office and co-chairs the intellectual property litigation practice.

David D. Troutman is counsel in the firm's Orange County office.

Carl Joseph Bacon is an associate at the firm.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] 15 U.S.C. § 1052(a) ("Section 2(a)").

[2] See *In re Fox*, 702 F.3d 633 (Fed. Cir. 2012) (upholding determination that "cock sucker" mark was unregistrable under Section 2(a)).

[3] See *Matal v. Tam*, 137 S. Ct. 1744, 1751 (US June 19, 2017) (upholding determination that "The Slants" mark was registrable under Section 2(a)).

[4] See *Pro-Football, Inc. v. Blackhorse*, 112 F. Supp. 3d 439, 487 (E.D. Va. July 8, 2015) (upholding

Trademark Trial and Appeal Board's cancellation of "Redskins" trademark).

[5] *Matal v. Tam*, 137 S. Ct. 1744, 1751 (US June 19, 2017).

[6] *Id.*

[7] *In re Brunetti*, 2017 U.S. App. LEXIS 25336, at *1-2 (Fed. Cir. Dec. 15, 2017).

[8] *Id.* at *1-2.

[9] *Id.* at *18-19.

[10] *Id.* at *18.

[11] *Id.*

[12] *Id.* at *25.

[13] *Id.* at *23-24.

[14] *Id.* at *28 (quoting *Pleasant Grove City, Utah v. Summum*, 555 US 460, 470 (2009)).

[15] *Id.* at *29-31.

[16] *Id.* at *31-32.

[17] *Id.* at *35-36.

[18] *Id.* at *40-41.

[19] *Id.* at *41 (quoting *Hustler Magazine, Inc. v. Falwell*, 485 U.S. 46, 55 (1988)).

[20] *Id.* at *46.

[21] *Id.* at *17-18.