

**IN RE SIMON SHIAO TAM, A CONCURRING OPINION:
SECTION 1052(A) OF THE LANHAM ACT IMPOSES AN
UNCONSTITUTIONAL CONDITION NO LONGER JUSTIFIED
BY CONGRESS' SPENDING POWER**

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I. INTRODUCTION

Simon Shiao Tam is the lead singer, songwriter, and “front-man” of an Asian American rock band that controversially refers to itself as “The Slants.”¹ Mr. Tam seeks federal trademark registration for the moniker, which he regularly utilizes in promotional materials.² His stated intent is a desire to recapture the negative stereotypes typically associated with Asian American culture, and to redefine them in a more positive light—as sources of Asian pride and accomplishment.³ But Mr. Tam’s efforts to seek semiotic change were thwarted when an examining attorney in the United States Patent and Trademark Office (PTO) refused to register his mark because the term would likely disparage a “substantial composite” of the Asian American population.⁴ The examining attorney cited § 1052(a) of the Lanham

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¹ *In re Tam*, 785 F.3d 567, 568 (Fed. Cir. 2015), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015), and *on reh’g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

² *See id.*

³ *See id.* at 570. Mr. Tam is one of dozens of trademark applicants who have set forth similar reasoning in support of their potentially disparaging trademarks. *See* Megan M. Carpenter & Kathryn T. Murphy, *Calling Bullshit on the Lanham Act: The 2(a) Bar for Immoral, Scandalous, and Disparaging Marks*, 49 U. LOUISVILLE L. REV. 465, 476–77 (2011) (“Currently, there are many groups attempting to take once derogatory terms and internalize them, make them their own, and in the process strip them of hateful meaning.”); *see also* Llewellyn Joseph Gibbons, *Semiotics of the Scandalous and the Immoral and the Disparaging: Section 2(a) Trademark Law After Lawrence v. Texas*, 9 MARQ. INTELL. PROP. L. REV. 187, 219 (2005) (describing “semiotic sovereignty,” a process by which disenfranchised communities seek empowerment by transforming offensive pejoratives into symbols of pride).

⁴ *See Tam*, 785 F.3d at 568–69.

Act as statutory grounds for the refusal.⁵

Section 1052(a) allows the PTO to refuse to register a trademark consisting of “immoral,” “disparaging,” or “scandalous” subject matter.⁶ The PTO frequently cites this provision when declining to register the marks of applicants who strive to combat prejudice by using their products and/or services to redefine cultural stereotypes.⁷ Prior to *In re Tam*, the longstanding Federal Circuit precedent of *In re McGinley* upheld the constitutionality of § 1052(a) against First Amendment challenge, reasoning that the PTO’s refusal to grant trademark registration does not infringe upon an applicant’s First Amendment right to nevertheless *use* the mark in commerce.⁸ The *McGinley* decision has since been the subject of widespread, biting criticism.⁹

Mr. Tam appealed the PTO’s decision, and the Trademark Trial and Appeal Board (TTAB) affirmed the examiner’s refusal, citing dictionary definitions, other reference works, and reactions from the community as evidence of likely disparagement.¹⁰ The Federal Circuit initially reaffirmed the Board’s decision, but subsequently vacated its

⁵ *Id.* at 568.

⁶ 15 U.S.C. § 1052(a) (2015).

⁷ *See, e.g., In re Heeb Media, L.L.C.*, 89 U.S.P.Q.2d 1071 (T.T.A.B. 2008) (rejecting registration of the mark, “HEEB,” despite the fact that the founders of *Heeb Magazine*—a monthly periodical aimed primarily at Jewish readers—hoped to “revitalize American Jewish life” and “transvalue the term ‘heeb’ from an epithet into a term of Jewish empowerment”). In 2003, a PTO examiner rejected the San Francisco Women’s Motorcycle Contingent’s application for the proposed mark “DYKES ON BIKES” on grounds that the mark would likely offend members of the lesbian community. U.S. Trademark Application Serial No. 78281746 (filed July 31, 2003). Since as early as 1976, this group has actively participated in countless parades and other events promoting homosexual pride. *Id.*

⁸ *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981).

⁹ *See, e.g., Ritchie v. Simpson*, 170 F.3d 1092, 1103 (Fed. Cir. 1999) (Newman, J., dissenting); Stephen Baird, *Moral Intervention in the Trademark Arena: Banning the Registration of Scandalous and Immoral Trademarks*, 83 TRADEMARK REP. 661, 685–86 (1993); Justin G. Blankenship, *The Cancellation of Redskins as a Disparaging Trademark: Is Federal Trademark Law an Appropriate Solution for Words That Offend?*, 72 U. COLO. L. REV. 415, 443–44 (2001); Michelle B. Lee, *Section 2(a) of the Lanham Act as a Restriction on Sports Team Names: Has Political Correctness Gone Too Far?*, 4 SPORTS L. J. 65, 66–67 (1997); Ron Phillips, *A Case for Scandal and Immorality: Proposing Thin Protection of Controversial Trademarks*, 17 U. BALT. INTELL. PROP. L.J. 55, 67–68 (2008); Jendi Reiter, *Redskins and Scarlet Letters: Why “Immoral” and “Scandalous” Trademarks Should Be Federally Registrable*, 6 FED. CIR. B.J. 197 (1996); *see also In re Tam*, 808 F.3d 1321, 1333–34 (Fed. Cir. 2015) (citations omitted) (“[T]he *McGinley* analysis was cursory . . . and decided at a time when the First Amendment had only recently been applied to commercial speech. First Amendment jurisprudence on the unconstitutional conditions doctrine and the protection accorded to commercial speech has evolved significantly since the *McGinley* decision.”).

¹⁰ *Tam*, 785 F.3d at 569.

judgment and granted Mr. Tam a rehearing *en banc* on the sole issue: Does § 1052(a) violate the First Amendment?¹¹

Upon rehearing, the Federal Circuit vacated its earlier judgment, partially overruled *McGinley*, struck down § 1052(a)'s disparagement provision as facially unconstitutional, and permitted Mr. Tam to register his trademark.¹² The court reaffirmed *McGinley*'s proposition that § 1052(a) does not technically *ban* any speech.¹³ However, the court held the provision imposes an "unconstitutional condition" because it deprives disparaging marks of vitally important business protections, thereby discouraging trademark applicants from using offensive language.¹⁴ The court also ruled that the statutory language is viewpoint-discriminatory on its face (and therefore presumptively invalid) because the PTO's exclusion of a mark from the Principal Register necessarily depends on its disapproval of the mark's message¹⁵—a direct violation of the Supreme Court's jurisprudence mandating content neutrality in government restraints on speech.¹⁶

The Federal Circuit further held that § 1052(a)'s disparagement prohibition could not be saved by either the "commercial speech" or "government speech" doctrines.¹⁷ Regarding the former, the court reasoned it is not the mark's commercial nature as a source identifier, but rather its "expressive character" that serves as the basis for an unregistrability finding.¹⁸ With respect to the latter, the court held that a trademark owner's use of his or her mark is *private* speech rather than government speech.¹⁹ The court reasoned that the purpose of identifying a business owner's goods is highly antithetical to any notion of government control,²⁰ and that neither the regulatory activity of issuing a registration certificate nor the trademark owner's inclusion of an "®" symbol converts this speech from private to government status.²¹

¹¹ *In re Tam*, 600 F. App'x 775 (Fed. Cir. 2015), *vacating* 785 F.3d 567 (Fed. Cir. 2015).

¹² *See generally Tam*, 808 F.3d at 1321.

¹³ *See id.* at 1339–40.

¹⁴ *See id.* at 1339–45.

¹⁵ *Id.* at 1334–37.

¹⁶ *See, e.g., R.A.V. v. City of St. Paul*, 505 U.S. 377, 382 (1992); *Police Dep't of Chi. v. Mosley*, 408 U.S. 92, 95 (1972).

¹⁷ *See Tam*, 808 F.3d at 1337–38, 1345.

¹⁸ *Id.* at 1337–38.

¹⁹ *Id.* at 1345.

²⁰ *See id.* at 1345 ("The fact that COCA COLA and PEPSI may be registered trademarks does not mean the government has endorsed these brands of cola, or prefers them over other brands.").

²¹ *Id.* at 1347.

Finally, the court held Congress may not exclude disparaging trademarks from the Principal Register on the ground that registration constitutes a government subsidy.²² Even though “the scope of the subsidy cases has never been extended to a ‘benefit’ like recognition of legal rights in speakers against private interference,”²³ the court seemed to assume *arguendo* that federal registration constitutes a subsidy. Nevertheless, the court held that Congress does not remain “free to distribute the legal rights it creates without respecting First Amendment limits on content and viewpoint discrimination.”²⁴

The Federal Circuit’s recent grant of a rehearing in *In re Tam* demonstrates the questionable status of § 1052(a). While the Federal Circuit seems to have taken a definitive position on the provision’s constitutionality, the issue remains heated in other jurisdictions due to the PTO’s cancellation of allegedly disparaging trademarks affiliated with discriminatory sports team names.²⁵ For this reason, the United States Supreme Court granted the federal government’s petition for writ of certiorari in September 2016.²⁶ Additionally, the Federal Circuit’s *en banc* opinion expressly limits its holding to § 1052(a)’s *disparagement* prohibition, thereby leaving all constitutional issues regarding the statute’s parallel *scandalousness* prohibition wide open for further debate—even within the Federal Circuit’s domain.²⁷

At first glance, there are two policy implications underlying § 1052(a)’s statutory language that seem particularly troubling. First, the provision serves as an inviting vehicle through which PTO

²² *Id.* at 1353.

²³ *Tam*, 808 F.3d at 1351.

²⁴ *Id.*

²⁵ See, e.g., *Pro-Football, Inc. v. Blackhorse*, 112 F. Supp. 3d 439 (E.D. Va. 2015); see also Eugene Volokh, *Federal Appeals Court Decides ‘The Slants’ Case: Excluding Disparaging Marks’ from Trademark Registration Violates the First Amendment*, WASH. POST (Dec. 22, 2015), <https://www.washingtonpost.com/news/volokh-conspiracy/wp/2015/12/22/federal-appeals-court-decides-the-slants-case-excluding-disparaging-marks-from-trademark-registration-violates-the-first-amendment/> (explaining that the *Tam* decision is not binding on the Fourth Circuit Court of Appeals, which is currently considering the continued registrability of the “REDSKINS” mark).

²⁶ Eugene Volokh, *Supreme Court Will Hear ‘Slants’ Trademark Case, Which Is Directly Relevant to the Redskins Controversy*, WASH. POST. (Sep. 29, 2016), https://www.washingtonpost.com/news/volokh-conspiracy/wp/2016/09/29/supreme-court-will-hear-slants-trademark-case-which-is-directly-relevant-to-the-redskins-controversy/?utm_term=.71ae766fbbc1.

²⁷ *Tam*, 808 F.3d at 1330 n.1; see also Lawrence K. Nodine & Daniel B. Englander, *In re Tam En Banc Decision—Lanham Act 2(a) Is Unconstitutional*, BALLARD SPAHR, LLP (Dec. 22, 2015), <http://www.ballardspahr.com/alertspublications/legalalerts/2015-12-22-in-re-tam-en-banc-decision-lanham-act-2-a-is-unconstitutional.aspx> (“Although the Court did not rule that . . . other aspects of the statute were also unconstitutional, it nonetheless made clear that it was open to future challenges to these provisions.”).

examining attorneys may enforce their own subjective ideas of morality—a temptation that exists nowhere else within United States intellectual property law.²⁸ In short, the PTO possesses admirable expertise in several areas, but it does not possess the ability to assess and measure the public’s moral outrage.²⁹ Imposing such an unreasonable duty on the PTO compels individual examiners to tap into their own political views, religious backgrounds, geographic origins, and unique visceral reactions, thereby producing irreconcilably inconsistent results.³⁰

The second troublesome policy implication regarding § 1052(a) is that its prohibitions are fundamentally inconsistent with the Lanham Act’s underlying purposes: to eliminate “deceptive” and “misleading” trademarks from interstate commerce; to protect registrants against “unfair competition”; and to prevent commercial “fraud.”³¹ Other sections and subsections of the Lanham Act more appropriately reflect these goals.³² However, the prohibition of scandalous and/or disparaging trademark registrations is entirely disconnected from these concerns. Offensive marks do not necessarily confuse consumers or stimulate unfair competition; they also have the potential to acquire

²⁸ See Phillips, *supra* note 9, at 56 (“It seems peculiar to call upon the United States Patent and Trademark Office to monitor and protect the morals of society—these sorts of police powers have historically been the domain of states and explicitly not the domain of the federal government.”). The free market itself would likely be a more appropriate judge of a trademark’s value as a source indicator. *See id.* No equivalent morality standard exists in American copyright or patent law; in fact, both of these regimes explicitly offer protection for controversial and potentially offensive works. *See id.* at 71. For example, the United States Copyright Office lacks authority to deny copyright registration to a pornographic magazine, provided the magazine constitutes an “original work of authorship” fixed in a “tangible medium of expression.” 17 U.S.C. § 102 (2015). Additionally, the PTO demonstrated its lack of concern for morality as a criterion of patentability when it issued a patent for a “female functional” mannequin in 1995. Phillips, *supra* note 9, at 71 (citing U.S. Patent No. 5,466,235 (filed Mar. 27, 1995)).

²⁹ Anne Gilson LaLonde & Jerome Gilson, *Trademarks Laid Bare: Marks That May Be Scandalous or Immoral*, 101 TRADEMARK REP. 1476, 1477 (2011).

³⁰ *Id.* at 1476–77.

³¹ 15 U.S.C. § 1127 (2015). Subsequent case law has identified additional purposes, including: to lessen consumer search costs; to ensure manufacturers reap the goodwill of their investments; to identify and distinguish a seller’s goods from others; and to enable consumers to make decisions based on previous experiences with a particular product. Carpenter & Murphy, *supra* note 3, at 466 (citing Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 623 (2004)); Robert Wright, *Today’s Scandal Can Be Tomorrow’s Vogue: Why Section 2(a) of the Lanham Act Is Unconstitutionally Void for Vagueness*, 48 HOW. L.J. 659, 660 (2005).

³² *See, e.g.*, § 1052(d) (granting the PTO authority to deny registration for marks that strongly resemble other previously registered marks and marks that are otherwise likely to cause consumer confusion).

goodwill and serve as effective source identifiers.³³ In sum, the Lanham Act's purposes strongly suggest that registration prohibitions should exist only to the extent necessary to reduce consumer confusion.³⁴

In light of the foregoing policy and the following legal analysis, this Comment posits that the Federal Circuit's resolution of *Tam* was correct, and the United States Supreme Court should affirm the decision. Ultimately, § 1052(a)'s scandalousness and disparagement prohibitions should *both* be struck down as violative of the First Amendment. As opposed to focusing on the viewpoint-discriminatory nature of § 1052(a)'s prohibitions, this Comment attacks *McGinley* through an analysis of the unconstitutional conditions doctrine as that doctrine interacts with Congress's Article I spending power. Because *McGinley* failed to even consider the unconstitutional conditions doctrine in its analysis, its ruling that § 1052(a) survives First Amendment scrutiny fails to suffice as viable precedent.³⁵ More importantly, the Spending Clause of the United States Constitution no longer justifies § 1052(a)'s intrusive restrictions on speech. This latter point has little to do with the provision's content- or viewpoint-discrimination, and the Federal Circuit need not have engaged in a complex First Amendment analysis to dismiss the government's "permissible non-subsidy" argument. Rather, drastic changes in the PTO's structure³⁶ have rendered *McGinley* obsolete, and federal trademark registration proceedings no longer implicate public treasury funds to a constitutionally adequate degree. In other words, even if § 1052(a)'s prohibitions were content-neutral, *McGinley*'s proposition that the Spending Clause grants Congress the power to withhold federal trademark registrations is incorrect, because the issuance of such a registration does not in any way constitute a

³³ LaLonde & Gilson, *supra* note 29, at 1487.

³⁴ See Jasmine Abdel-Khalik, *To Live in In-"Fame"-Y: Reconceiving Scandalous Marks as Analogous to Famous Marks*, 25 CARDOZO ARTS & ENT. L.J. 173, 180 (2007) (citing J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:14 (4th ed. 2006)).

³⁵ See *In re Tam*, 785 F.3d 567, 580 (Fed. Cir. 2015) (Moore, J., additional views), *reh'g en banc granted, opinion vacated*, 600 F. App'x 775 (Fed. Cir. 2015), and *on reh'g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

³⁶ See *id.* (quoting *In re McGinley*, 660 F.2d 481, 486 (C.C.P.A. 1981)) (citing Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, 104 Stat. 1388 (1990); Revision of Patent and Trademark Fees, 56 Fed. Reg. 65,142-01 (Dec. 13, 1991) (to be codified at 37 C.F.R. pt. 1, 2)) ("[T]he act of registering a trademark does not involve the federal treasury. In 1981, as noted by the *McGinley* court, trademark registration was 'underwritten by public funds.' That is no longer true today. Since 1991, PTO operations have been funded entirely by registration fees, not the taxpayer.").

government subsidy.

Part II of this Comment summarizes necessary background information regarding how § 1052(a) operates in practice. Part III includes a brief description of the constitutional challenges that have been raised as prior attempts to invalidate the provision on its face. Part IV argues § 1052(a) imposes an unconstitutional condition that unlawfully abridges trademark applicants' First Amendment rights. Part V asserts § 1052(a)'s First Amendment intrusion is no longer justified by Congress's Article I spending power. Finally, Part VI argues that as an abridgement of trademark applicants' First Amendment rights to engage in offensive commercial speech, § 1052(a) must withstand a form of intermediate scrutiny set forth in *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*; the provision fails to survive this scrutiny, and it therefore must be invalidated as unconstitutional.

II. BACKGROUND: THE CURRENT LEGAL LANDSCAPE OF SECTION 1052(a)

A. *The Procedural Mechanisms Governing Section 1052(a) Rejections and Appeals*

Either a group or an individual may submit an application for federal trademark registration to the PTO.³⁷ The application is then assigned to an examining attorney who confirms the applicant has complied with procedural formalities and determines whether the mark overcomes any relevant substantive statutory prohibitions.³⁸ At this stage, the examiner can decide the proposed mark consists of "scandalous" or "disparaging" material and refuse registration on those grounds.³⁹ If this occurs, the denied applicant is given six months to amend his or her application, present evidence countering the examiner's finding, or otherwise respond with legal arguments.⁴⁰ Following a final office action, a rejected applicant may appeal to the TTAB.⁴¹ If the applicant is again denied registration, he or she may submit an appeal to the United States Court of Appeals for the Federal Circuit.⁴² Via this route, a registration denial can make its way to the

³⁷ See 15 U.S.C. § 1051 (2015).

³⁸ See U.S. PATENT & TRADEMARK OFFICE, TMEP § 704.01 (5th ed. 2007); Wright, *supra* note 31, at 667 (citing § 1062(b)).

³⁹ See § 1052(a).

⁴⁰ See § 1062(b); Wright, *supra* note 31, at 667–68.

⁴¹ § 1070.

⁴² See § 1071.

United States Supreme Court.⁴³

By contrast, if the PTO examiner approves the application, the PTO publishes notice in *The Trademark Official Gazette*,⁴⁴ and the public has thirty days to oppose the mark's registration.⁴⁵ If no members of the public submit an opposition within thirty days, the PTO issues the applicant a certificate of registration.⁴⁶ Once an applicant receives this certificate, all protections afforded by the registration are effective. A trademark owner who demonstrates five years of consistent post-registration commercial use acquires an "incontestable" right to continue using the mark in interstate commerce.⁴⁷ This "incontestable" status is somewhat of a misnomer, however, because a third party who believes he or she will be damaged by a trademark's scandalous or disparaging qualities may still initiate a TTAB cancellation proceeding at *any time* following the mark's registration.⁴⁸

B. *The "Scandalousness" and "Disparagement" Tests*

Although § 1052(a)'s literal language sets forth four separate prohibitions against "immoral," "deceptive," "scandalous," and "disparaging" subject matter,⁴⁹ the PTO and courts alike have lumped § 1052(a) challenges into two broadly inclusive categories: those asserting scandalousness and those asserting disparagement.

Courts have defined "scandalous" marks as marks containing subject matter that is "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."⁵⁰ Whether a proposed trademark contains scandalous subject matter is to be determined from the perspective of "not necessarily a majority, but a substantial composite of the general public."⁵¹ Courts make such a determination in the context of

⁴³ Wright, *supra* note 31, at 669.

⁴⁴ 37 C.F.R. § 2.80 (2006).

⁴⁵ Regan Smith, *Trademark Law and Free Speech: Protection for Scandalous and Disparaging Marks*, 42 HARV. C.R.-C.L. L. REV. 451, 455 (2007).

⁴⁶ *Id.* at 454-55.

⁴⁷ § 1065.

⁴⁸ See Smith, *supra* note 45, at 455.

⁴⁹ § 1052(a).

⁵⁰ *In re Mavety Media Grp.*, 33 F.3d 1367, 1371 (Fed. Cir. 1994) (quoting *In re Riverbank Canning Co.*, 95 F.2d 327, 328 (C.C.P.A. 1938)). Alternatively, the PTO can establish scandalousness by showing that a mark is "vulgar." See *In re Boulevard Entm't, Inc.*, 334 F.3d 1336, 1340 (Fed. Cir. 2003).

⁵¹ *In re McGinley*, 660 F.2d 481, 485 (C.C.P.A. 1981). In *Tam*, the Federal Circuit attached little significance to the PTO's attempt at objectivity through the "substantial composite" standard. Instead, the court noted that viewpoint discrimination is

“contemporary attitudes.”⁵² Generally speaking, courts have grouped “scandalous” trademarks into eight distinct categories: (1) marks having religious significance;⁵³ (2) marks containing problematic political imagery;⁵⁴ (3) marks containing sexual innuendo or sexually graphic imagery;⁵⁵ (4) marks containing profanity;⁵⁶ (5) marks implicating illegal substances or activities;⁵⁷ (6) marks containing slang terminology;⁵⁸ (7) marks containing references to violence;⁵⁹ and (8) marks implicating one’s sexual orientation.⁶⁰

unlawful regardless of whether the government itself disapproves of the message or posits that some other part of the populace will disapprove of the message. *In re Tam*, 808 F.3d 1321, 1336 (Fed. Cir. 2015) (citing *Snyder v. Phelps*, 562 U.S. 443, 460–61 (2011); *R.A.V. v. City of St. Paul*, 505 U.S. 377, 377 (1992); *Texas v. Johnson*, 491 U.S. 397, 414 (1989)).

⁵² *Mavety Media*, 33 F.3d at 1371 (citing *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d 1216, 1219 (T.T.A.B. 1993)).

⁵³ *See, e.g., Riverbank Canning*, 95 F.2d 327, 329 (barring the mark “MADONNA” from registration for wines because members of the Christian faith would likely find the association scandalous); *see also In re Reemtsma Cigarettenfabriken G.M.B.H.*, 122 U.S.P.Q. (BNA) 339 (T.T.A.B. 1959) (barring registration of the mark “SENUSSI” for cigarettes because the name represents a sect of Muslim culture in which tobacco is forbidden for religious reasons).

⁵⁴ *See, e.g., Ex parte Martha Maid Mfg. Co.*, 37 U.S.P.Q. (BNA) 156 (Dec. Comm’r Pat. 1938) (barring registration of the mark “QUEEN MARY” for women’s undergarments); *see also Old Glory Condom*, 26 U.S.P.Q.2d at 1216 (overturning a PTO examiner’s final refusal to register a condom design featuring traditional American stars and stripes).

⁵⁵ *See, e.g., McGinley*, 660 F.2d at 485–87 (barring registration of an image depicting a nude couple kissing and embracing); *see also Ex parte Parfum L’Orle, Inc.*, 93 U.S.P.Q. (BNA) 481 (P.T.O. 1952) (overturning a PTO examining attorney’s refusal to register the mark “LIBIDO” for perfume scents).

⁵⁶ *See, e.g., In re Tinseltown, Inc.*, 212 U.S.P.Q. (BNA) 863 (T.T.A.B. 1981) (barring registration of the mark “BULLSHIT” for clothing). *But see In re Leo Quan, Inc.*, 200 U.S.P.Q. (BNA) 370 (T.T.A.B. 1978) (permitting registration of the mark “BADASS” for stringed instruments); *see also In re Big Effin Garage, L.L.C.*, Serial No. 77595225, 2010 TTAB LEXIS 418 (T.T.A.B. Nov. 23, 2010) (permitting registration of the mark “BIG EFFIN GARAGE” for online music communities).

⁵⁷ *See, e.g., Letter from Edward Fennessy, Trademark Examining Attorney, U.S. PTO, to James A. Robb, Trademark Applicant, Serial No. 85,038,867* (Aug. 28, 2010) (barring registration of the mark “KO KANE” for alcoholic drinks because a substantial composite of the general public would likely interpret the mark as glamorizing drug abuse).

⁵⁸ *See, e.g., In re Runsdorf*, 171 U.S.P.Q. (BNA) 443 (T.T.A.B. 1971) (barring registration of the mark “BUBBY TRAP” for brassieres).

⁵⁹ *See e.g., In re Love Bottling Co.*, Serial No. 78171270, 2005 TTAB LEXIS 261 (T.T.A.B. June 22, 2005) (barring registration of the mark “WIFE BEATER” for male tank tops); Office Action for U.S. Trademark Application Serial No. 78,400,213 (P.T.O. Nov. 18, 2004) (barring registration of the mark “BABY AL QUAEDA” for t-shirts).

⁶⁰ *See, e.g., Office Action for U.S. Trademark Application Serial No. 78,281,746* (Feb. 28, 2004, revised Oct. 28, 2004) (barring registration of the mark “DYKES ON BIKES” for the San Francisco Women’s Motorcycle Contingent), *overruled by*

By contrast, a “disparaging” mark is one that “dishonors by comparison with what is inferior, slights, deprecates, degrades, or affects or injures by unjust comparison.”⁶¹ The TTAB articulated the seminal two-part test for disparagement in 1999.⁶² First, the court or tribunal must consider dictionary evidence, the relationship of the proposed mark’s elements, and the relevant segment of the marketplace to determine the mark’s likely meaning.⁶³ Second, the court must determine whether a substantial composite of the relevant public will perceive that meaning as disparaging.⁶⁴

The disparagement test can be distinguished from the scandalousness test in three significant ways. First, “while a trademark *must* be scandalous to be denied, registration can be denied if a trademark *may* be disparaging.”⁶⁵ In practice, this variation means challengers asserting disparagement are required to satisfy a lesser burden of proof than challengers asserting scandalousness under identical circumstances. Second, while there are certain situations in which a mark may be assessed for scandalousness using *only* dictionary evidence,⁶⁶ the disparagement test requires a further examination of the relevant market segment as well as the allegedly disparaged group’s culture.⁶⁷ Third, rather than depending on the perspective of a substantial composite of the *general public*, disparagement is “evaluated from the perspective of a substantial composite of the *demographic on which the mark is commenting*”⁶⁸

In making a § 1052(a) determination of scandalousness or disparagement, courts have relied on dictionary definitions, opinion surveys, marketing strategies, newspaper articles, Internet forums,

McDermott v. S.F. Women’s Motorcycle Contingent, 81 U.S.P.Q.2d 1212 (T.T.A.B. 2006).

⁶¹ *In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014).

⁶² *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1736 (T.T.A.B. 1999).

⁶³ *Id.* at 1738–39.

⁶⁴ *Id.* at 1736.

⁶⁵ Smith, *supra* note 45, at 464 (emphasis added).

⁶⁶ See *In re Boulevard Entm’t, Inc.*, 334 F.3d 1336, 1341 (Fed. Cir. 2003) (holding that when “multiple dictionaries . . . uniformly indicate that a word is vulgar, and the applicant’s use of the word is clearly limited to the vulgar meaning of the word, . . . the PTO can sustain its burden of showing that the mark comprises or consists of scandalous matter by reference to dictionary definitions alone”), *abrogated by* *In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015).

⁶⁷ See Smith, *supra* note 45, at 464.

⁶⁸ Gibbons, *supra* note 3, at 212 (emphasis added); see *In re Heeb Media, L.L.C.*, 89 U.S.P.Q.2d (BNA) 1071 (T.T.A.B. 2008) (summarizing government’s argument that the term, “heeb,” is a “highly disparaging reference to Jewish people, that it retains this meaning when used in connection with the applicant’s goods and services, and that a substantial composite of the referenced group finds it to be disparaging”).

blogs, and expert witness testimonies.⁶⁹ Dictionary definitions are the most common form of evidence utilized in § 1052(a) proceedings,⁷⁰ and there are some circumstances in which a PTO examining attorney can rely *solely* on dictionary definitions to reject an application.⁷¹ Opinion surveys, by contrast, are expensive and time-consuming; as such, courts rarely utilize this form of evidence in scandalousness determinations, where it is not required.⁷²

C. *Third-Party Standing to Challenge a Registered Trademark*

The test for standing in trademark cancellation proceedings is unusually generous to third parties.⁷³ This is because the TTAB relies on third party challenges as a means of enforcing § 1052(a)'s prohibitions.⁷⁴ Acknowledging the “somewhat vague” and “highly subjective” qualities of § 1052(a)'s standards,⁷⁵ the TTAB has stated it generally resolves doubts concerning a mark's registrability in favor of the applicant.⁷⁶ The understanding is that if a significant segment of the public *later* finds the mark to be scandalous or disparaging, then a third party can institute an action, and the TTAB will have the opportunity to compile a more complete record.⁷⁷

In *Lujan v. Defenders of Wildlife*, the Supreme Court articulated the customary requirements for standing under Article III of the Constitution:

Over the years, our cases have established that the irreducible constitutional minimum of standing contains three elements. First, the plaintiff must have suffered an “injury in fact”—an invasion of a legally protected interest which is (a) concrete and particularized; and (b) “actual or imminent, not ‘conjectural’ or ‘hypothetical.’” Second, there must be a causal connection between the injury and the conduct complained of—the injury has to be “fairly . . . trace[able] to the challenged action of the defendant, and not . . . the[e] result [of] the independent action of some

⁶⁹ See Lalonde & Gilson, *supra* note 29, at 1498–1507.

⁷⁰ See *Boulevard Entm't*, 334 F.3d at 1340 (“[D]ictionary definitions represent an effort to distill the collective understanding of the community with respect to language and thus clearly constitute more than a reflection of the individual views of either the examining attorney or the dictionary editors.”).

⁷¹ See *supra* note 66.

⁷² Smith, *supra* note 45, at 461.

⁷³ *Id.* at 456.

⁷⁴ See *In re Over Our Heads*, 16 U.S.P.Q.2d 1653, 1654–55 (T.T.A.B. 1990).

⁷⁵ *In re Hershey*, 6 U.S.P.Q.2d 1470, 1471 (T.T.A.B. 1988).

⁷⁶ See, e.g., *Over Our Heads*, 16 U.S.P.Q.2d at 1654.

⁷⁷ *Id.* at 1654–55.

third party not before the court.” Third, it must be “likely,” as opposed to merely “speculative,” that the injury will be “redressed by a favorable decision.”⁷⁸

Notwithstanding the usual Article III requirements, a party asserting a § 1052(a) challenge is not required to have a “specific commercial interest[] not shared by the general public.”⁷⁹ Rather, any party who believes he or she is (or would be) “damaged” by the trademark at issue may file a formal opposition with the PTO *prior* to the mark’s registration or a formal petition for cancellation with the TTAB at any time *following* the mark’s registration.⁸⁰ A challenger may satisfy this lenient standard by (1) showing he possesses a particular characteristic directly implicated by the allegedly scandalous or disparaging mark; or (2) showing—through surveys, petitions, and/or affidavits from public interest groups—that other members of the general public share his belief in the potential for widespread emotional or psychological harm.⁸¹

As one can imagine, the Act’s generous standing requirement is problematic in practice. This is because the Act “effectively allows small special interest groups to curtail others’ speech, raising the risk that trademarks are governed by political correctness rather than free speech values.”⁸² As noted above, a third party has the ability not only to preclude a trademark owner from achieving federal registration in the first instance, but also to institute a cancellation proceeding *at any time* following a successful registration.⁸³ Thus, a trademark owner is never free of the risk that his intellectual property rights will be swept out from underneath his feet by a third party asserting scandalousness or disparagement. After years of bolstering a product’s reputation and investing in goodwill, the possibility remains that an owner will have to re-litigate his mark’s moral wholesomeness at the risk of losing his registration.⁸⁴ In this situation, the owner would be forced to create a new mark and spend sizeable sums informing the public of the

⁷⁸ *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560–61 (1992) (citing *Whitmore v. Arkansas*, 495 U.S. 149, 155 (1990); *Allen v. Wright*, 468 U.S. 737, 751 (1984); *Simon v. E. Ky. Welfare Rights Org.*, 426 U.S. 26, 38, 41–43 (1976); *Warth v. Seldin*, 422 U.S. 490, 508 (1975); *Sierra Club v. Morton*, 405 U.S. 727, 740–41, n.16 (1972)).

⁷⁹ *Ritchie v. Simpson*, 170 F.3d 1092, 1096–97 (Fed. Cir. 1999).

⁸⁰ 15 U.S.C. § 1063–64 (2015).

⁸¹ *LaLonde & Gilson*, *supra* note 29, at 1508.

⁸² *Smith*, *supra* note 45, at 456. For example, one scholar observes that under the standard announced in *Ritchie*, 170 F.3d 1092, an ultra-conservative Christian group may have standing to challenge the validity of federal protections granted to a pro-gay rights trademark. *Id.*

⁸³ §§ 1063–64.

⁸⁴ *In re Tam*, 808 F.3d 1321, 1343 (Fed. Cir. 2015).

association between his new mark and his old product.⁸⁵ Thus, the specter of a looming third party challenger significantly deters the adoption of offensive trademarks, and the Lanham Act's generous standing requirements contribute to § 1052(a)'s net chilling effect on speech.

III. PRIOR CONSTITUTIONAL CHALLENGES TO SECTION 1052(A)

A. *First Amendment Challenges*

In 1981, the United States Court of Customs and Patent Appeals (CCPA)⁸⁶ announced the following: “[I]t 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. Consequently, appellant’s First Amendment rights would not be abridged by the refusal to register his mark.”⁸⁷ During the thirty-plus years between *McGinley* and the recent grant of a rehearing *en banc* in *In re Tam*, the Federal Circuit has continued to reiterate *McGinley*’s reasoning in dismissing First Amendment challenges to § 1052(a).⁸⁸ Nonetheless, trademark applicants have continued to challenge the statute on First Amendment grounds. Some scholars contend the provision’s constitutional basis is “crumbling.”⁸⁹ The Federal Circuit’s December 2015 ruling⁹⁰ invalidating § 1052(a)’s disparagement fully supports this notion.

B. *Fifth Amendment Void-for-Vagueness Challenges*

The origins of the void-for-vagueness doctrine lie in the Fifth

⁸⁵ *Id.*

⁸⁶ The United States Court of Customs and Patent Appeals was the predecessor to the United States Court of Appeals for the Federal Circuit. See *History of the Federal Judiciary*, FED. JUD. CTR., http://www.fjc.gov/history/home.nsf/page/courts_special_cpa.html (last visited Oct. 19, 2015). It was abolished in 1982, one year after *McGinley* was decided. See *id.*

⁸⁷ *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981).

⁸⁸ See, e.g., *In re Fox*, 702 F.3d 633 (Fed. Cir. 2012); *In re Boulevard Entm’t, Inc.*, 334 F.3d 1336 (Fed. Cir. 2003); *In re Mavety Media Grp. Ltd.*, 33 F.3d 1367 (Fed. Cir. 1994).

⁸⁹ Phillips, *supra* note 9, at 66; see Lee, *supra* note 9, at 67 (quoting Baird, *supra* note 9, at 669) (“An ‘abridgement’ may result from regulations that do not ‘ban,’ ‘forbid,’ or ‘prohibit.’ In fact, an ‘abridgement’ may result from regulations that merely ‘restrict,’ ‘limit,’ ‘impinge,’ or burden.”); Smith, *supra* note 45, at 468 (“[I]t is understood that a speaker cannot be prevented from speaking in a public park just because she can go home and say the same speech privately.”).

⁹⁰ *Tam*, 808 F.3d at 1357–58.

Amendment's Due Process Clause.⁹¹ In simplest terms, the doctrine requires a certain level of specificity in statutory language as a prerequisite to the statute's enforceability.⁹² A statute is unconstitutionally vague if: (1) it fails to provide the public with fair notice of what conduct is affected by the law; and (2) it has the potential to "impermissibly delegate[]" policymaking duties to judicial officials, with the "attendant dangers of arbitrary and discriminatory application."⁹³ When a vague statute regulates or burdens expression in a content-discriminatory manner, the statute raises special concerns due to its chilling effect on the freedom of speech.⁹⁴ The Supreme Court has held that a more stringent vagueness test applies under these circumstances.⁹⁵ As such, when a regulation of expression is at issue, the Court examines the regulatory language with increased scrutiny to ensure that statutory ambiguities do not deter protected speech.⁹⁶ Trademark applicants and legal scholars have attacked § 1052(a) as unconstitutionally vague on numerous grounds.

1. Shifting Paradigms

First, litigants and scholars have argued that society's idea of what is socially acceptable changes over time. Therefore, that which a substantial composite of society considers "scandalous" or "disparaging" is at best a moving target.⁹⁷ While the TTAB has acknowledged that it must consider ever-changing attitudes and paradigms while ruling on a trademark's registrability, it has also declared, "[T]he fact that profane words may be uttered more freely does not render them any the less profane."⁹⁸ This reasoning essentially enables the TTAB and the PTO to ignore contemporary attitudes at their discretion.

2. Blurring of Statutory Definitions

Second, applicants who are denied trademark registration claim that the PTO's frequent practice of collapsing the scandalousness and disparagement analyses into a single amorphous framework lends

⁹¹ U.S. CONST. amend. V.

⁹² Wright, *supra* note 31, at 661.

⁹³ Grayned v. Rockford, 408 U.S. 104, 108–09 (1972).

⁹⁴ Reno v. ACLU, 521 U.S. 844, 871–72 (1997).

⁹⁵ Vill. of Hoffman Estates v. Flipside, Hoffman Estates, Inc., 455 U.S. 489, 499 (1982).

⁹⁶ F.C.C. v. Fox Television Stations, Inc., 132 S. Ct. 2307, 2317–18 (2012).

⁹⁷ Phillips, *supra* note 9, at 70.

⁹⁸ *In re Tinseltown, Inc.*, 212 U.S.P.Q. (BNA) 863 (T.T.A.B. 1981).

further ambiguity to statutory terms which are already imprecise.⁹⁹

3. Unreliability of Dictionary Evidence

Next, litigants attack the perceived ineffectiveness of dictionaries as evidence to show scandalousness or likely disparagement. Applicants assert that the appropriate focus of a § 1052(a) inquiry is not necessarily a phrase's literal meaning, but the way in which a substantial composite of the general public or targeted group *perceives* the phrase.¹⁰⁰ Simply put, dictionary definitions are ill-suited for this task.¹⁰¹ Additionally, dictionary definitions—like social paradigms—are subject to change over time.¹⁰² Many PTO examining attorneys have attempted to remedy this deficiency by consulting online dictionaries, which may lack sufficient indicia of authoritativeness and reliability.¹⁰³

4. Lack of Clarity in Substantial Composite Standard

The Federal Circuit's "substantial composite" standard also possesses a lack of clarity that generates uncertainty among litigants and scholars. The Federal Circuit has acknowledged the "inherent difficulty in fashioning a single objective measure like a substantial composite of the general public from the myriad of subjective viewpoints."¹⁰⁴ To further aggravate the ambiguity, neither case law nor legislative history defines a "substantial composite."¹⁰⁵ One commentator has posited that the term is a "vacuous point on a nebulous continuum . . . chosen post-hoc to justify the decision-maker's preconceived determination."¹⁰⁶ To make matters worse, the standard has not always been universally articulated or applied.¹⁰⁷

5. Relevance of the Proposed Mark's Surrounding

⁹⁹ See Carpenter & Murphy, *supra* note 3, at 471. See, e.g., *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d 1216, 1220 n.4 (T.T.A.B. 1993) ("[O]ur finding . . . that the mark is not scandalous subsumes a finding that the mark is not disparaging.").

¹⁰⁰ Carpenter & Murphy, *supra* note 3, at 469.

¹⁰¹ *Id.*

¹⁰² *Id.* at 480–81. See also Gibbons, *supra* note 3, at 208 ("Some dictionaries are slower in recognizing new meanings given to existing words by disenfranchised groups.").

¹⁰³ Gibbons, *supra* note 3, at 208–09.

¹⁰⁴ *In re Mavety Media Grp. Ltd.*, 33 F.3d 1367, 1371 (Fed. Cir. 1994).

¹⁰⁵ See Smith, *supra* note 45, at 461.

¹⁰⁶ Gibbons, *supra* note 3, at 206 n.89.

¹⁰⁷ See, e.g., *In re Hepperle*, 175 U.S.P.Q. (BNA) 512 (T.T.A.B. 1972) (applying an "average purchaser" standard).

Context

Another inconsistency deals with the relevance of a mark's surrounding context. As the following case law makes clear, it is impossible to be sure of whether the PTO will consider such context while making a § 1052(a) determination. In this regard, two contradictory lines of precedent have developed. First, the *McGinley* line of cases examines a trademark in the context of the underlying goods or services it distinguishes.¹⁰⁸ A conflicting line of cases embodies the *per se* inquiry, focusing its § 1052(a) inquiries solely on the trademark itself, as that mark exists independently from the underlying goods or services.¹⁰⁹ Examining bodies move back and forth between the two approaches—a “schizophrenic movement” that leads to greater unpredictability and further administrative inconsistency.¹¹⁰

6. Relevance of Applicant's Intent

Trademark applicants have argued that the ambiguous role of “intent” also serves as the basis for a vagueness challenge to § 1052(a). Simply put, sometimes the TTAB considers the applicant's intent in creating or using a particular mark; other times, the TTAB expressly declines to do so.¹¹¹

¹⁰⁸ See, e.g., *In re McGinley*, 660 F.2d 481, 482, 485 (C.C.P.A. 1981) (barring registration of a sexual image partly because the mark indicated that the underlying services involved “illicit sexual intercourse”); *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d 1216 (T.T.A.B. 1993) (permitting registration of a condom design incorporating elements of the American flag partly because the applicant's stated intent was to raise AIDS awareness by suggesting a national duty to promote HIV protection); *In re Leo Quan, Inc.*, 200 U.S.P.Q. (BNA) 370, 371 (T.T.A.B. 1978) (permitting registration of the mark, “BADASS,” because the mark had an alternative non-vulgar meaning, serving as an acronym for “Bettencourt Acoustically Designed Audio Sound Systems”).

¹⁰⁹ Theodore H. Davis, Jr., *Registration of Scandalous, Immoral, and Disparaging Matter Under Section 2(a) of the Lanham Act: Can One Man's Vulgarity Be Another's Registered Trademark?*, 54 OHIO ST. L.J. 331, 345 (1993). See, e.g., *In re Red Bull G.M.B.H.*, 78 U.S.P.Q.2d 1375, 1381 (T.T.A.B. 2006) (“It is clearly the profane connotation of the term *per se*, rather than a particular meaning of the term when considered in connection with goods . . .”); *In re Tinseltown, Inc.*, 212 U.S.P.Q. (BNA) 863 (T.T.A.B. 1981).

¹¹⁰ Abdel-Khalik, *supra* note 34, at 211.

¹¹¹ Compare *In re Heeb Media, L.L.C.*, 89 U.S.P.Q.2d 1071, 1077 (T.T.A.B. 2008) (“The fact that [an] applicant has good intentions with its use of the term does not obviate the fact that a substantial composite of the referenced group find[s] the term objectionable. . . . Our focus must be on the perception of the referenced group and not [the] applicant's intentions.”), with *Old Glory Condom*, 26 U.S.P.Q.2d 1216 (permitting registration of a condom design featuring American stars and stripes largely because the applicant's intention was not to offend or disparage, but to redefine patriotism in a way that prioritizes the fight against AIDS).

7. The Non-Role of Precedent in Section 1052(a) Determinations

The doctrine of *stare decisis*—often somewhat of a cure for statutory vagueness concerns—is entirely lacking in the context of § 1052(a) determinations. Instead, the PTO and the TTAB are free to rule on these issues on a case-by-case basis, without using prior decisions as a form of guidance or direction:

It is well settled that the Board must decide each application on its own merits, and decisions regarding other registrations do not bind either examining attorneys or this Board. The fact that, whether because of administrative error or otherwise, some marks have been registered even though they may be in violation of the governing statutory standard does not mean that the U.S. Patent and Trademark Office must forgo applying that standard in all other cases.¹¹²

Without prior registrations and rejections having *some* precedential force, applicants have no choice but to guess as to whether their potentially scandalous or disparaging marks will achieve registration.¹¹³

8. Inconsistent Results

Finally, trademark applicants and scholars argue that § 1052(a)'s vagueness and arbitrariness are best illustrated through the statute's inconsistent (and often humorous) results. For instance, as of 2011, the PTO had received forty-one applications containing the term "MILF."¹¹⁴ Twenty were rejected; twenty were not; the remaining application was abandoned.¹¹⁵ "It was a *tie*."¹¹⁶ Perhaps Megan M. Carpenter and Kathryn T. Murphy best expressed trademark applicants' frustration with these inconsistent results:

When BULLSHIT for handbags will scandalize the public, but BIG PECKER for T-shirts will not; when CLEARLY QUEER for clothing will register, but QUEER GEAR, also for

¹¹² *In re* RK Netmedia, Inc., No. 77064737, 2009 TTAB LEXIS 389, at *27 (T.T.A.B. May 21, 2009) (internal citations omitted).

¹¹³ LaLonde & Gilson, *supra* note 29, at 1506. For perhaps the most egregious example of the arbitrariness that results from the lack of *stare decisis* in this context, see *In re* Watkins, No. 76138675, 2005 TTAB LEXIS 651 (T.T.A.B. Feb. 8, 2005) (overturning the PTO's refusal to register "TWATTY GIRL" following successful registrations of "TWATTY" and "TWATTYTRAX" by the same applicant).

¹¹⁴ LaLonde & Gilson, *supra* note 29, at 1478. "MILF" is a slang acronym that stands for "mother I'd like to fuck." *Free Speech Coal. v. Holder*, 957 F. Supp. 2d 564, 577 n.5 (E.D. Pa. 2013).

¹¹⁵ LaLonde & Gilson, *supra* note 29, at 1478.

¹¹⁶ *Id.* at 1481.

clothing, will not; when TWATTY GIRL for cartoon strips is rejected, but TWATTY for cartoon strips is not, it is time to reexamine the structure and implementation of the section 2(a) bars.¹¹⁷

The foregoing illustrates that § 1052(a) grants tremendously unfettered discretion to a small number of PTO attorneys.¹¹⁸ The exercise of that discretion is entirely arbitrary, often depending largely upon examining attorneys' unique personal reactions to crude subject matter.¹¹⁹ The resulting ambiguity is unfair to trademark applicants, who do not have reasonable notice of whether their proposed marks will achieve registration.¹²⁰ More importantly, the uncertainty surrounding § 1052(a) provides disincentives that contribute significantly to the provision's chilling effect on speech. Nevertheless, courts and examining bodies have continued to reiterate *McGinley's* holding that § 1052(a) is "sufficiently precise to enable the PTO and the courts to apply the law fairly and to notify a would-be registrant that the mark he adopts will not be granted a federal registration."¹²¹

IV. THE UNCONSTITUTIONAL CONDITIONS DOCTRINE

A. Introduction to the Doctrine

The first reason the Federal Circuit was correct in partially overruling *McGinley* is that *McGinley* upheld § 1052(a) against First Amendment challenge without considering the "unconstitutional conditions" doctrine.¹²² In simplest terms, the unconstitutional conditions doctrine prohibits the government from conditioning a benefit's receipt upon the waiver of a constitutional right.¹²³ In other words, Congress may not withhold a benefit solely because the individual who would otherwise receive it exercised his First Amendment right.¹²⁴ In 1972, Justice Stewart—writing for a majority of the Supreme Court in *Perry v. Sindermann*—set forth an especially clear articulation of the rule:

¹¹⁷ Carpenter & Murphy, *supra* note 3, at 482.

¹¹⁸ See Smith, *supra* note 45, at 481.

¹¹⁹ See Phillips, *supra* note 9, at 60–61.

¹²⁰ Wright, *supra* note 31, at 678.

¹²¹ *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981).

¹²² See *id.*

¹²³ See *In re Tam*, 785 F.3d 567, 577 (Fed. Cir. 2015) (Moore, J., additional views) (citing *Perry v. Sindermann*, 408 U.S. 593, 597 (1972)), *reh'g en banc granted, opinion vacated*, 600 F. App'x 775 (Fed. Cir. 2015), and *on reh'g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

¹²⁴ *Id.*

[E]ven though a person has no ‘right’ to a valuable governmental benefit and even though the government may deny him the benefit for any number of reasons, there are some reasons upon which the government may not rely. It may not deny a benefit to a person on a basis that infringes his constitutionally protected interests—especially, his interest in freedom of speech. For if the government could deny a benefit to a person because of his constitutionally protected speech or associations, his exercise of those freedoms would in effect be penalized and inhibited.¹²⁵

In *Perry*, Plaintiff Robert Sindermann was employed as a professor at a state college for ten years.¹²⁶ Following his election as President of the Texas Junior College Teachers’ Association, Mr. Sindermann publicly advocated the elevation of the college from two-year to four-year status—a position the school’s Board of Regents opposed.¹²⁷ Mr. Sindermann alleged that as a result of his choice to voice these opinions, the Board of Regents refused to offer him a new employment contract for the following academic year.¹²⁸ The Supreme Court remanded the case for further fact-finding, holding that the district’s refusal to renew a public contract on these grounds would violate the unconstitutional conditions doctrine.¹²⁹

Prior to *Perry*, the Supreme Court elaborated on its unconstitutional conditions jurisprudence in *Speiser v. Randall*.¹³⁰ In *Speiser*, a group of honorably discharged World War II veterans claimed a veterans’ property tax exemption provided by California’s state constitution.¹³¹ In order to qualify for the exemption, the veterans were required to sign an oath stating they did not advocate the overthrow of the United States government, and they would not support a foreign government in the event of an international conflict.¹³² In holding that the provision violated the veterans’ First Amendment rights, the Supreme Court stated the following:

It cannot be gainsaid that a discriminatory denial of a tax exemption for engaging in speech is a limitation on free speech. . . . To deny an exemption to claimants who engage in certain forms of speech is in effect to penalize them for

¹²⁵ *Perry*, 408 U.S. at 597.

¹²⁶ *Id.* at 593.

¹²⁷ *Id.* at 594–95.

¹²⁸ *Id.* at 595.

¹²⁹ *Id.* at 598.

¹³⁰ *Speiser v. Randall*, 357 U.S. 513 (1958).

¹³¹ *Id.* at 514–15.

¹³² *Id.* at 515.

such speech. Its deterrent effect is the same as if the State were to fine them for this speech. . . . Congress may not by withdrawal of privileges place limitations upon the freedom of speech which if directly attempted would be unconstitutional.¹³³

In short, the Court held that the California state government's withholding of a tax exemption took on coercive characteristics, thereby indirectly suppressing "dangerous ideas" by threatening to penalize claimants for engaging in proscribed speech.¹³⁴ The excerpted passage from the Court's holding emphasizes a key rationale underlying the unconstitutional conditions doctrine—that the government may not circumvent an individual's constitutional rights by achieving indirectly what it is forbidden from achieving in a more forthright manner.

B. *Section 1052(a) Imposes an Unconstitutional Condition*

In *Perry*, a school district improperly conditioned a public contract's renewal upon a teacher's waiver of his right to advocate a political position.¹³⁵ In *Speiser*, a state government similarly conditioned a tax exemption upon a veteran's waiver of his right to advocate the overthrow of the federal government.¹³⁶ By way of analogy, § 1052(a) conditions the benefits of federal trademark registration upon an applicant's surrender of his First Amendment right to engage in offensive speech.¹³⁷

As a preliminary matter, the benefits of federal trademark registration are numerous, and they provide trademark owners with indispensable advantages in litigation. First, upon registration, the PTO publishes constructive notice of trademark ownership in *The Trademark Official Gazette*, as well as in several other internationally distributed materials.¹³⁸ Next, § 1057 of the Lanham Act provides that a registration certificate constitutes *prima facie* evidence of trademark ownership and validity.¹³⁹ This same provision provides federal

¹³³ *Id.* at 518.

¹³⁴ *See id.* at 519 (quoting *American Commc'ns Ass'n, C.I.O. v. Douds*, 339 U.S. 382, 402 (1950)).

¹³⁵ *See supra* notes 125–129 and accompanying text.

¹³⁶ *See supra* notes 130–134 and accompanying text.

¹³⁷ Phillips, *supra* note 9, at 67–68.

¹³⁸ *See* 15 U.S.C. § 1072 (2015); Kristin D. Stout, *Terrifying Trademarks and a Scandalous Disregard for the First Amendment: Section 2(a)'s Unconstitutional Prohibition on Scandalous, Immoral, and Disparaging Trademarks*, 25 ALB. L.J. SCI. & TECH. 213, 218 (2015).

¹³⁹ 15 U.S.C. § 1057 (2010).

trademark registrants with a nationwide right of priority in cancellation proceedings, as well as an exclusive right to commercial use of the registered mark in connection with the specified goods or services.¹⁴⁰ Moreover, a separate provision of the Lanham Act provides that a registrant's right to use his or her mark in commerce becomes incontestable after five consecutive years of post-registration use.¹⁴¹ Finally, federal registrants may enlist the aid of United States Customs to bar the importation of infringing goods,¹⁴² and they may sue in federal courts to enforce their trademark rights upon a discovery of infringing activities.¹⁴³

While § 1052(a) does not explicitly prohibit offensive speech from entering the marketplace, its removal of the foregoing benefits evinces a congressional intent to discourage such speech, thereby creating a chilling effect that threatens to deprive trademark applicants of essential business protections.¹⁴⁴ In other words, *McGinley* correctly asserts that a § 1052(a) denial would not prevent Mr. Tam from continuing to refer to his musical act as “The Slants” in commerce; however, such a denial severely burdens this use by withholding rights that are essential in the entertainment industry, thereby placing Mr. Tam and his fellow band members at a competitive disadvantage.¹⁴⁵ Pursuant to *Perry* and *Speiser*, it is irrelevant that Mr. Tam has no constitutional right to federal trademark registration, and it is equally irrelevant that the lack of registration does not prevent him from *using* the speech at issue. As discussed *supra*,¹⁴⁶ these cases instruct that the purpose of the unconstitutional conditions doctrine is to prevent the federal government from achieving indirectly what it is prohibited from accomplishing directly.¹⁴⁷ Because the First Amendment

¹⁴⁰ *Id.*

¹⁴¹ *Id.* § 1065.

¹⁴² *See id.* § 1124.

¹⁴³ *See id.* § 1121.

¹⁴⁴ Phillips, *supra* note 9, at 67–68.

¹⁴⁵ *See In re Tam*, 785 F.3d 567, 577 (Fed. Cir. 2015) (Moore, J., additional views), *reh'g en banc granted, opinion vacated*, 600 F. App'x 775 (Fed. Cir. 2015), and *on reh'g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016); *see also* Baird, *supra* note 9, at 677 (“Although it is clear that barring and removing offensive matter from the federal registers will not proscribe the commercial use of such matter, it certainly provides an economic disincentive to engage in such use.”); Stout, *supra* note 138, at 216 (“To have an unprotected mark, one that any other entity is free to exercise as part of its commercial or noncommercial presence, can mean a total lack of identity. . . . [T]o be denied federal registration . . . is not so insignificant . . . as the Federal Circuit would have us believe.”).

¹⁴⁶ *See supra* notes 122–134 and accompanying text.

¹⁴⁷ *See Lee, supra* note 9, at 68 (quoting Baird, *supra* note 9, at 693).

prohibits the government from directly banning offensive speech,¹⁴⁸ it is impermissible for Congress to achieve an identical result by prohibiting registration of “The Slants” under § 1052(a).¹⁴⁹

One could argue that the government’s actions in *Perry* and *Speiser* are distinguishable from § 1052(a) because the restrictions at issue were *absolute bars* on the plaintiffs’ expressive activities. By contrast, § 1052(a) refusals extend only as far as the government’s corresponding grant of exclusivity in a particular mark. In other words, the § 1052(a) prohibitions are connected to the government’s grant of a monopoly in a way that the restrictions at issue in *Perry* and *Speiser* were *not* related to the renewal of an employment contract and the grant of a tax exemption, respectively. This argument implicates the distinction between a permissible non-subsidy and an impermissible penalty.

The argument proceeds as follows: Through § 1052(a), Congress and the PTO are effectively saying, “We will give you a benefit, but you can’t use *that benefit* to speak in a scandalous or disparaging manner.” In *Perry* and *Speiser*, by contrast, the government is saying, “We will grant you a benefit, provided that you refrain from engaging in certain speech *altogether*.” A simplified example best illustrates the difference. If the government were to hand an individual one hundred dollars, yet prohibit the individual from using *that one hundred dollars* to engage in political advocacy, this act would constitute a permissible non-subsidy.¹⁵⁰ However, if the government were to offer the same individual one hundred dollars, while conditioning its receipt on the individual’s agreement to refrain from political speech *entirely*, this would constitute an unlawful, improperly coercive government action.¹⁵¹ The former situation represents a permissible use of the government’s spending powers, but the latter scenario imposes an unconstitutional condition.¹⁵² Some would argue that § 1052(a) is more closely analogous to the former situation, while *Perry* and *Speiser* are representative of the latter.

The foregoing effort to distinguish § 1052(a) from *Perry* and *Speiser* is without merit. A proper analysis must assess: (1) the

¹⁴⁸ See *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 561 (1980) (citing *Va. Pharmacy Bd. v. Va. Citizens Consumer Council*, 425 U.S. 748, 761–62 (1976)) (“The First Amendment, as applied to the States through the Fourteenth Amendment, protects commercial speech from unwarranted governmental regulation.”).

¹⁴⁹ See Lee, *supra* note 9, at 68.

¹⁵⁰ Telephone Conference with Thomas Healy, Professor of Law, Seton Hall Univ. Sch. of Law (Dec. 22, 2015).

¹⁵¹ *Id.*

¹⁵² *Id.*

enormous competitive disadvantages a trademark applicant faces when his federal registration is rejected; and (2) the economic senselessness of foregoing the benefits that coincide with registration. When considered in light of these practical realities, countless prospective trademark registrants have in fact been entirely precluded not only from registering offensive trademarks, but also from adopting them in the first place. Together, these factors illustrate the broad “chilling effect” that § 1052(a) has on scandalous and disparaging speech.

Keeping the foregoing economic realities in mind, § 1052(a) functions practically as an absolute bar against offensive speech. No sensible businessman would invest time, money, and other resources in developing a mark if he knew beforehand that he would be unable to assert nationwide priority in that mark. Nor would he sacrifice the ability to rely on advantageous presumptions in litigation. The owner would simply select a different mark. To act otherwise would be to forfeit rights in all geographic areas in which he is not actually using the mark, and to allow competitors to usurp his goodwill. In short, such a sacrifice would be economic suicide. The only realistic response to § 1052(a), therefore, is for trademark owners to discontinue the use of offensive marks prior to any substantial investment in goodwill.¹⁵³ Importantly, this discouragement extends beyond the federal government’s grant of a monopoly, and it permeates the commercial marketplace. Not only is this eradication of offensive speech the practical *effect* of § 1052(a), but it is also the only conceivable congressional *intent* underlying the provision.

Furthermore, it is not necessarily appropriate to characterize the restrictions at issue in *Perry* and *Speiser* as absolute bars. Nothing in the school district’s refusal to renew an employment contract precluded the plaintiff in *Perry* from continuing to advocate his political views while seeking employment in another jurisdiction. Similarly, nothing prohibited the plaintiffs in *Speiser* from continuing to advocate the overthrow of the federal government while seeking to qualify for a different tax exemption. In a sense, the availability of alternatives in

¹⁵³ The Supreme Court has held that similar “do-or-die” scenarios are impermissible. *See* *United States v. Butler*, 297 U.S. 1, 70–71 (1936) (“The regulation is not . . . voluntary. The farmer . . . may refuse to comply, but the price . . . is the loss of benefits. The amount offered is . . . sufficient to exert pressure . . . to agree to the proposed regulation. The power to confer or withhold unlimited benefits is the power to coerce or destroy.”); *see also* *Frost v. R.R. Comm’n of State of Cal.*, 271 U.S. 583, 593 (1926) (“In reality, the carrier is given no choice, except a choice between the rock and the whirlpool—an option to forego a privilege which may be vital to his livelihood or submit to a requirement which may constitute an intolerable burden.”).

Perry and *Speiser* makes the government actions in those cases less susceptible to challenge under the unconstitutional conditions doctrine. By contrast, a trademark applicant facing a § 1052(a) rejection has no available alternatives. The certificate of federal registration is a unique right offered solely by the PTO, and the deprivation of its benefits forces sensible businessmen to completely forego using their marks in commerce.

V. SECTION 1052(A)'S FIRST AMENDMENT INTRUSION IS NO LONGER JUSTIFIED BY CONGRESS'S SPENDING POWER.

A. Congress's Spending Power

Article I, Section 8, Clause 1 (“the Spending Clause”) grants Congress broad discretion to tax the public and spend public funds to promote the general welfare.¹⁵⁴ This means that when the federal government appropriates funds from the public treasury to initiate a program, the Spending Clause grants Congress the authority to establish and define the limits of that program.¹⁵⁵ In other words, Congress may insist that funds from the federal treasury are spent in the congressionally authorized manner and for congressionally authorized purposes.¹⁵⁶ This power occasionally includes the authority to impose conditions that affect recipients’ constitutional rights.¹⁵⁷ Thus, there exists an inherent tension between applying the unconstitutional conditions doctrine and protecting Congress’s ability to direct government spending.¹⁵⁸

Pursuant to its Spending Clause authority, Congress may condition the receipt of federal funds upon the satisfaction of objectives that are not included within its enumerated powers.¹⁵⁹ Congress may also be selective with regard to what it considers to promote the “general welfare”; for example, Congress may selectively fund certain activities if it feels those activities are in the public’s best

¹⁵⁴ U.S. CONST. art. I, § 8, cl. 1.

¹⁵⁵ *United States v. Am. Library Ass’n, Inc.*, 539 U.S. 194, 196 (2003) (citing *Rust v. Sullivan*, 500 U.S. 173, 194 (1991)).

¹⁵⁶ *In re Tam*, 785 F.3d 567, 578 (Fed. Cir. 2015) (quoting *Am. Library Ass’n*, 539 U.S. at 211–12), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015), and *on reh’g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

¹⁵⁷ *Id.* (quoting *Agency for Int’l Dev. v. All. for Open Soc’y Int’l, Inc.*, 133 S. Ct. 2321, 2328 (2013)).

¹⁵⁸ *See id.* at 577.

¹⁵⁹ *See South Dakota v. Dole*, 483 U.S. 203, 207 (1987); *United States v. Butler*, 297 U.S. 1, 66 (1936).

interest, but may decline to subsidize other programs that propose alternative solutions to the same problem.¹⁶⁰ In doing so, Congress does not necessarily engage in unlawful viewpoint discrimination; rather, it simply chooses to “fund one activity to the exclusion of another.”¹⁶¹ Typically, if a recipient objects to a condition placed upon the receipt of federal funds, the sole remedy is to decline the funds and seek financial support elsewhere.¹⁶² This remains the case even when a recipient’s objection is that the condition violates his constitutional rights to free speech.¹⁶³

B. *Limitations on Congress’s Spending Power*

While Congress’s authority under the Spending Clause is very broad, there are some checks, balances, and limitations on that power. For instance, Congress is required to exercise its spending authority only in pursuit of the general welfare.¹⁶⁴ Additionally, Congress may not impose conditions in an attempt to regulate speech that is unrelated to the program at issue.¹⁶⁵ Congress is also prohibited from encouraging others to violate the Constitution.¹⁶⁶ None of these limitations appear problematic with regard to § 1052(a). But two further restrictions on Congress’s spending power *are* relevant in assessing § 1052(a)’s constitutionality: (1) the requirement that Congress exercise its spending powers only with respect to funds that belong to the public treasury;¹⁶⁷ and (2) the requirement that Congress refrain from “coercing” recipients to behave in a certain way.¹⁶⁸

C. *Trademark Application Fees Are Private Expenditures Unconnected to*

¹⁶⁰ *Rust*, 500 U.S. at 193.

¹⁶¹ *Id.*

¹⁶² *All. for Open Soc’y*, 133 S. Ct. at 2328.

¹⁶³ *Id.*

¹⁶⁴ See U.S. CONST. art. I, § 8, cl. 1; see also *Dole*, 483 U.S. at 207 (citing *Helvering v. Davis*, 301 U.S. 619, 640–41 (1937); *Butler*, 297 U.S. at 66). In *Dole*, the Supreme Court articulated several factors courts should consider in deciding whether Congress has exceeded its authority under Article I, Section 8, Clause 1. Although the Court has never expressly held that the “*Dole* factors” apply when Congress provides financial incentives to *individuals*, the Court has implicitly considered similar factors under these circumstances. See, e.g., *Butler*, 297 U.S. 1.

¹⁶⁵ *In re Tam*, 785 F.3d 567, 578 (Fed. Cir. 2015) (Moore, J., additional views) (quoting *All. for Open Soc’y*, 133 S. Ct. at 2328), *reh’g en banc granted*, *opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015), and *on reh’g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

¹⁶⁶ *Dole*, 483 U.S. at 210.

¹⁶⁷ See, e.g., *Dep’t of Tex., Veterans of Foreign Wars of U.S. v. Tex. Lottery Comm’n*, 760 F.3d 427, 435 (5th Cir. 2014).

¹⁶⁸ See *Dole*, 483 U.S. at 211.

the Public Treasury.

First, there is the most blatant and egregious way in which § 1052(a) exceeds Congress's spending authority. Due to drastic changes in the PTO's structure since *McGinley* was decided, federal trademark registration proceedings no longer implicate public treasury funds. At the time *McGinley* was decided, trademark registrations were funded primarily by federal tax dollars,¹⁶⁹ and the case was necessarily decided against this background. As such, Congress's authority under the Spending Clause at least arguably justified the resulting intrusions upon applicants' First Amendment rights.¹⁷⁰ Since Congress enacted the Omnibus Budget Reconciliation Act of 1991, however, trademark registrations have been funded entirely through user fees paid by the applicants themselves.¹⁷¹ As one judge has stated, "Unlike tangible property, a subsidy, or a tax exemption, bestowal of trademark registration does not result in a direct loss to any property or money from the public fisc."¹⁷² Therefore, the Spending Clause justification no longer has merit. The significance of this change is best illustrated through two federal cases that elaborate on the "public treasury" limitation: *Rust v. Sullivan*¹⁷³ and *Department of Texas, Veterans of Foreign Wars of the United States v. Texas Lottery Commission*.¹⁷⁴

In *Rust v. Sullivan*, the Department of Human Services promulgated regulations prohibiting Title X fund recipients from engaging in abortion-related activities, including counseling and referral services.¹⁷⁵ Recipient healthcare providers challenged the constitutionality of the regulations, alleging Title X conditioned the receipt of federal funds upon the relinquishment of First Amendment rights—a violation of the unconstitutional conditions doctrine.¹⁷⁶ The United States Supreme Court held that the regulations did not abridge the recipients' First Amendment rights.¹⁷⁷ Rather, this was a permissible non-subsidy—a perfect example of Congress choosing to "fund one activity to the exclusion of another," while simultaneously ensuring that the funds it provided were not used for purposes outside

¹⁶⁹ See *Tam*, 785 F.3d at 580.

¹⁷⁰ See *id.*

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ *Rust v. Sullivan*, 500 U.S. 173 (1991).

¹⁷⁴ *Dep't of Tex., Veterans of Foreign Wars of U.S. v. Texas Lottery Comm'n*, 760 F.3d 427 (5th Cir. 2014).

¹⁷⁵ *Rust*, 500 U.S. at 178–81.

¹⁷⁶ See *id.* at 181.

¹⁷⁷ See *id.* at 192–200.

the federal program's scope.¹⁷⁸ An important factor in the Court's decision was that Title X subsidies were moneys obtained directly from the public fisc.¹⁷⁹

More recently, the United States Court of Appeals for the Fifth Circuit reached the opposite result in *Texas Lottery Commission*. In that case, the Texas state government promulgated the regulation at issue. However, the Fifth Circuit found that the Texas state government's spending power was sufficiently analogous to that of the federal government's to warrant judicial review under an Article I, Section 8, Clause 1 framework.¹⁸⁰ The case dealt with a 1980 amendment to the Texas state constitution, which exempted qualified charitable organizations from state gambling prohibitions, provided the organizations refrained from using net gambling proceeds to engage in political advocacy.¹⁸¹ A group of affected charities sued the state's lottery commission, alleging an abridgement of their First Amendment rights.¹⁸² The Fifth Circuit ruled that the regulatory regime granted a *license*, which is separate and distinct from a government subsidy.¹⁸³ The charities received no funds from the public fisc, and the restrictions on speech therefore were subject to unrestricted analysis under the unconstitutional conditions doctrine.¹⁸⁴ The court distinguished the licenses from tax exemptions, which constitute a form of government subsidy administered.¹⁸⁵ Here, however, no public monies were involved, and the only government "grant" was the grant of authority to conduct an activity that would otherwise be illegal¹⁸⁶—essentially a form of protection against criminal prosecution or civil lawsuit.

Section 1052(a) is analogous to the provisions of the Texas state constitution at issue in *Texas Lottery Commission*, because a trademark registration certificate costs the federal government nothing.¹⁸⁷ As a

¹⁷⁸ *Id.* at 174–75.

¹⁷⁹ *See id.* at 198.

¹⁸⁰ *See* Dep't of Tex., Veterans of Foreign Wars of U.S. v. Tex. Lottery Comm'n, 760 F.3d 427, 434 (5th Cir. 2014).

¹⁸¹ *Id.* at 431 (citing Bingo Enabling Act, TEX. OCC. CODE ANN. §§ 2001.001–.657 (West 2014)).

¹⁸² *Id.*

¹⁸³ *See id.* at 437.

¹⁸⁴ *Id.*

¹⁸⁵ *See id.* at 436–37.

¹⁸⁶ *Tex. Lottery Comm'n*, 760 F.3d at 436.

¹⁸⁷ *See In re Tam*, 785 F.3d 567, 580 (Fed. Cir. 2015) (Moore, J., additional views) (“Like the programs in *Bullfrog* and *Texas Lottery Commission*, the system of trademark registration is a regulatory regime, not a government subsidy program.”), *reh'g en banc granted*, *opinion vacated*, 600 F. App'x 775 (Fed. Cir. 2015), and *on reh'g en banc*, 808 F.3d

form of protection from trademark infringement and unfair competition, the certificate functions as an occupational license, rather than a government subsidy. The lack of federal funds also distinguishes a § 1052(a) denial from the Title X regulations at issue in *Rust v. Sullivan*, which simply specified how federal funds were to be used if and when granted to a recipient program.¹⁸⁸ Here, the federal government grants no such funds to a trademark applicant, so similar specifications are unwarranted. In fact, numerous judges and commentators have observed that more government resources are expended following § 1052(a) rejections than could ever be spent on their approvals.¹⁸⁹

Although trademark registrations are fully funded by privatized applicant fees, it remains the case that the government inevitably spends *some* public funds on *facilitating* the examining process and otherwise allowing a litigant to enforce his rights.¹⁹⁰ Examples of these expenditures include public employee salaries, pensions, health insurance, other benefits, and court costs.¹⁹¹ However, this routine dip into the public treasury is too attenuated from Lanham Act benefits to justify § 1052(a)'s First Amendment intrusion under Congress's spending powers.¹⁹² A holding otherwise would implicate the Spending Clause with regard to every benefit the government provides, thereby transforming the coercive denial of those benefits into permissible non-subsidies.

For instance, if the government's act of registering a trademark qualified as a subsidy, then one could argue the government subsidizes the author of a book when it grants him or her a copyright.¹⁹³ The government could then circumvent the First Amendment's prohibitions and ban the registration of literary works tending to offend scattered segments of the public. If Congress had decided to deny the benefits and incentives of copyright registration to literary works that contain scandalous and/or disparaging material, it may

1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

¹⁸⁸ See *supra* notes 175–179 and accompanying text.

¹⁸⁹ See, e.g., *Tam*, 785 F.3d at 583 (Moore, J., additional views); *In re McGinley*, 660 F.2d 481, 487 (C.C.P.A. 1981) (Rich, J., dissenting) (“More ‘public funds’ are being expended in the prosecution of this appeal than would ever result from the registration of the mark.”); Phillips, *supra* note 9, at 68–69 (“It seems likely that more governmental time and resources are needlessly spent with office actions and appellate work targeted at barring scandalous marks than is saved by their proscription.”).

¹⁹⁰ See *Tam*, 785 F.3d at 580.

¹⁹¹ *Id.* See also *Figueroa v. United States*, 466 F.3d 1023, 1028 (Fed. Cir. 2006).

¹⁹² *Tam*, 785 F.3d at 580–81.

¹⁹³ See *In re Tam*, 808 F.3d 1321, 1354 (Fed. Cir. 2015).

have deprived the world of such great works as Mark Twain's *The Adventures of Huckleberry Finn*, J.D. Salinger's *A Catcher in the Rye*, and D. H. Lawrence's *Lady Chatterly's Lover*. Pursuant to the government's position in *Tam*, Congress could also use its spending power to regulate the content displayed during parades. After all, most parades take place on public property and require licenses or permits. The offices that issue these licenses or permits are run by public employees, and public tax dollars fund those employees' salaries and benefits.

Obviously, the government's argument becomes absurd when taken to these extremes. That is because the costs the government incurs in registering trademarks are the same incidental costs that accompany *any* system of governmental registration, e.g., copyrights, patents, property deeds, etc.¹⁹⁴ In deciding whether a tension exists between the unconstitutional conditions doctrine and Congress's spending power, courts only consider whether the *conditioned* benefits are paid for with public treasury funds, not whether the programs are subsidized in more routine, indirect manners.¹⁹⁵

An opposing argument exists in the notion that PTO user fees *become* public treasury funds once the government possesses them. But this argument fails to recognize the distinction between a public "tax" and a private "fee." The policy underlying a taxation system is that citizens who benefit from a government's existence should pay their fair shares to maintain that government.¹⁹⁶ Importantly, there is little to no connection between an individual taxpayer and the entity that decides how to spend the collected revenue.¹⁹⁷ A tax provides the treasury with public funds that it may allocate to any lawful governmental purpose, and there is no guarantee that those funds will directly benefit the taxpayer.¹⁹⁸ By contrast, a government entity collects a "commodity charge" or a "user fee" in exchange for a specific product or service it renders to the paying consumer.¹⁹⁹ In this latter situation, protections ensure that the fee's proceeds are used exclusively to finance the goods or services in the transaction at hand, and the sums are *not* used for general government purposes.²⁰⁰

Although funds do not have to satisfy the *technical* definition of a

¹⁹⁴ *Id.* at 1356.

¹⁹⁵ *Id.* at 1353–54.

¹⁹⁶ See Hugh D. Spitzer, *Taxes vs. Fees: A Curious Confusion*, 38 GONZ. L. REV. 335, 337 (2003).

¹⁹⁷ *Gruen v. Tax Comm'n*, 211 P.2d 651, 651–70 (Wash. 1949), *overruled in part by State ex rel. Wash. State Fin. Comm. v. Martin*, 384 P.2d 833 (Wash. 1963).

¹⁹⁸ See Spitzer, *supra* note 196, at 338–39.

¹⁹⁹ *Id.* at 343.

²⁰⁰ *Id.*

tax to constitute “funds within the public treasury’s possession,” the foregoing distinction is helpful in determining whether the federal government *possesses* the funds at issue. While labels are not always dispositive, it seems that in the context of federal trademarks, registration fees are just what they purport to be: private fees. First, the payments are not compulsory. Second, a direct relationship exists between the payment made and the service received in exchange for that payment: a PTO registration certificate. Most importantly, trademark applicants do not pay these fees so the federal government may spend them on various programs at its discretion. Instead, these fees cover the costs of operating the PTO.²⁰¹ In fact, patent and trademark registration fees together cover the entirety of that cost.²⁰²

There is a small catch. The amounts collected from patent and trademark registration fees actually constitute about 110% of the cost of running the PTO.²⁰³ Through the federal government’s controversial “surcharge” mechanism, the remaining surplus used to be “siphoned off” to finance other government programs.²⁰⁴ This suggests the government exercises at least *some* ownership and control over patent and trademark registration fees. But in 1998, the surcharge experiment expired.²⁰⁵ Now, theoretically, the remaining “extra” funds are made available to the PTO in the following fiscal year on a rollover basis.²⁰⁶ While the diversion of these remaining funds to other federal programs has continued despite the expiration of Congress’s surcharge mechanism, such diversion is widely perceived as fundamentally unfair to patent and trademark holders.²⁰⁷ For this reason, Congress has initiated movements to prevent further incidents of this diversion.²⁰⁸

²⁰¹ *Report to the House of Delegates*, 2001 A.B.A. SEC. INTELL. PROP. L. 1, 2, www.americanbar.org/content/dam/aba/migrated/intelprop/106legis/ptouserfee.doc.

²⁰² *Id.*

²⁰³ *See id.* at 2.

²⁰⁴ *Id.*

²⁰⁵ *See id.* at 3.

²⁰⁶ *See id.* at 4.

²⁰⁷ *See Report to the House of Delegates*, *supra* note 201, at 2 (“This practice of diversion of USPTO user fees to fund unrelated government activities is unfair to those who pay the fees and is damaging to our nation’s economic health and progress. It must be stopped.”); *USPTO Funding*, INTELL. PROP. OWNERS ASS’N, <https://www.ipo.org/index.php/advocacy/hot-topics/uspto-funding/> (last visited Oct. 31, 2015) (“IPO has long advocated adequate funding for the U.S. Patent and Trademark Office (USPTO) and seeks to ensure that the USPTO has access to all user fees collected each year. A fully funded USPTO is a key to innovation and job creation and to strengthening the U.S. economy.”).

²⁰⁸ *See, e.g.*, Innovation Protection Act, H.R. 1832, 114th Cong. (2015); Patent Fee

D. *Section 1052(a) Functions as a Coercive Penalty.*

Even assuming *arguendo* that the federal trademark registration system implicates public funds, the statute must be invalidated as unduly coercive. When Congress conditions the receipt of federal benefits, it may not do so to the extent that the condition operates as a compulsion.²⁰⁹ In this regard, a fine line distinguishes a permissible non-subsidy from a coercive penalty. Two seminal Supreme Court cases demonstrate this distinction: *South Dakota v. Dole*,²¹⁰ and *United States v. Butler*.²¹¹

In *Dole*, the Court evaluated the constitutionality of a federal law that withheld five percent of federal highway funds from states that permitted persons less than twenty-one years of age to purchase alcohol.²¹² The Court did not find that the threatened withholding of funds was sufficiently coercive to amount to a compulsion, thereby exceeding the bounds of Congress' Spending Clause authority.²¹³ Instead, the Court found that the law functioned merely as a financial inducement; while each state had an incentive to comply with Congress' requested minimum drinking age, it also retained a realistic choice as to whether such compliance was worthwhile.²¹⁴ Of course, the states remained free to seek highway revenue from other sources.

In *United States v. Butler*, by contrast, the Supreme Court invalidated the Agricultural Adjustment Act as an abuse of Congress' spending power, partly because the Act attempted to use economic pressure as a form of coercion.²¹⁵ The legislation imposed a "processing tax" on agricultural commodity producers and redistributed the tax's proceeds to producers who agreed to reduce

Integrity Act, S. 2146, 113th Cong. (2014); Innovation Protection Act, H.R. 3349, 113th Cong. (2013); Patents and Trademarks Encourage New Technology Jobs Act, H.R. 2582, 113th Cong. (2013); H.R. REP. NO. 106-1048 (2001).

²⁰⁹ See *South Dakota v. Dole*, 483 U.S. 203, 211 (1987) (quoting *Steward Mach. Co. v. Davis*, 301 U.S. 548, 590 (1937)); *United States v. Butler*, 297 U.S. 1 (1936).

²¹⁰ *Dole*, 483 U.S. 203.

²¹¹ *Butler*, 297 U.S. 1.

²¹² See *Dole*, 483 U.S. 203.

²¹³ See *id.* at 211 ("When we consider . . . that all South Dakota would lose if she adheres to her chosen course as to a suitable minimum drinking age is 5% of the funds otherwise obtainable under specified highway grant programs, the argument as to coercion is shown to be more rhetoric than fact.").

²¹⁴ See *id.* at 211-12 ("Here Congress has offered relatively mild encouragement to the States to enact higher minimum drinking ages than they would otherwise choose. But the enactment of such laws remains the prerogative of the States not merely in theory but in fact.").

²¹⁵ See *Butler*, 297 U.S. 1.

their net acreage.²¹⁶ Unlike the South Dakota state government in *Dole*, the Supreme Court held that the individual farmers in *Butler* retained no realistic choice other than to accept the funds and reduce their output of crops.²¹⁷ The amount of funds offered created sufficient pressure to amount to an compulsion, thus depriving the farmers of any viable alternatives. The Court held that the “choice” at issue positioned each crop producer “between the rock and the whirlpool,” granting him “an ‘option’ to forego a privilege which may be vital to his livelihood or submit to a requirement which may constitute an intolerable burden.”²¹⁸

Section 1052(a)’s prohibitions function as coercive penalties. *Dole* and *Butler* illustrate that the primary factor distinguishing a non-subsidy from a penalty is whether the affected parties retain a realistic choice to decline the benefit in question and seek its equivalent elsewhere.²¹⁹ Simply put, rejected trademark applicants have no such choice. All funds—to a certain extent—are fungible; in this regard, money is distinguishable from a certificate of federal trademark registration. The latter is a unique bundle of rights offered solely by the PTO. A rejected applicant has nowhere else to turn if his mark fails to conform to § 1052(a)’s arbitrary standards. Thus, the traditional remedy of declining a benefit and seeking its equivalent elsewhere is unavailable.

VI. CENTRAL HUDSON: WHY DOES IT ALL MATTER?

Because § 1052(a) imposes an unconstitutional condition that is unjustifiable as a non-subsidy, the provision must withstand constitutional scrutiny in order to pass muster.²²⁰ The initial matter to be decided is what level of scrutiny applies.

As discussed *supra*,²²¹ Mr. Tam’s trademark goes beyond merely identifying his musical act. Rather, his stated intent is to “reclaim” and “take ownership” of traditionally offensive Asian stereotypes, thereby conveying that Asian Americans should stand strong and be proud of their cultural heritage.²²² Mr. Tam’s trademark and accompanying

²¹⁶ *Id.* at 53–57.

²¹⁷ *Id.* at 70–71.

²¹⁸ *Id.* at 72 (quoting *Frost & Frost Trucking Co. v. R.R. Comm’n*, 271 U.S. 583, 593 (1926)).

²¹⁹ See *supra* notes 212–218 and accompanying text.

²²⁰ See *Davis*, *supra* note 109, at 368 (“A finding that Section 2(a) properly should be held to satisfy the requirements of the First Amendment is not, of course, dispositive of the separate and independent issue of whether it does satisfy those standards.”).

²²¹ See *supra* notes 2–4 and accompanying text.

²²² *In re Tam*, 785 F.3d 567, 575 (Fed. Cir. 2015) (Moore, J., additional views), *reh’g*

message implicate racial, societal, and political issues—all of which comprise the “heartland” of speech entitled to First Amendment protection.²²³

Moreover, the Federal Circuit’s disposition of *Tam* demonstrates that § 1052(a) contains viewpoint-based restrictions of speech subject to strict scrutiny.²²⁴ Pursuant to § 1052(a), it is permissible for a trademark applicant to register marks that refer to a particular group or idea in a positive way, but it is impermissible for the same applicant to register a mark that refers to the same group or idea in a harmful, scandalous, or disparaging way.²²⁵ A listener’s probable reaction to expression is not a content-neutral basis for regulation;²²⁶ rather, this criterion depends entirely on the content of the speaker’s message. The government does not dispute that § 1052(a)’s purpose is to deter the vilest messages from ever entering commerce.²²⁷ This objective solidifies § 1052(a) as a classic example of a restraint that targets expressive content, thereby threatening to eliminate disfavored views from the marketplace of ideas. However, because § 1052(a) fails to survive even the *intermediate* scrutiny applied to commercial speech restrictions, an argument for strict scrutiny becomes largely irrelevant.

As one of the single most important commercial assets a manufacturer or seller can own, a trademark undoubtedly falls within the definition of commercial speech.²²⁸ In *Central Hudson*, the United States Supreme Court defined commercial speech as “expression related solely to the economic interests of the speaker and its audience.”²²⁹ Similarly, in *Virginia Board of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, the Court described commercial speech as involving the “dissemination of information as to who is producing and selling what product, for what

en banc granted, opinion vacated, 600 F. App’x 775 (Fed. Cir. 2015), and *on reh’g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

²²³ *Id.*

²²⁴ See *In re Tam*, 808 F.3d 1321, 1334 (Fed. Cir. 2015); see also *Reed v. Town of Gilbert*, 135 S. Ct. 2218, 2227, 2230 (2015) (holding content-based speech restrictions are subject to strict scrutiny, and government discrimination among viewpoints is a particularly egregious form of content discrimination); *R.A.V. v. City of St. Paul*, 505 U.S. 377, 382 (1992) (explaining strict scrutiny is necessary when a regulation burdens speech based on the government’s disapproval of the speakers message).

²²⁵ See *Tam*, 785 F.3d at 582.

²²⁶ See *Forsyth City v. Nationalist Movement*, 505 U.S. 123, 134 (1992).

²²⁷ See Appellee’s En Banc Brief at 1–3, *Tam*, 808 F.3d 1321 (No. 14-1203).

²²⁸ Lee, *supra* note 9, at 71.

²²⁹ *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 561 (1980) (citing *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976)).

reason, and at what price.”²³⁰ The Court has at least once identified trademarks as commercial speech.²³¹ After all, trademarks serve as commercial identifiers—symbols, words, pictures, and/or logos used to distinguish a company’s goods from those manufactured by others.²³²

In *Central Hudson*, the Supreme Court set forth a four-part framework to determine the constitutionality of commercial speech restrictions. First, in order to come within the ambit of First Amendment protection, the speech at issue must concern lawful activity.²³³ Second, the speech must not be misleading.²³⁴ Third, courts must determine whether the government interest underlying the restriction qualifies as “substantial.”²³⁵ Finally, the regulation must “directly advance” the asserted interest in a manner that is not “more extensive than necessary.”²³⁶ As shown below, § 1052(a) fails to withstand intermediate scrutiny because the government is unable to assert a substantial interest in restricting scandalous or disparaging commercial speech.²³⁷ Therefore, it is unnecessary to reach the third and fourth steps of the *Central Hudson* framework. Although the Lanham Act’s legislative history provides no indication of Congress’s intent in enacting § 1052(a), courts and scholars have manufactured three plausible purposes: (1) a desire to protect the public from offensive trademarks; (2) a desire to refrain from “stamping the government’s imprimatur” on an offensive mark; and (3) a congressional choice not to subsidize offensive material with federal funds.²³⁸

Supreme Court precedent forecloses use of the first proposed interest—protection of the public welfare.²³⁹ It is a fundamental

²³⁰ *Va. State Bd. of Pharmacy*, 425 U.S. at 765.

²³¹ *See Friedman v. Rogers*, 440 U.S. 1, 11 (1979).

²³² 15 U.S.C. § 1127 (2015).

²³³ *Cent. Hudson*, 447 U.S. at 566.

²³⁴ *Id.*

²³⁵ *Id.*

²³⁶ *Id.*

²³⁷ To date, no court has considered *Central Hudson* in the context of a § 1052(a) appeal. Whether or not a “substantial government interest” for the provision exists is at best ambiguous. *See Stout*, *supra* note 138, at 241 (positing that when viewed collectively, the possible governmental interests in support of § 1052(a) are too weak to justify the provision’s abridgement of protected commercial speech).

²³⁸ *See In re Tam*, 785 F.3d 567, 582–85 (Fed. Cir. 2015) (Moore, J., additional views), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015), and *on reh’g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016); Phillips, *supra* note 9, at 68–69.

²³⁹ *See Sorrell v. IMS Health, Inc.*, 564 U.S. 552, 571–72 (2011).

precept of First Amendment jurisprudence that the government may not suppress or burden speech merely because it is offensive to some viewers or listeners.²⁴⁰ Additionally, the government continues to argue that the refusal to register a trademark does not remove the mark from commerce or otherwise limit its access to the public.²⁴¹ It is hypocritical for the government to argue that a § 1052(a) denial will not prevent an applicant from using his speech in commerce, while also arguing that such a denial will protect the public from offensive material.

The second proposed interest—the concern that trademark registration signifies the government’s “stamp of approval” on an offensive mark—has been largely discounted by relevant case law. For instance, in *In re Old Glory Condom Corp.*, the TTAB stated the following:

The duty of this Office under the Trademark Act in reviewing applications for registration is nothing more and nothing less than to register those marks that are functioning to identify and distinguish goods and services in the marketplace Just as the issuance of a trademark registration by this Office does not amount to a government endorsement of the quality of the goods to which the mark is applied, the act of registration is not a government imprimatur or pronouncement that the mark is a ‘good’ one in an aesthetic, or any analogous, sense.²⁴²

In a manner consistent with *Old Glory Condom*, scholars agree that trademark registration should not signify political support for the underlying mark any more than patent registration signifies an endorsement of the underlying invention.²⁴³

The third proposed government interest in support of § 1052(a)—a congressional choice not to use public funds to subsidize offensive speech—no longer carries any weight. In 1981, the CCPA stated that “the prohibition against registering scandalous marks was not ‘an attempt to legislate morality, but, rather, a judgment by the Congress that such marks not occupy the time, services, and use of funds of the federal government.’”²⁴⁴ The court provided a multitude of ways in which the federal government spent funds while registering a trademark.²⁴⁵ However, this justification for the abridgement of

²⁴⁰ See, e.g., *Bolger v. Youngs Drug Prod. Corp.*, 463 U.S. 60, 60 (1983).

²⁴¹ See *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981), *abrogated in part by In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015).

²⁴² *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d 1216 n.3 (T.T.A.B. 1993).

²⁴³ See, e.g., Phillips, *supra* note 9, at 69.

²⁴⁴ LaLonde & Gilson, *supra* note 29, at 1482 (quoting *McGinley*, 660 F.2d at 486).

²⁴⁵ This list included the following: maintaining public records; publishing notice in an official publication; enlisting U.S. Customs to block the importation of infringing

speech no longer stands on firm ground. Federal trademark registration is now funded almost entirely by user fees, and therefore costs the government very little money.²⁴⁶ In fact, multiple courts have stated that in light of the § 1052(a) appeal process, it frequently costs the government more money to refuse registration than it does to allow it.²⁴⁷

VII. CONCLUSION

It is easy to garner sympathy for those personally offended by scandalous or disparaging trademarks, but the Lanham Act is not a proper vehicle through which these persons can constitutionally alleviate their frustrations. Scholars have suggested that perhaps a more appropriate remedy lies within the operation of a free, unrestrained marketplace.²⁴⁸ In any event, the First Amendment protects not only harmless expression, but hurtful expression too.²⁴⁹ If the rationales underlying freedom of speech are to have any true meaning, the American people must tolerate some insulting speech in order to provide adequate breathing room for the exercise of essential freedoms.²⁵⁰ The fact that Mr. Tam offended the public's moral sensibilities merely demonstrates the expressive power of his band's name, as well as the expressive power of trademarks generally.²⁵¹

In denying registration to “scandalous” or “disparaging” trademarks, § 1052(a) significantly abridges trademark applicants' First Amendment rights. Although the Spending Clause authorizes Congress to condition federal benefits upon the recipients' relinquishment of rights under certain circumstances, § 1052(a) fails to meet these criteria. That is because the provision is unduly coercive,

goods; and providing registrants with access to federal district courts. *McGinley*, 660 F.2d at 486.

²⁴⁶ *In re Tam*, 785 F.3d 567, 583 (Fed. Cir. 2015) (Moore, J., additional views), *reh'g en banc granted, opinion vacated*, 600 F. App'x 775 (Fed. Cir. 2015), and *on reh'g en banc*, 808 F.3d 1321 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *cert. granted sub nom.* 137 S. Ct. 30 (2016).

²⁴⁷ *See, e.g., McGinley*, 660 F.2d at 487 (Baldwin, J., dissenting).

²⁴⁸ *See Elder Haber, Copyrighted Crimes: The Copyrightability of Illegal Works*, 16 YALE J.L. & TECH. 454, 477–78 (2014) (“Economic considerations by themselves—without the law's intervention—could discourage use of offensive marks, as many customers would avoid purchasing an offensively marked product or service.”); Lee, *supra* note 9, at 80 n.51 (“If a majority of the public is offended by a mark, [then] they are not likely . . . to buy the goods bearing that mark. Therefore, it is not likely that anyone would use a mark that was truly offensive to a majority of the population.”).

²⁴⁹ *See Snyder v. Phelps*, 562 U.S. 443, 458 (2011).

²⁵⁰ *See id.*

²⁵¹ *See In re Tam*, 808 F.3d 1321, 1327–28 (Fed. Cir. 2015).

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and it fails to implicate federal funds to a constitutionally adequate degree. As an abridgement of commercial speech, § 1052(a) must withstand intermediate scrutiny to pass muster. The statute does not survive intermediate scrutiny, because the government has failed to articulate a substantial interest in regulating scandalous and disparaging material in this manner. Therefore, the Supreme Court must invalidate § 1052(a) as unconstitutional.