



# US Appeals Court Finds Ban On Registering Scandalous And Immoral Trade Marks To Be Unconstitutional

Author(s): Charles R. Macedo, David P. Goldberg,

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*In re Brunetti*, No. 2015–1109, slip op., Fed. Cir. 15 December 2017

On 15 December 2017 a three-judge panel of the US Court of Appeals for the Federal Circuit in *In re Brunetti* held the prohibition against the federal registration of ‘immoral ... or scandalous’ trade marks in the US trade mark statute (the ‘Lanham Act’) to be a violation of the free speech clause of the First Amendment to the US Constitution. This ruling was widely expected since the 2017 US Supreme Court’s decision in *Matal v Tam*, 137 S Ct 1744 (2017), which struck down a similar prohibition against the registration of disparaging trade marks.

## Legal context

The immoral or scandalous clause of the Lanham Act provides that the US Patent & Trademark Office (USPTO) shall refuse to register a trade mark that ‘[c]onsist of or comprises immoral ... or scandalous matter’ (15 USC § 1052(a)). This ban, originally enacted in 1905 and reenacted in the Lanham Act in 1946, historically has not been particularly controversial. However, its legal basis has recently been undercut by a series of appellate and US Supreme Court rulings with respect to the Lanham Act’s similar prohibition on the registration of trade marks that ‘may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs or national symbols, or bring them into contempt or disrepute’ (id).

In particular, in *Matal v Tam* the constitutionality of the disparagement clause was considered in the context of the USPTO’s denial of a federal registration for the mark THE SLANTS for an Asian-American dance-rock band. In its decision, the US Supreme Court found that the Lanham Act’s disparagement clause ‘offends a bedrock First Amendment principle: Speech may not be banned on the ground that it expresses ideas that offend’ (137 S Ct at 1751).

Given the close connection and similar rationale of the Lanham Act’s prohibitions on the federal registration of trade marks that ‘may disparage’ or are ‘immoral ... or scandalous’, it has been widely expected that the US courts would soon have to address the constitutionality of this provision (see Charles R. Macedo, Marion P. Metelski and David P. Goldberg, ‘US Supreme Court Holds That the Disparagement Clause of the Lanham Act Is Unconstitutional’ (2017) 12(10) JIPLP 826).

## Facts



*In re Brunetti* involves an appeal from a decision by the US Trademark Trial and Appeal Board ('TTAB') of the USPTO which refused registration of the trade mark 'FUCT' for clothing. The refusal was based on the prohibition of the registration of 'immoral ... or scandalous' trade marks under 15 USC § 1052(a).

To determine whether registration should be refused on this basis, the USPTO asks whether a 'substantial composite of the general public' would find the trade mark to be 'shocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; ... giving offense to the conscience or moral feelings; ... or calling out for condemnation' (*In re Fox*, 702 F3d 633, 635 (Fed. Cir. 2012) (alterations omitted)). Alternatively, 'the [US]PTO may prove scandalousness by establishing that a mark is "vulgar"' (id). The USPTO makes its decision in the context of contemporary attitudes and of the marketplace as applied to the goods described in the application.

In this case, the TTAB found the term FUCT to be an informal variant of the past tense for a coarse verb relating to sexual intercourse, and as such was vulgar and therefore unregistrable. The applicant subsequently appealed on the basis both that the mark is not vulgar and that the ban on the federal registration of 'immoral ... or scandalous matter' is unconstitutional.

## Analysis

The panel of the Federal Circuit in *Brunetti* (per Judge Moore) found that the TTAB did not err in finding the FUCT sign to be immoral or scandalous matter. However, *Brunetti* also found that the Section 2(a) bar on registering such trade marks is unconstitutional, and thus reversed the TTAB decision.

Specifically, *Brunetti* flatly dismissed the government's argument that *Tam* was not dispositive because the disparagement clause test implicated viewpoint discrimination, while the immoral or scandalous clause test is viewpoint neutral and based on an objective test. Instead, *Brunetti* found that the immoral or scandalous clause violated the First Amendment regardless of whether it was viewpoint neutral. Indeed, the Federal Circuit's reasoning in *Brunetti* closely followed its reasoning in *Tam* (authored by the same judge). Compare *In re Brunetti*, slip op. at 13–38, and *In re Tam*, 808 F3d 1321, 1339–58 (Fed. Cir. 2015) (en banc), *aff'd* 137 S Ct 1744 (US 2017).

In reaching its conclusion, *Brunetti* first denied the government's contention that federal trade mark registration is a subsidy programme exempt from First Amendment review since it is a reasonable exercise of the government's discretionary authority to attach conditions to the use of its funds. It instead found that trade mark registration 'does not implicate Congress' power to spend funds' because trade mark applicants do not receive federal funds (Slip op. at 17). Rather, funds covering the application process flow from trade mark applicants to the USPTO. Further, although registration does confer valuable benefits, those benefits 'are not analogous to Congress' grant of federal funds' (Id at 19). Accordingly, the panel found that the government's 'involvement in trademark processing does not transform trademark



registration into a government subsidy' (Id at 18).

*Brunetti* next rejected the government's argument that the prohibition against the registration of 'immoral ... or scandalous' trade marks should not be subject to the 'strict scrutiny' level of constitutional review because the federal trade mark programme constitutes a 'limited public forum' where a lower level of scrutiny applies. Limited public forums are limited to use by certain groups or dedicated solely to the discussion of certain subjects. In such forums, speech restrictions can be constitutional so long as they are 'reasonable in light of the purpose served by the forum' (Id at 21, citing *Perry Educ. Ass'n v Perry Local Educators' Ass'n*, 460 US 37, 46 (1983)).

The government's argument that the USPTO's trade mark register comprises a limited public forum was denied. Instead, it found that such forums must be either governmental properties (such as airports or public schools) or 'tethered to government properties' (such as public university funds for student associations or charity drives in federal offices), and that the trade mark register was neither (Id at 23). 'Because trademarks are by definition used in commerce, the trademark registration program bears no resemblance to these limited public forums' (Id at 24).

Finally, *Brunetti* did not accept the government's argument that trade marks are commercial speech subject to the 'intermediate scrutiny' level of constitutional review, and that the Lanham Act's prohibition against the federal registration of 'immoral ... or scandalous' trade marks passes muster under that level of scrutiny. It explained that trade marks convey expressive content in addition to their commercial messages. Accordingly, trade marks must be subject to strict and not intermediate scrutiny. The court found that the government could not meet the strict level of scrutiny, and added in dicta that the government's argument would fail even under the lesser level of intermediate scrutiny (which requires, inter alia, that there must be a substantial government interest and that the prohibition must advance that interest) because the government asserted no credible substantial interest justifying the prohibition. The government's interest in 'protecting public order and morality', was insufficient for the court and, in any case the prohibition at issue cannot directly advance the government's interest since a prohibition on registration of 'immoral ... or scandalous' trade marks does not in any way prevent the public use of such trade marks.

### **Concurring opinion**

In a separate opinion, Judge Dyk concurred in the panel's findings that the immoral or scandalous clause raises serious First Amendment concerns. Nevertheless, since courts must, 'where possible, construe federal statutes so as "to avoid serious doubt of their constitutionality,"' Judge Dyk opined that the panel should, instead of invalidating the clause, simply have 'limit[ed] the clauses's reach to obscene marks, which are not protected by the First Amendment' (Concurring op. at 2, quoting *Stern vMarshall*, 564 US 462, 477 (2011)).

### **Practical significance**



*Brunetti* is unlikely to be the last word on this subject, given that the USPTO in January 2018 filed an unopposed motion requesting additional time to file a Petition for Rehearing En Banc. Nevertheless, given the Supreme Court's ruling in *Tam*, it seems fairly certain that the eventual outcome of the process will be the invalidation of the prohibition against the federal registration of 'immoral ... or scandalous' trade marks.

In the meantime, the USPTO has suspended the examination of US trade mark applications subject to a provisional rejection for containing scandalous material pending the outcome of this case (TMEP Examination Guide 1–17 (26 June 2017)). Although applicants' concerns about how immoral and scandalous marks may be viewed by consumers should moderate the number of such applications, there is already a growing list of them at the USPTO.

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