

Supreme Court and Appellate Alert

December 19, 2017

Key Points

- The Federal Circuit held that the “immoral or scandalous” clause of Lanham Act § 2(a), which prohibits registration of a trademark that “consists of or comprises immoral or scandalous matter,” is unconstitutional under the First Amendment’s Free Speech Clause.
- The court held that the challenged clause was an impermissible content-based discrimination against protected expressive speech and failed strict scrutiny.
- The government’s argument that trademarks are purely commercial speech, which receives a lesser form of constitutional scrutiny, did not save the “immoral or scandalous” clause.

Federal Circuit Strikes Down Statute Banning Scandalous and Immoral Trademarks

In a widely anticipated decision, the Federal Circuit last week in *In re Erik Brunetti*, No. 2015-1109 (Fed. Cir. December 15, 2017), held that a provision of the Lanham Act barring “scandalous” or “immoral” trademark registrations violated the First Amendment. The Federal Circuit’s decision follows the Supreme Court’s June 2017 First Amendment [decision](#) in *Matal v. Tam*¹ unanimously striking down the Lanham Act’s “disparagement clause,” which prohibits federal registration of trademarks disparaging persons, institutions, beliefs or national symbols.

Facts

Appellant Erik Brunetti is an entrepreneur who owns the clothing brand “fuct,” which he founded in 1990. In 2011, two individuals filed an intent-to-use application for the mark “FUCT” for various items of clothing. The original applicants assigned the application to Brunetti, who amended it to allege use of the mark. The examining attorney refused to register the mark under § 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), which prohibits registration of a trademark that “consists of or comprises immoral or scandalous matter,” and the Patent Trial and Appeal Board (the “Board”) affirmed. While Brunetti’s appeal to the Federal Circuit was pending, the Supreme Court issued its decision in *Tam*, and the Federal Circuit requested additional briefing on the impact of the *Tam* decision.

Ruling

The Federal Circuit (with one judge concurring in the judgment) reversed the Board’s holding that Brunetti’s mark was unregistrable under § 2(a).

¹ 137 S. Ct. 1744 (2017).

On appeal, the Patent and Trademark Office (PTO) conceded that § 2(a)'s bar on registering immoral or scandalous marks was a content-based restriction on speech. Instead, the PTO argued that § 2(a)'s content-based bar on registering immoral or scandalous trademarks did not implicate the First Amendment because trademark registration is either a government subsidy program or a limited public forum.

The majority opinion (Judges Moore and Stoll) rejected both arguments. First, trademark registration did not involve a government subsidy and was not a reasonable exercise of Congress's spending power.² Trademark registration does not necessarily and directly implicate Congress's power under the Spending Clause of the Constitution and involves no financial subsidy. Accordingly, precedent involving subsidies did not justify the government's content-based bar on registering immoral or scandalous marks.

Second, the court rejected the argument that the federal trademark program was a limited public forum, which would allow the government to impose content, but not viewpoint, restrictions on speech. The court noted that the Supreme Court has found the existence of a limited public forum only when the government restricts speech on its own property (such as a military base or airport). The court held that, "[b]ecause trademarks are by definition used in commerce, the trademark registration program bears no resemblance to these limited public forums."³ It also concluded that government registration of trademarks did not create a limited public forum in which the government could more freely restrict speech.

Because the statute imposed a content-based speech restriction, strict scrutiny review applied. The court held that the prohibition on immoral or scandalous trademarks targeted the expressive content of speech, so the government could not show that, under strict scrutiny, the law is necessary to promote a compelling governmental interest. Indeed, there was no dispute that § 2(a)'s bar on registering immoral or scandalous marks was unconstitutional under that standard.

The court further found that the bar on registration of immoral or scandalous marks is unconstitutional, even if treated as a regulation of purely commercial speech under the intermediate scrutiny framework established in the case of *Central Hudson Gas & Electric Corp. v. Public Service Commission*, whether (1) the speech concerns lawful activity and is not misleading, (2) the asserted government interest is substantial, (3) the regulation directly advances that government interest, and (4) the regulation is "not more extensive than necessary to serve that interest."⁴ The court found that § 2(a)'s bar on registering scandalous or immoral trademarks did not satisfy any of the four prongs.

² The Federal Circuit rejected this view in its en banc decision in *In re Tam*, 808 F.3d 1321, 1348-55 (Fed. Cir. 2015). The four justices who reached the issue in the *Tam* likewise held that the government subsidy framework does not apply to trademark registration. 137 S. Ct. at 1761 (Alito, J.).

³ No. 2015-1109, at *24.

⁴ 447 U.S. 557, 563 (1980).

Judge Dyk concurred in the judgment on the ground that it was possible to construe the statute in a manner that would preserve its constitutionality, specifically, by limiting the statute's reach to obscene marks, which are not protected by the First Amendment. However, because there was no suggestion that the FUCTION mark was obscene, Judge Dyk agreed that the Board's decision must be reversed.

Bottom Line

With the Supreme Court's *Tam* decision on the "disparagement" clause and the Federal Circuit's *Brunetti* decision on the "scandalous or immoral" clause, the courts delivered deathblows to portions of the Lanham Act that have been on the statute books since 1946. While the government may try to take the *Brunetti* decision to the Supreme Court, it seems unlikely that the government will prevail in light of the court's prior ruling in *Tam*. The upshot is that the First Amendment clearly protects the rights of applicants to register a wide range of marks going forward, including marks that might be considered offensive. It remains to be seen whether Congress will rewrite Section 2(a)—perhaps to include a bar on registration of obscene marks—to bring the Lanham Act into line with *Tam* and *Brunetti*.

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