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## NOTE

### TRADEMARK REGULATIONS AND THE COMMERCIAL SPEECH DOCTRINE: FOCUSING ON THE REGULATORY OBJECTIVE TO CLASSIFY SPEECH FOR FIRST AMENDMENT ANALYSIS

John V. Tait

#### INTRODUCTION

Freedom of speech has been curtailed by the commercial speech doctrine for the past fifty years.<sup>1</sup> Speech analyzed under this doctrine is afforded less constitutional protection than non-commercial speech.<sup>2</sup> The doctrine, touted as a sword to strike a blow to unscrupulous business transactions for the protection of unwary consumers,<sup>3</sup> has become a conduit by which the government has funneled restrictions censoring speech it finds undesirable.<sup>4</sup> One example of this type of government censorship is the over-regulation of offensive trademarks.<sup>5</sup>

All fifty states, as well as the federal government, regulate the registration of scandalous, immoral, or indecent trademarks.<sup>6</sup> When a state requires approval of a trademark before the product may be sold or displayed, the First Amendment is implicated because speech which has not received prior governmental approval may be completely banned.<sup>7</sup> In addition, some states have regulations that ban signs or labels containing obscene or indecent trademarks altogether.<sup>8</sup> Such restrictions directly conflict with the First Amendment.<sup>9</sup>

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1. See *infra* Part II.

2. See Alex Kozinski & Stuart Banner, *Who's Afraid of Commercial Speech?*, 76 Va. L. Rev. 627, 631 (1990).

3. See Lars Noah & Barbara A. Noah, *Liberating Commercial Speech: Product Labeling Controls and the First Amendment*, 47 Fla. L. Rev. 63, 75 (1995).

4. See Kozinski & Banner, *supra* note 2, at 653 (arguing that the commercial speech doctrine "gives [the] government a powerful weapon to suppress or control speech by classifying it as merely commercial"); *The Supreme Court, 1992 Term: Leading Cases*, 107 Harv. L. Rev. 144, 233 n.62 (1993) ("[T]he danger is that the unequal status of commercial speech threatens to drag some fully protected speech down to the reduced level of protection afforded by *Central Hudson*."). For a discussion of the *Central Hudson* case, see *infra* notes 195-202 and accompanying text.

5. See *infra* Part III (discussing cases that challenged such regulations).

6. See *infra* notes 82 & 94.

7. See *infra* notes 94-109 and accompanying text.

8. See *infra* note 109.

9. Cf. *In re Mavety Media Group Ltd.*, 33 F.3d 1367, 1374 (Fed. Cir. 1994) (finding that the First Amendment is not implicated where the failure to register a mark does not preclude its use).

Often a label or advertisement is not approved for purely "commercial reasons," such as a risk that consumers may misidentify the product,<sup>10</sup> or that the label or advertisement might mislead consumers about the product's ingredients,<sup>11</sup> use,<sup>12</sup> dangers,<sup>13</sup> origin,<sup>14</sup> manufacturer,<sup>15</sup> or the terms of the transaction itself.<sup>16</sup> This Note does not discuss the implications and justifications of trademark restrictions enacted for purely commercial reasons. Rather, this Note focuses on government foreclosure of the distribution of a label's or advertisement's message, whether by directly banning the label or by refusing to approve the label where approval is required before the product may be distributed, simply because the government finds the trademark or trade name to be scandalous, profane, immoral, or indecent.

The First Amendment prohibits the government from censoring non-commercial speech because the government considers it scandalous, immoral, or indecent.<sup>17</sup> The government should not be able to circumvent this constitutional protection by simply labeling the speech "commercial."<sup>18</sup> This Note argues that courts should not analyze

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10. See 27 C.F.R. § 5.34(a) (1998) (restricting labels that create an erroneous "impression[ ] as to the age, origin, identity, or other characteristics of the product").

11. See *id.* In the context of alcohol, courts have interpreted this statute to include any labels which are misleading as to "the nature of the contents of the beverage, i.e., the quality, quantity and physical characteristics of the alcoholic beverage within the container bearing the label." *Cabo Distrib. Co. v. Brady*, 821 F. Supp. 601, 614 (N.D. Cal. 1992) (emphasis omitted).

12. See *Washington Legal Found. v. Friedman*, 13 F. Supp. 2d 51, 71 (D.D.C. 1998).

13. See *id.* at 69.

14. See 15 U.S.C. § 1052(e)-(f) (1994). A trademark that is primarily a geographically descriptive term cannot be registered under the Lanham Act if it has great potential to mislead consumers. See *id.* The use of the trade name "Durango" for chewing tobacco, for example, was found to be "primarily geographically deceptively misdescriptive" and therefore non-registerable. *In re Loew's Theatres, Inc.*, 769 F.2d 764, 765 (Fed. Cir. 1985).

15. See 15 U.S.C. § 1052(d) (1994) (barring registration of marks that are "likely, when used on or in connection with the goods of the applicant, to cause confusion, to cause mistake, or to deceive").

16. See *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 574 (1980) (Blackmun, J., concurring) ("Permissible restraints on commercial speech have been limited to measures designed to protect consumers from fraudulent, misleading, or coercive sales techniques."); see also *infra* note 306.

17. See *FCC v. Pacifica Found.*, 438 U.S. 726, 745 (1978) (plurality opinion) (finding that "the fact that society may find speech offensive is not a sufficient reason for suppressing it"); see also *Texas v. Johnson*, 491 U.S. 397, 414 (1989) ("If there is a bedrock principle underlying the First Amendment, it is that the government may not prohibit the expression of an idea simply because society finds the idea itself offensive or disagreeable." (citations omitted)).

18. See *Kozinski & Banner*, *supra* note 2, at 653 (arguing that the government may "suppress or control speech by classifying it as merely commercial"); see also *Rubin v. Coors Brewing Co.*, 514 U.S. 476, 492 (1995) (Stevens, J., concurring) (observing that a truthful statement "would receive full First Amendment protection in any other context; without some justification tailored to the special character of commercial speech, the Government should not be able to suppress the same truthful speech merely because it happens to appear on the label of a product for sale"); Linmark

trademark<sup>19</sup> regulations as regulations on commercial speech without an analysis of the purpose underlying the regulation in question. Regulations that do not address commercial harms<sup>20</sup> must be subjected to full First Amendment scrutiny.<sup>21</sup> Part I of this Note explores what trademarks are and how society uses them. Part I also examines how a person or business establishes a trademark. Part II analyzes the protections afforded to non-commercial speech under the First Amendment and examines the justifications for some censorship of speech. Further, part II traces the development of the commercial speech doctrine, from its first appearance as a mere footnote in *Valentine v. Chrestensen*<sup>22</sup> to its present day, extensive four-part test as construed in *44 Liquormart, Inc. v. Rhode Island*,<sup>23</sup> which parses out the Court's struggle with the justifications for denying commercial speech full constitutional protection. Part III examines how courts have dealt with trademarks and their place within the commercial speech doctrine. Finally, part IV looks at the various non-commercial traits contained within trademarks. This Note concludes that regulations that do not address commercial harms should be subject to strict scrutiny under the First Amendment.

## I. TRADEMARKS

This part examines the history of trademarks and how they are used in today's society. Further, this part looks at the development of

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*Assocs. v. Township of Willingboro*, 431 U.S. 85, 91 (1977) (reaffirming the Court's "dissatisfaction with the . . . approach of resolving a class of First Amendment claims simply by categorizing the speech as 'commercial'" (citation omitted)). The Court has held that even commercial offensive and profane commercial speech has value that needs to be protected. See *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748, 765 (1976) ("Advertising, however tasteless and excessive it sometimes may seem, is nonetheless dissemination of information . . .").

19. The term "trademark," as originally employed at common law, described only inherently distinctive designations or marks. See *Restatement (Third) of Unfair Competition* § 9 cmt. d (1995). On the other hand, the term "trade name" was used to denote other designations, such as names or descriptive terms to distinguish one good from another. See *id.* § 12 cmt. 9. The Lanham Act and the Model State Trademark Bill limit the term "trademark" to marks used to identify a source of goods, and the term "trade name" to identify the name of a company or enterprise. See *infra* notes 82, 94. This Note will use the terms "mark," "trademark," and "trade name" interchangeably.

20. This Note will use the term "commercial harm" to mean fraudulent, misleading, or coercive sales techniques, or any other act or omission designed to interfere with the fair bargaining process.

21. Under this view, the term "commercial speech doctrine" is a misnomer. Rather, the correct term to use is the "commercial harm regulation doctrine," because not only is it the regulation that determines the standard of review, as opposed to the speech itself, but also only when the regulation is aimed at the prevention of a commercial harm is the application of the more permissive constitutional analysis warranted.

22. 316 U.S. 52 (1942).

23. 517 U.S. 484 (1996).

trademark law over the past century as both Congress and the courts have recognized the need to protect trademarks. Finally this part outlines the trademark regulation process.

### A. *History of Trademarks*

For thousands of years, symbols have been used to identify ownership or origin of products.<sup>24</sup> Engravings identifying stonecutters are imbedded in the Egyptian structures dating from 4000 B.C.<sup>25</sup> Cave paintings show that animals were marked with brandings on their flanks to identify ownership.<sup>26</sup> In fact, the word "brand" is derived from the Anglo-Saxon verb meaning "to burn."<sup>27</sup> This verb survives in the term "brand name."<sup>28</sup> While the purpose of branding cattle was to identify their owners,<sup>29</sup> another justification for placing a distinguishing mark on a product was to indicate shoddy workmanship.<sup>30</sup> For example, in ancient China, sword and armory makers had to put their mark on each piece of their work, so that if the equipment was faulty, its makers could be held responsible.<sup>31</sup> Over the years, the use of marks became a vehicle by which consumers could identify good workmanship.<sup>32</sup>

### B. *What is a Trademark?*

A trademark is any combination of words, symbols, or package designs used to distinguish a good or service produced by one manufacturer from the goods or services of other manufacturers.<sup>33</sup> Trademarks include brand names that identify goods ("McDonald's"), service marks that identify services ("The Four Seasons" for a restaurant service), certification marks identifying goods or services meeting certain qualifications ("UL" for appliances meeting the safety standards of Underwriters Laboratories, Inc.), and collective marks identifying goods, services, or members of an organization ("Plumbers and Steamfitters Local 201").<sup>34</sup> The function of a trademark is to allow consumers to identify the source of the article to which the trademark

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24. See 1 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 5:1 (2d ed. 1984).

25. See *Preserving History: Trademark Timeline*, 82 Trademark Rep. 1021, 1022 (1992).

26. See *id.*

27. See Sidney A. Diamond, *The Historical Development of Trademarks*, 65 Trademark Rep. 265, 267 (1975).

28. See *id.*

29. See *id.* at 273.

30. See McCarthy, *supra* note 24, § 5:1.

31. See *id.*

32. See 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 5.01 (3d ed. 1996).

33. See 15 U.S.C. § 1127 (1994).

34. See Jane C. Ginsburg et al., *Trademark and Unfair Competition Law* 44-45 (2d ed. 1996).

is affixed.<sup>35</sup> Consumers can be confident that in purchasing a product bearing a particular trademark that is favorably regarded, the product will be of high quality.<sup>36</sup> Trademarks protect the reputation of a company and the resulting goodwill, while reducing the costs to consumers of finding desirable products.<sup>37</sup> Without trademarks, consumers would have a difficult time identifying the origin of a product or service, and a company could not capitalize on its good reputation.<sup>38</sup>

### C. History of Trademark Regulations

Market growth during the industrial revolution increased the need for products to carry distinguishable marks.<sup>39</sup> The growth of refined production methods displaced the manufacturing work of older times and increased production output.<sup>40</sup> As manufacturers expanded into areas outside of their locale, the need to advertise in order to acquaint consumers with the product increased.<sup>41</sup> Hence, the need for the product to carry a mark also increased.<sup>42</sup> Faced with the necessity of preventing fraud and deceit, courts developed a common law tort of using another's mark for one's own.<sup>43</sup>

In 1870, Congress passed the first trademark registration act, entitled "An Act to Revise, Consolidate, and Amend the Statutes Relating to Patents and Copyrights."<sup>44</sup> Nine years later, in *Trade-mark*

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35. See S. Rep. No. 79-1333, at 3 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1274 (suggesting that the goal of trademarks is "to protect the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get"); Ginsburg et al., *supra* note 34, at 44 ("A 'trademark' is a word logo or package design, or a combination of them, used by a manufacturer or merchant to identify its goods and distinguish them from others."); see also *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 412 (1916) (observing that the "primary and proper function of a trade-mark is to identify the origin or ownership of the article to which it is affixed").

36. See John D. Oathout, *Trademarks* 34 (1981); William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & Econ. 265, 269-70 (1987).

37. See Siegrun D. Kane, *Trademark Law: A Practitioner's Guide* 40 (3d ed. 1997); Landes & Posner, *supra* note 36, at 269-70; cf. Noah D. Genel, Note, *Keep it Real: A Call For a Broader Quality Control Requirement in Trademark Law*, 8 Fordham Intell. Prop. Media & Ent. L.J. 269, 300 (1997) (arguing that trademarks linked with products of a consistent quality reduce consumer search costs).

38. See Ginsburg et al., *supra* note 34, at 12; Richard L. Kirkpatrick, *Likelihood of Confusion in Trademark Law* § 1.2 (1996); Oathout, *supra* note 36, at 40.

39. See *Diamond*, *supra* note 27, at 280-81.

40. See *id.* at 280.

41. See *id.*

42. As one commentator observed, when the manufacturer "acquired a reputation outside of his immediate locality, in order to visualize and perpetuate that reputation he adopted and used a mark to distinguish his product from others. This maintained the identity of the manufacturer's product through different hands of the middleman." Benjamin G. Paster, *Trademarks—Their Early History*, 59 Trademark Rep. 551, 552 (1969).

43. See McCarthy, *supra* note 24, § 5:2.

44. Act of July 8, 1870, ch. 230, §§ 77-84, 16 Stat. 198, 210-12.

*Cases*,<sup>45</sup> the Supreme Court found the act unconstitutional because it was beyond the scope of Congress's Commerce Clause power.<sup>46</sup> In 1881, Congress passed another federal registration statute, limiting registration to trademarks used in commerce with foreign nations and Indian tribes.<sup>47</sup> Congress passed a third trademark regulation statute in 1905.<sup>48</sup> This regulation proved to be inadequate, however, because its coverage was limited to the registration of purely fanciful and arbitrary marks.<sup>49</sup> Finally, in 1946, Congress enacted the statute currently in force: the Lanham Act.<sup>50</sup>

The purpose of the Lanham Act is to support competition in the market by ensuring that the public is knowledgeable about the origin of a product, thereby allowing companies to take advantage of goodwill and reputation.<sup>51</sup> The Lanham Act also protects the owner of a trademark by preventing others from reaping the benefits of the mark or damaging the reputation associated with the mark.<sup>52</sup> Under the Act, the first company to use a mark becomes the senior owner and has superior rights to the mark over any subsequent junior owners.<sup>53</sup> Where the concurrent use of a mark will likely confuse consumers as to the origin of the product or service, the senior owner of the mark has an action for infringement.<sup>54</sup> Further, two marks need not be identical to be actionable.<sup>55</sup> The senior owner of a mark has the right to preclude the further use of a similar mark by a junior owner that causes or is likely to cause confusion of the product's origin, associa-

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45. 100 U.S. 82 (1879).

46. *See id.* at 97-99. The Court also held that the Patent and Copyright Clause of the United States Constitution, U.S. Const. art. I, § 8, cl. 8, does not cover trademarks. *See id.* at 93-94.

47. Act of Mar. 3, 1881, ch. 138, 21 Stat. 502, 502 (repealed 1946).

48. Act of Feb. 20, 1905, ch. 592, 33 Stat. 724 (repealed 1946).

49. *See id.* Further, under this statute, no one could register descriptive marks, marks made up of primarily geographic terms, or marks named after individuals, firms, or corporations. *See McCarthy, supra* note 24, § 5:3.

50. Lanham Act, Pub. L. No. 79-489, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1994 & Supp. II 1996)).

51. The rationale for the protection of trademarks was articulated by the Senate Committee on Patents in its Report on the Lanham Act:

Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trade-marks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect trade-marks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not.

S. Rep. No. 79-1333, at 4 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1275.

52. *See Ginsburg et al., supra* note 34, at 12.

53. *See* 15 U.S.C. § 1152 (1994); Ginsburg et al., *supra* note 34, at 45-46.

54. *See* 15 U.S.C. § 1114.

55. *See Ginsburg et al., supra* note 34, at 46.

tion, sponsorship, or endorsement to an appreciable number of consumers.<sup>56</sup>

For example, in the 1988 case of *Quality Inns International, Inc. v. McDonald's Corp.*,<sup>57</sup> McDonald's sought an injunction against the Quality Inn hotel chain from using the mark "McSleep Inn" on a chain of economy hotels.<sup>58</sup> McDonald's claimed that this slogan infringed upon McDonald's registered trademark and constituted a false designation of origin or a false description or representation of services as being associated with McDonald's.<sup>59</sup> McDonald's owned a family of marks, each a combination of the prefix "Mc" with a generic word, and it argued that the mark "McSleep Inn" would cause confusion among consumers as to the hotel's owners and damage McDonald's goodwill and reputation.<sup>60</sup> In determining whether the mark was an infringement, the court considered several factors, including: (1) the evidence of confusion between the marks in question; (2) the similarity of the contexts of the marks' uses, including the similarity of facilities and media forms in which the marks are presented; (3) the proximity of the markets for the products; and (4) the intent behind Quality Inns's adoption of the mark.<sup>61</sup> The court found that there was a likelihood of confusion between the "McSleep Inn" mark and McDonald's marks, constituting an infringement on McDonald's marks and warranting a permanent injunction against Quality Inns from using the "McSleep Inn" mark.<sup>62</sup>

Congress supplemented the Lanham Act with the introduction of the Federal Trademark Dilution Act of 1995 ("Dilution Act").<sup>63</sup> The

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56. See 15 U.S.C. § 1114(2).

57. 695 F. Supp. 198 (D. Md. 1988).

58. See *id.* at 201.

59. See *id.*

60. See *id.*

61. See *id.* at 217. Different courts have developed different tests for determining trademark infringement. For example, the Second Circuit has developed a list of nine factors to consider, including: (1) the strength of the mark; (2) the similarity between the two marks; (3) the similarity of the products; (4) the likelihood that the senior owner will bridge the gap; (5) actual confusion; (6) the good faith of the junior user in adopting the mark; (7) the quality of the junior user's product; (8) the sophistication of buyers; and (9) the relative harm to the parties if an injunction is granted. See *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 536 (2d Cir. 1964); *Polaroid Corp. v. Polaroid Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); *McDonald's Corp. v. McBagel's Inc.*, 649 F. Supp. 1268, 1273 (S.D.N.Y. 1986).

62. See *Quality Inns*, 695 F. Supp. at 221-22. One factor the court considered in concluding that the marks were confusingly similar was the results of surveys in which respondents were asked to identify the company behind the "McSleep Inn" mark. See *id.* at 207-09, 218. Although the parties disputed the accuracy of the surveys, the court found that even the minimum estimate that 16.3% of the public was confused as to who was the owner of the mark "McSleep Inn" constituted "an appreciable number that cannot be dismissed." *Id.* at 219.

63. 15 U.S.C. § 1125 (Supp. II 1996). One of the reasons Congress had passed the Dilution Act was to conform to international law. As United States Senator Patrick J. Leahy observed:



Dilution Act is similar to state anti-dilution statutes<sup>64</sup> that prevent subsequent users of a mark from lessening the uniqueness of the mark, even in the absence of any likelihood of consumer confusion.<sup>65</sup> Dilution is the "whittling away of an established trade-mark's selling power and value through its unauthorized use by others upon dissimilar products."<sup>66</sup> Dilution occurs when the mark's propensity for bringing to mind a particular product or service is reduced.<sup>67</sup> While confusion of one product for another is an immediate harm, "dilution is an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark."<sup>68</sup>

A prime example of how trademark law protects against dilution is the Seventh Circuit's decision in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*,<sup>69</sup> which affirmed a District Court's decision enjoining a car dealership from using a variation of Ringling Brothers's "The Greatest Show on Earth" trademark.<sup>70</sup> Celozzi-Ettelson's version of the trademark was its use of the phrase: "The Greatest Used Car Show on Earth."<sup>71</sup> The court found that even though there was no likelihood of confusion between the origin of the two products, Ringling Brothers would nonetheless suffer irreparable harm because its trademark would lose its distinctiveness.<sup>72</sup> The court concluded that an injunction was warranted be-

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We intend for this legislation to strengthen the hand of our international negotiators from the Office of the U.S. Trade Representative and the Department of Commerce as they press for bilateral and multilateral agreements to secure greater protection for the world famous marks of our U.S. companies. Foreign countries should no longer argue that we do not protect our marks from dilution, or seek to excuse their own inaction against practices that are destructive of the distinctiveness of U.S. marks within their borders.

2 Jerome Gilson, *Trademark Protection and Practice* § 5.12(1) (1998) (quoting Senator Patrick J. Leahy).

64. See, e.g., Cal. Bus. & Prof. Code § 14330 (West 1987); Conn. Gen. Stat. Ann. § 35-11i (West 1997); Fla. Stat. Ann. § 495.151 (West 1997 & Supp. 1998); 765 Ill. Comp. Stat. Ann. 1036/65 (West Supp. 1998); La. Rev. Stat. Ann. § 51:223.1 (West 1987); Me. Rev. Stat. Ann. tit. 10, § 1530 (West 1997); Mass. Ann. Laws ch. 110B, § 12 (Law. Co-op. 1995); Mo. Ann. Stat. § 417.061 (West 1990 & Supp. 1998); Mont. Code Ann. § 30-13-334 (1997); Neb. Rev. Stat. § 87-122 (1994); 54 Pa. Cons. Stat. § 1124 (1996 & Supp. 1998); Tex. Bus. & Com. Code Ann. § 16.29 (West Supp. 1998); Wash. Rev. Code Ann. § 19.77.160 (West Supp. 1998).

65. See *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1165-66 (N.Y. 1977).

66. *Id.* at 1164 (quoting N.Y. Legis. Ann. 49 (1954)).

67. See *id.*

68. *Mortellito v. Nina of Cal., Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972); see also *Hearings Before the House Comm. on Patents*, 72nd Cong. 15 (1932) (statement of Frank I. Schechter) ("If you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more.").

69. 855 F.2d 480 (7th Cir. 1988).

70. See *id.* at 481.

71. *Id.*

72. See *id.* at 485.

cause "the very nature of dilution, insidiously gnawing away at the value of a mark, makes the injury 'remarkably difficult to convert into damages.'"<sup>73</sup>

#### D. *The Regulation Process*

A company need not register a trademark in order to have exclusive protectable rights over the mark.<sup>74</sup> By using the mark in connection with its goods, the company automatically acquires trademark rights in the geographical area of use.<sup>75</sup> If a mark is not registered, the owner may claim common law trademark rights to the mark by attaching the symbol "TM" for trademarks and "SM" for service marks.<sup>76</sup> As long as the mark is not abandoned or does not lose its uniqueness by becoming a generic term, the trademark rights will last forever.<sup>77</sup> Nationwide and international trademark protection, however, is given only to federally registered marks.<sup>78</sup> For the first five years after a mark is given a federal registration, the registration is *prima facie* evidence of the registrant's exclusive right to use the mark in interstate commerce; after five years, the presumption becomes conclusive.<sup>79</sup>

In order to obtain federal registration under the Lanham Act, the owner of a mark must file an application with the United States Patent and Trademark Office based on either a *bona fide* intention to use the mark in commerce or evidence indicating an actual use of the mark in commerce.<sup>80</sup> The application is then assigned to an Examining Attorney for processing.<sup>81</sup> One of the components of this examination is to confirm that the trademark does not consist of immoral, deceptive, or scandalous matter.<sup>82</sup> If the application for registration is refused, the applicant may appeal to the Trademark Trial and Appeal

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73. *Id.* at 484 (quoting *Hyatt Corp. v. Hyatt Legal Servs.*, 736 F.2d 1153, 1158 (7th Cir. 1984)).

74. *See Ginsburg et al.*, *supra* note 34, at 45.

75. *See id.*

76. *See id.*

77. *See id.* at 46. To determine if a mark has become a generic term, courts must ascertain what the majority of consumers understand the term or mark to mean. If the majority of the public believes that the principal significance of the term or mark is the product itself, and not the producer, then the term or mark is considered generic. *See Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921); McCarthy, *supra* note 24, § 12:2.

78. Federal registrants are given nationwide constructive notice of their use and ownership of the underlying mark. *See* 15 U.S.C. § 1057(c) (1994). For many international rights, the time to measure the use of the trademark begins to run when one receives a federal registration. *See Ginsburg et al.*, *supra* note 34, at 47.

79. *See* 15 U.S.C. §§ 1065, 1115(a); *see also* 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, 332 n.2 (1993) (discussing the benefits of having a federally registered trademark).

80. *See* 37 C.F.R. § 2.33 (1998).

81. *See* 15 U.S.C. § 1062(a).

82. Section 2 of the Act provides in relevant part:

Board.<sup>83</sup> If this proves unsuccessful, the applicant may further appeal to either the United States Court of Appeals for the Federal Circuit or the District Court of Columbia.<sup>84</sup> When an application is accepted, the mark proposed for registration is published in the *Official Gazette* of the Patent and Trademark Office.<sup>85</sup> If owners of other marks believe that the mark proposed for registration will cause confusion with their own marks, these owners may file an opposition in the Patent and Trademark Office and bring proceedings against the mark before the Trademark Trial and Appeal Board.<sup>86</sup> The conclusion of the Trademark Trial and Appeal Board may be appealed to the Federal Circuit or the District Court of Columbia.<sup>87</sup>

After receiving a grant of registration, companies may begin to use statutory trademark registration notices, such as the symbol "®" or the words "Registered in U.S. Patent and Trademark Office."<sup>88</sup> To maintain this registration, the owner must file a declaration with the U.S. Patent and Trademark Office six years after a mark is registered, stating that the mark is in bona fide use in commerce in the ordinary course of trade.<sup>89</sup> Thereafter, the mark's registration must be renewed every ten years.<sup>90</sup>

While purely in-state businesses cannot receive federal registration for their trademarks, they may obtain state trademark registrations.<sup>91</sup> State registrations are generally cheaper to obtain, and they are issued

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No trade-mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

(a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.

(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or any State or municipality, or of any foreign nation, or any simulation thereof.

(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.

*Id.* § 1052(a)–(c).

83. *See id.* § 1070.

84. *See id.* § 1071(a)–(b).

85. *See* 37 C.F.R. § 2.80 (1998).

86. *See* 15 U.S.C. § 1063; 37 C.F.R. § 2.101-07.

87. *See* 15 U.S.C. § 1071(a)–(b).

88. *See id.* § 1111.

89. *See id.* § 1058.

90. *See id.* § 1059.

91. *See* Ginsburg et al., *supra* note 34, at 45.

more quickly than their federal counterparts.<sup>92</sup> Federal registration rights, however, take precedence over state registration rights.<sup>93</sup>

Most states have legislation restricting the registration of trademarks that are scandalous, immoral, or indecent.<sup>94</sup> In and of itself, however, this does not pose a First Amendment problem; in many circumstances, the failure to register a trademark or trade name, while denying the prospective registrant the benefits of having the trademark registered,<sup>95</sup> does not preclude the use of such a mark.<sup>96</sup>

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92. *See id.*

93. *See id.*; *see also* 2 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 22:1 (2d ed. 1984) ("In many cases, a state registration may have little more than a psychologically soothing effect on the owner.").

94. *See* Restatement (Third) of Unfair Competition § 9 Statutory Note (1995). The International Trademark Association prepared a Model State Trademark Bill resembling the federal registration system. This bill provides the basis for most of the current state legislation that restricts the registration of scandalous, immoral, or indecent trademarks or trade names. *See* Ala. Code § 8-12-7 (1993); Alaska Stat. § 45.50.010 (Michie 1996); Ariz. Rev. Stat. § 44-1442 (1994); Ark. Code Ann. § 4-71-104 (Michie 1996); Cal. Bus. & Prof. Code § 14220 (West 1987); Colo. Rev. Stat. § 7-70-108 (1997); Conn. Gen. Stat. Ann. § 35-18b (West 1997); *id.* § 35-11b; Del. Code Ann. tit. 6, § 3303 (Michie 1993); Ga. Code Ann. § 10-1-441 (1994); 765 Ill. Comp. Stat. Ann. 1036/10 (West Supp. 1998); Iowa Code Ann. § 548.102 (West 1997); Kan. Stat. Ann. § 81-112 (1997); Ky. Rev. Stat. Ann. § 365.567 (Michie 1996); La. Rev. Stat. Ann. § 51:212 (West 1997 & Supp. 1998); Me. Rev. Stat. Ann. tit. 10 § 1522 (West 1997 & Supp. 1997); Md. Code Ann., Bus. Reg. § 1-404 (1992); Mass. Ann. Laws ch. 110b, § 3 (Law. Co-op. 1995); Mich. Stat. Ann. § 429.32 (West 1995); Minn. Stat. Ann. § 333.19 (West 1995 & Supp. 1997); Miss. Code Ann. § 75-25-3 (1991 & Supp. 1998); Mo. Ann. Stat. § 417.011 (West 1990 & Supp. 1998); Mont. Code Ann. § 30-13-303 (1997); Neb. Rev. Stat. § 87-112 (1994); *id.* § 87-209 (1994 & Supp. 1997); *id.* § 600.330; N.H. Rev. Stat. Ann. 350-A:2 (1995); N.J. Stat. Ann. § 56:3-13.2 (West 1989 & Supp. 1998); N.M. Stat. Ann. § 57-3B-4 (Michie 1978 & Supp. 1998); N.Y. Gen. Bus. Law § 360-a (McKinney 1998); N.C. Gen. Stat. § 80-2 (1997); N.D. Cent. Code § 47-22-02 (1978 & Supp. 1997); Ohio Rev. Code Ann. 1329.55 (Anderson 1993); Okla. Stat. Ann. tit. 78, § 22 (West 1995 & Supp. 1998); Or. Rev. Stat. Ann. § 647.035 (1988); 54 Pa. Cons. Stat. § 1111 (1996 & Supp. 1998); R.I. Gen. Laws § 6-2-3 (1992); S.C. Code Ann. § 39-15-120 (Law. Co-op. 1985); S.D. Codified Laws § 37-6-6 (Michie 1994); Tenn. Code Ann. § 47-25-502 (1995 & Supp. 1997); Tex. Bus. & Com. Code Ann. § 16.08 (West 1987); Utah Code Ann. § 70-3-2 (1997); Vt. Stat. Ann. tit. 9, § 2527 (1993); Va. Code Ann. § 59.1-92.3 (Michie 1998); Wash. Rev. Code Ann. § 19.77.020 (West 1989); W. Va. Code § 47-2-2 (1996); Wyo. Stat. Ann. § 40-1-102 (Michie 1997).

95. There are several benefits having a mark federally registered. For example, the owner enjoys nationwide constructive notice of use and ownership of the mark. *See* 15 U.S.C. § 1072. Also, federal registration amounts to prima facie evidence of the registrant's exclusive right to use the mark in interstate commerce and after five years that presumption becomes conclusive. *See id.* § 1115(a). Further, a mark registered for five years can only be canceled under one of the narrow grounds specified in 15 U.S.C. § 1064(3).

96. In such an instance, the state is simply declining to extend the added protections afforded to a registered trademark. Trademark applications refused by the United States Patent and Trademark Office on the ground that the trademark comprises immoral or scandalous matter under 15 U.S.C. § 1052(a) does not curtail First Amendment freedoms, because "the PTO's refusal to register [a] mark does not affect [one's] right to use it. No conduct is proscribed, and no tangible form of expression is suppressed." *In re Mavety Media Group Ltd.*, 33 F.3d 1367, 1374 (Fed. Cir. 1994).

When a state refuses to approve a label or mark on a product where such approval is required before the product may be sold, however, the First Amendment is implicated because this refusal completely prohibits any use of the trademark. Many states require permission to use a label, brand name, or advertisement before the sale or manufacture of many products, including fertilizer,<sup>97</sup> seed,<sup>98</sup> pesticides,<sup>99</sup> alcohol,<sup>100</sup> feed,<sup>101</sup> dairy products,<sup>102</sup> farm products and fish,<sup>103</sup> acid and

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97. See, e.g., Ark. Code Ann. § 2-19-407 (Michie 1996) (soil amendment); Cal. Food & Agric. Code § 14631 (West 1986 & Supp. 1996) (fertilizing material); Ga. Code Ann. § 2-12-43 (1990 & Supp. 1998) (liming materials); *id.* § 2-12-4 (commercial fertilizers); Idaho Code § 22-605 (1995) (commercial fertilizer); 505 Ill. Comp. Stat. Ann. 120/15 (West 1993) (soil amendment); *id.* 80/4 (commercial fertilizer); Kan. Stat. Ann. § 2-2804 (1991) (soil amendment); Me. Rev. Stat. Ann. tit. 7, § 778 (West 1989) (plant or soil amendment); Md. Code Ann., Agric. § 6-207 (1985 & Supp. 1997) (commercial fertilizer and soil conditioner); Mich. Comp. Laws Ann. § 324.8505 (West Supp. 1998) (specialty fertilizers and soil conditioner); Minn. Stat. Ann. § 18C.411 (West 1998) (specialty fertilizers, soil amendments, and plant amendments); Miss. Code Ann. § 69-24-9 (1991) (fertilizing material and additives); Mo. Ann. Stat. § 266.165 (West 1993 & Supp. 1998) (commercial feeds); *id.* § 266.321 (commercial fertilizer); Mont. Code Ann. § 80-10-201 (1997) (commercial fertilizer); N.H. Rev. Stat. Ann. § 431:4 (1991 & Supp. 1997) (fertilizer); N.C. Gen. Stat. § 106-660 (1996) (commercial fertilizer for tobacco, specialty fertilizer, fertilizer materials, manipulated manure, and fortified mulch).

98. See, e.g., Ga. Code Ann. § 2-11-22 (1990 & Supp. 1998) (seeds); Neb. Rev. Stat. Ann. § 81-2,147.02 (1996) (seeds); N.D. Cent. Code § 4-09-10.1 (1987 & Supp. 1997) (agricultural seed).

99. See, e.g., Ind. Code Ann. § 15-3-3.5-7 (Michie 1993) (pesticides); Minn. Stat. Ann. § 18B.28 (West 1998) (pesticide control); Nev. Rev. Stat. Ann. § 586.500 (Michie 1994) (pesticides, caustic or corrosive substances, and alkalis).

100. See, e.g., Ala. Code § 28-7-10 (1986) (table wine importers); *id.* § 28-3A-7 (alcoholic beverage importers); *id.* § 28-3A-6 (alcoholic beverage manufacturers); *id.* § 28-7-11 (table wine manufacturers); Conn. Gen. Stat. Ann. § 30-95 (West 1990 & 1998) (liquor advertising and bottling); *id.* § 30-95a (West 1990) (display of trademarks); Ga. Code Ann. § 3-6-22 (1990) (wine); Mich. Comp. Laws Ann. § 436.31b(5) (West 1995 & Supp. 1998) (brewpub license); Miss. Code Ann. § 27-71-307 (1990 & Supp. 1998) (light wines and beer); N.H. Rev. Stat. Ann. § 178:24 (1994 & Supp. 1997) (liquor license); N.Y. Alco. Bev. Cont. Law § 107-a (McKinney 1987 & Supp. 1998) (containers of alcoholic beverages); N.D. Cent. Code § 5-03-01.2 (Supp. 1998) (alcoholic beverages); N.Y. Comp. Codes R. & Regs. tit. 9, § 84.3 (1997) (brand label); *id.* § 84.7 (1995) (cider labels).

101. See, e.g., Cal. Food & Agric. Code § 19357 (West 1986) (horsemeat and pet food); Conn. Gen. Stat. Ann. § 22-118b (West 1985 & Supp. 1998) (commercial and customer-formula feeds); Del. Code Ann. tit. 3, § 1704 (1993) (commercial feed); Haw. Rev. Stat. § 144-3 (1993) (commercial feed); Idaho Code § 25-2718 (1990 & Supp. 1997) (commercial feed); La. Rev. Stat. Ann. § 3:1893 (West 1987) (commercial feed); Mass. Ann. Laws ch. 128, § 52 (Law. Co-op. 1997) (commercial feed); Mich. Comp. Laws Ann. § 287.524 (West 1996) (commercial feed); N.M. Stat. Ann. § 76-19-4 (Michie 1990) (commercial feeds); N.Y. Agric. & Mkts. Law § 130 (McKinney 1991) (commercial feed); N.D. Cent. Code § 19-13.1-03 (1997) (pet food and commercial feed).

102. See, e.g., Cal. Food & Agric. Code § 32912.5 (West 1986 & Supp. 1998) (federal labeling requirements); *id.* § 36674(a) (sweeteners); *id.* § 38951 (products resembling milk products); *id.* § 39906 (dairy beverages); Conn. Gen. Stat. Ann. § 22-135(a) (West 1986 & Supp. 1998) (milk and milk products).

corrosive products,<sup>104</sup> petroleum products,<sup>105</sup> drugs and cosmetics,<sup>106</sup> and others.<sup>107</sup> Along with the more general restrictions on registration of scandalous, immoral, or deceptive trademarks,<sup>108</sup> some state statutes completely ban signs or labels containing an obscene or indecent trademark or brand name, whether registered or not.<sup>109</sup>

Whenever statutes regulating trademarks are challenged under the First Amendment, it is crucial for the court hearing the case to determine whether the purpose of the statute is to regulate either commercial speech or non-commercial speech. This is because courts must give much greater deference to statutes abridging purely commercial speech. The next section of this Note examines the history of the commercial speech doctrine and its significant distinctions from non-commercial speech.

## II. THE FIRST AMENDMENT

The First Amendment states: "Congress shall make no law . . . abridging the freedom of speech, or of the press, or the right of the

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103. *See, e.g.*, Ala. Code § 2-11-53 (1977 & Supp. 1997) (farm products and fish); Fla. Stat. Ann. § 585.93(7) (1987 & Supp. 1998) (inspection of nontraditional livestock); Minn. Stat. Ann. § 29.031 (West 1998) (poultry).

104. *See, e.g.*, Ala. Code § 8-17-23 (1993) (caustic or corrosive substances); Ariz. Rev. Stat. Ann. § 36-1104 (West 1993) (caustic alkalies and acids); Del. Code Ann. tit. 16, § 2303(a) (1995) (caustic alkali, acids, or corrosive substances); Miss. Code Ann. § 41-29-15 (1993) (caustic poisons); N.H. Rev. Stat. Ann. 339:53 (1993 & Supp. 1997) (caustic potash, oxalic acid, etc.); N.Y. Agric. & Mkts. Laws § 172-b (McKinney 1991) (lye and other caustic substances).

105. *See, e.g.*, Ga. Code Ann. § 10-1-150 (1994) (approval of substitutes or improvers of fuels or other motor fuels).

106. *See, e.g.*, Fla. Stat. Ann. § 499.015 (West 1997 & Supp. 1998) (drugs, devices, and cosmetics); La. Rev. Stat. Ann. § 40:627 (West 1992) (processed foods, proprietary or patent medicines, prophylactic devices, and cosmetics); N.H. Rev. Stat. Ann. § 436:80 (1991) (biological products and diagnostic reagents products for animals).

107. *See, e.g.*, Ala. Code § 32-5C-5 (1989 & Supp. 1997) (window tinting); Cal. Bus. & Prof. Code § 19081 (West 1997) (home furnishing); Cal. Penal Code § 2883 (West 1982) (prison-made goods); Conn. Gen. Stat. Ann. § 29-155(a) (West 1990) (private detectives); Ga. Code Ann. § 43-11-47(a) (1994 & Supp. 1998) (dental practice licenses); Mich. Comp. Laws § 338.843 (1997) (private detectives); *id.* § 338.1073 (1997) (private security guards); Miss. Code Ann. § 63-7-59(1) (1996) (window tinting); N.H. Rev. Stat. Ann. § 401:15 (1998) (incorporation of insurance companies); N.D. Cent. Code § 19-16.1-03 (1997) (antifreeze).

108. *See supra* note 94.

109. *See, e.g.*, Ala. Code § 13A-12-131 (1994) (prohibiting public display of obscene bumper stickers, signs, or writings); Cal. Bus. & Prof. Code § 5402 (West 1990) (banning obscene words or pictures on advertising structures or signs); Cal. Bus. & Prof. Code § 25612 (West 1997) (prohibiting obnoxious, gaudy, blatant or offensive signs used in connection with any retailer of alcoholic beverages); Haw. Rev. Stat. § 712-1211 (1993) (banning the display of indecent matter); N.Y. Comp. Codes R. & Regs. tit. 9, § 83.3(c)(2)(iii) (1995) (prohibiting obscene, indecent, obnoxious, or offensive signs from appearing in the windows of retailers of alcoholic beverages); Okla. Stat. tit. 37, § 515(3) (1990) (preventing the use of obscene or indecent statements on alcoholic beverage labels); Tenn. Code Ann. § 55-8-187 (1993 & Supp. 1997) (banning obscene or patently offensive window signs, bumper stickers, or other markings).

people peaceably to assembly, and to petition the Government for a redress of grievances."<sup>110</sup> Congress does, however, make laws abridging the expression of speech.<sup>111</sup> When these laws are challenged as violations of the First Amendment, and such cases reach the Supreme Court, the Court analyzes the constitutionality of the speech regulation by first deciding whether the speech receives any constitutional protection at all.<sup>112</sup> If the speech receives no protection, then the regulation passes constitutional muster.<sup>113</sup> When speech is within the purview of the First Amendment, however, the Court generally performs a balancing test to determine whether the regulation is constitutionally permissible.<sup>114</sup> The burden is on the government to demonstrate its interest in banning or restricting the speech.<sup>115</sup> The degree of interest the government must show ranges from "important"<sup>116</sup> to "compelling"<sup>117</sup> to "substantial"<sup>118</sup> to "strong,"<sup>119</sup> depending on what type of speech is at issue.

Although a thorough examination of First Amendment jurisprudence is beyond the scope of this Note, this part will outline the differ-

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110. U.S. Const. amend. I.

111. See Owen M. Fiss, *The Irony of Free Speech* 5 (1996); cf. John E. Nowak & Ronald D. Rotunda, *Constitutional Law* 939 (1991) (stating that the First Amendment does not prevent the abridgement of speech, but rather the abridgement of the freedom of speech (citing A. Meiklejohn, *Free Speech and Its Relation to Self Government* 19 (1948))).

112. See *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council Inc.*, 425 U.S. 748, 761-62 (1976).

113. See *Sable Communications of Cal., Inc. v. FCC*, 492 U.S. 115, 124 (1989) ("We have repeatedly held that the protection of the First Amendment does not extend to obscene speech." (citing *Paris Adult Theatre I v. Slaton*, 413 U.S. 49, 69 (1973))).

114. See *Linmark Assocs., Inc. v. Township of Willingboro*, 431 U.S. 85, 91 (1997) (finding that, regardless of whether speech is commercial or noncommercial, "a court may not escape the task of assessing the First Amendment interest at stake and weighing it against the public interest allegedly served by the regulation" (quoting *Bigelow v. Virginia*, 421 U.S. 809, 826 (1975))); Darrien A. McWhirter, *Exploring the Constitution Series: Freedom of Speech, Press, and Assembly* 6 (1994).

115. See *Edenfield v. Fane*, 507 U.S. 761, 770-71 (1993).

116. *United States v. O'Brien*, 391 U.S. 367, 376 (1968) ("This Court has held that when 'speech' and 'nonspeech' elements are combined in the same course of conduct, a sufficiently important governmental interest in regulating the nonspeech element can justify incidental limitations on First Amendment freedoms.").

117. *Sable Communications*, 492 U.S. at 126 (observing that the government may "regulate the content of constitutionally protected speech in order to promote a compelling interest if it chooses the least restrictive means to further the articulated interest"); *Sherbert v. Verner*, 374 U.S. 398, 406 (1963) (observing that the government must have a "compelling" interest to justify an incidental burden on the exercise of free speech).

118. *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 573 (1980) (Blackmun, J., concurring) (observing that the government must have a "substantial" interest to suppress commercial speech).

119. See *United States v. O'Brien*, 391 U.S. 367, 376-77 (1968) (observing the level of governmental interest necessary to justify an incidental limitation on the First Amendment has included compelling, substantial, subordinating, paramount, cogent, and strong).

ence between the protections enjoyed by non-commercial and commercial speech, particularly when the government seeks to ban speech it considers offensive.

### A. Non-Commercial Speech

If speech is non-commercial, it may be banned only if it fits within one of several doctrinal categories.<sup>120</sup> Otherwise, regulation of the non-commercial speech must survive either strict or intermediate scrutiny, depending on the type of regulation. Regulations based on the content of speech are given strict scrutiny by courts.<sup>121</sup> Regulations restricting the time, place, and manner in which speech can be delivered, independent of the content of the speech, are given intermediate scrutiny.<sup>122</sup>

Several forms of speech receive no protection under the First Amendment. For example, speech that is "obscene" may be restricted by the government.<sup>123</sup> Not all speech that is offensive, however, is "obscene." For example, in *Miller v. California*,<sup>124</sup> the Court articulated a three-part test to determine if speech is "obscene," thereby making it permissible for the government to completely ban the speech.<sup>125</sup> The test required a determination of:

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120. See *R.A.V. v. City of St. Paul*, 505 U.S. 377, 399 (1992) (White, J., concurring) (observing that "expression falling within certain limited categories so lacks the values the First Amendment was designed to protect that the Constitution affords no protection to that expression" (citations omitted)); see also *Cohen v. California*, 403 U.S. 15, 20 (1971) (noting that "fighting words" may be banned (citing *Chaplinsky v. New Hampshire*, 315 U.S. 568 (1942))); *Ginsberg v. New York*, 390 U.S. 629, 635 (1968) (concluding that "[o]bscenity is not within the area of protected speech or press" (citations omitted)).

121. See *R.A.V.*, 505 U.S. at 395.

122. Regulations restricting the time, place, and manner of speech in public places must be narrowly tailored to serve a "substantial enough governmental interest." *Clark v. Community for Creative Non-Violence*, 468 U.S. 288, 298 n.8 (1984). Also, these regulations must "leave open ample alternative channels for communication of the information." *Metromedia, Inc. v. City of San Diego*, 453 U.S. 490, 516 (1981) (quoting *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 771 (1976)). Regulations restricting the time, place, and manner of speech not delivered in a public forum are subject to less scrutiny. If impairment of the speech is not substantial, the government must merely show that the regulation is rational. See Laurence H. Tribe, *American Constitutional Law* 982 (2d ed. 1988).

123. See *Central Hudson*, 447 U.S. at 596 (Rehnquist, J., dissenting) (finding that "it is well established that the government may regulate obscenity even though it [sic] does not present a clear and present danger"); *Miller v. California*, 413 U.S. 15 (1973); cf. *Reno v. ACLU*, 117 S. Ct. 2329, 2346 (1997) ("[W]here obscenity is not involved, we have consistently held that the fact that protected speech may be offensive to some does not justify its suppression." (quoting *Carey v. Population Servs. Int'l*, 431 U.S. 678, 701 (1977))).

124. 413 U.S. 15 (1973).

125. See *id.* at 24. The Court specifically rejected a test consisting of an inquiry into whether the speech was "utterly without redeeming social value." *Id.* at 24-25 (quoting *Memoirs v. Massachusetts*, 383 U.S. 413, 419 (1966)).



(a) whether the average person, applying contemporary community standards would find that the work, taken as a whole, appeals to the prurient interest; (b) whether the work depicts or describes, in a patently offensive way, sexual conduct specifically defined by the applicable state law; and (c) whether the work, taken as a whole, lacks serious literary, artistic, political, or scientific value.<sup>126</sup>

Speech considered to be nothing more than "fighting words" also receives no protection.<sup>127</sup> The Supreme Court has defined "fighting words" to mean words "which by their very utterance inflict injury or tend to incite an immediate breach of the peace."<sup>128</sup> The Court has concluded that "fighting words" are of such slight social value that any benefit garnished from them is outweighed by the "social interest in order and morality."<sup>129</sup>

Although the government may regulate obscene speech and "fighting words," it cannot place a ban on certain words merely as a smokescreen for banning objectionable ideas. For example, in *Kingsley International Pictures Corp. v. Regents of the University of New York*,<sup>130</sup> the Supreme Court reversed a New York Court of Appeals decision that allowed New York, via the Motion Picture Division of the New York Education Department, to deny a license to a film distributor wanting to exhibit a particular motion picture.<sup>131</sup> New York had banned the movie *Lady Chatterley's Lover* because it presented adultery and fornication as an acceptable form of behavior,<sup>132</sup> which, the state argued, was "contrary to the moral standards, the religious precepts, and the legal code of its citizenry."<sup>133</sup> The Court rejected the state's argument, finding the ban to be a restriction of ideas and therefore invalid under the First Amendment.<sup>134</sup>

Further, speech cannot be banned merely because its message is profane.<sup>135</sup> In *Cohen v. California*,<sup>136</sup> the Supreme Court found that profane and offensive language is protected by the First Amend-

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126. *Id.* at 24 (citations and internal quotation marks omitted).

127. *See* *Chaplinsky v. New Hampshire*, 315 U.S. 568, 571-73 (1942).

128. *Id.* at 572 (citation omitted).

129. *Id.*

130. 360 U.S. 684 (1959).

131. *See id.* at 685.

132. *See id.* at 687.

133. *Id.* at 688.

134. *See id.* at 689 (observing that the First Amendment guarantee "is not confined to the expression of ideas that are conventional or shared by a majority").

135. *See supra* note 17; *see also* *Boos v. Barry*, 485 U.S. 312, 322 (1988) ("As a general matter, we have indicated that in public debate our own citizens must tolerate insulting, and even outrageous, speech in order to provide adequate 'breathing space' to the freedoms protected by the First Amendment." (internal quotation marks and citations omitted)). *But see* *Chaplinsky v. New Hampshire*, 315 U.S. 568, 572 (1942) (holding that words including "the lewd and obscene, the profane, the libelous, and the insulting or 'fighting' words" can be censored by the government).

136. 403 U.S. 15 (1971).

ment.<sup>137</sup> In reversing the defendant's conviction for wearing a jacket in a Los Angeles County courthouse bearing the words "Fuck the Draft," the Court held that the state could not ban vulgar language for the purpose of sheltering the public from offensive speech.<sup>138</sup> The Court specifically rejected the argument that the viewers, which included women and children,<sup>139</sup> were a captive audience.<sup>140</sup> The Court found that those who objected to the jacket's message could "avoid further bombardment of their sensibilities simply by averting their eyes."<sup>141</sup>

In *Erznoznik v. City of Jacksonville*,<sup>142</sup> the Court struck down a city ordinance that prohibited drive-in theaters from showing films containing nudity when the screen was visible from a public street or place.<sup>143</sup> The Court found that when the government, "acting as a censor, undertakes selectively to shield the public from some kinds of speech on the ground that they are more offensive than others, the First Amendment strictly limits its power."<sup>144</sup> Before speech may be banned, the Court reasoned, it must first be found to be obtrusive to the point of being impossible for individuals to avoid being subjected to it.<sup>145</sup> Although, as Chief Justice Burger noted, the drive-in movie screen was "invariably huge" and had projected on it a "combination of color and animation" that "dominated the view from public places including nearby residences and adjacent highways,"<sup>146</sup> the Court nevertheless found that the drive-in movie screen was not obtrusive enough to justify the protection of the privacy interests of people on the streets.<sup>147</sup>

Not all types of protected, offensive, non-commercial speech receive identical degrees of protection. Some types of speech may be

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137. *Id.* at 23-26.

138. *See id.* at 25-26. As the Court observed in a famous passage:

Surely the State has no right to cleanse public debate to the point where it is grammatically palatable to the most squeamish among us. Yet no readily ascertainable general principle exists for stopping short of that result were we to affirm the judgment below. For, while the particular four-letter word being litigated here is perhaps more distasteful than most others of its genre, it is nevertheless often true that one man's vulgarity is another's lyric.

*Id.* at 25.

139. *See id.* at 16.

140. *See id.* at 21.

141. *Id.*

142. 422 U.S. 205 (1975).

143. *See id.* at 206-07, 217.

144. *Id.* at 209.

145. *See id.* at 212. According to the Court, restrictions will only be upheld when the speech invades the offended person's home, or "the degree of captivity makes it impractical for the unwilling viewer or auditor to avoid exposure." *Id.* at 209. The burden is on the viewers to avert their eyes if they find the message offensive. *See id.* at 210-11.

146. *Id.* at 221 (Burger, C.J., dissenting).

147. *See id.* at 212.

restricted in such a way as to ensure distribution only to adults.<sup>148</sup> For example, in *Ginsberg v. New York*,<sup>149</sup> the Supreme Court affirmed the conviction of a luncheonette owner who sold two "girlie" magazines to a sixteen-year-old.<sup>150</sup> Justice Brennan, writing for the Court, held that material not obscene to adults may be obscene to children;<sup>151</sup> nonetheless, only a bar on the distribution to children was permitted, rather than a wholesale ban on the product or its display.<sup>152</sup> Similarly, in *Sable Communications, Inc. v. FCC*,<sup>153</sup> the Court struck down a federal law that criminalized the creation of "any obscene or indecent communication for commercial purposes."<sup>154</sup> The Court rejected the government's argument that its interest in protecting children from hearing prerecorded porn messages justified the complete suppression of the speech.<sup>155</sup> The Court reasoned that a total prohibition went much too far, because the denial of adult access far exceeded that which was necessary to limit similar access by minors.<sup>156</sup>

Last year, in *Reno v. ACLU*,<sup>157</sup> the Court held that government actions regulating speech in order to avoid potential harm to children are valid only if the regulations are narrowly drawn and if adults can still gain access to the speech.<sup>158</sup> The Court found that speech cannot be restricted solely because of indecency, as "[r]egardless of the strength of the government's interest in protecting children, the level of discourse . . . simply cannot be limited to that which would be suitable for a sandbox."<sup>159</sup> Further, in *Erznoznik*, the Court rejected the

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148. See *Reno v. ACLU*, 117 S. Ct. 2329, 2346 (1997) (finding that although the government has a legitimate interest in protecting children, the Communications Decency Act contained unconstitutionally overbroad restrictions).

149. 390 U.S. 629 (1968).

150. *Id.* at 631.

151. See *id.* at 636-37.

152. See *id.* at 636-39.

153. 492 U.S. 115 (1989).

154. *Id.* at 123 n.4. In the majority opinion, Justice White held that although a "flat-out ban of indecent speech is contrary to the First Amendment," *Id.* at 119 (quoting *Sable Communication of Cal., Inc. v. FCC*, 692 F. Supp. 1208, 1209 (C.D. Cal. 1988)), a complete ban on obscene dial-a-porn recordings is constitutional. See *id.* at 124. On the other hand, Justices Brennan, Marshall, and Stevens observed that criminal penalties for even obscene commercial communications violated the First Amendment. See *id.* at 133 (Brennan, J., concurring in part and dissenting in part).

155. See *id.* at 131.

156. See *id.*; cf. *FCC v. Pacifica Found.*, 438 U.S. 726 (1978) (allowing the FCC to restrict the words "fuck" and "cunt," but only during certain times of the day). Even *Pacifica*, however, admonishes that "the fact that society may find speech offensive is not a sufficient reason for suppressing it." *Pacifica*, 438 U.S. at 745.

157. 117 S. Ct. 2329 (1997).

158. See *id.* at 2346.

159. *Id.* (internal quotation marks omitted) (quoting *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 74-75 (1983)). As the Court observed, the government's interest in protecting children "does not justify an unnecessarily broad suppression of speech addressed to adults. . . . [T]he Government may not 'reduce the adult population . . . to . . . only what is fit for children.'" *Id.* at 2346 (quoting *Sable Communications*, 492 U.S. at 128) (footnote omitted); accord *Butler v. Michigan*, 352 U.S. 380, 383-84

state's argument that the ban on nudity in drive-in movies was a valid means of protecting children.<sup>160</sup> The Court held that "[s]peech that is neither obscene as to youths nor subject to some other legitimate proscription cannot be suppressed solely to protect the young from ideas or images that a legislative body thinks unsuitable for them."<sup>161</sup> Although children's rights are not "co-extensive with those of adults,"<sup>162</sup> the Court reasoned, "[i]n most circumstances, the values protected by the First Amendment are no less applicable when [the] government seeks to control the flow of information to minors."<sup>163</sup>

Reading these cases together, it is clear that a regulation completely censoring non-commercial, non-obscene speech, ostensibly because such speech is harmful to children, is unconstitutional. The regulation must be narrowly tailored to prevent children from receiving the speech, without interfering with an adult's right to access the material.

### B. *The Commercial Speech Doctrine*

The Court's method of analyzing regulations banning or restricting commercial speech has gone through several changes over the past fifty years. In 1942, the Supreme Court decided *Valentine v. Chrestensen*,<sup>164</sup> in which the Court distinguished commercial speech from non-commercial speech for the first time.<sup>165</sup> *Valentine* gave commercial speech no constitutional protection at all.<sup>166</sup> Over the years, however, protection for commercial speech has gradually increased, and the Court now stands on the brink of abolishing the distinction between commercial and non-commercial speech altogether.<sup>167</sup>

The facts of *Valentine* are as follows: Chrestensen, an entrepreneur who wanted to exhibit an old United States Navy submarine off a pier in New York City, advertised his plan by distributing handbills along the city streets.<sup>168</sup> The Police Commissioner warned Chrestensen that

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(1957) (holding that a complete ban on sales to adults of books deemed harmful to children is unconstitutional).

160. See *Erznoznik v. City of Jacksonville*, 422 U.S. 205, 213-14 (1975).

161. *Id.*

162. *Tinker v. Des Moines School Dist.*, 393 U.S. 503, 515 (1969) (Stewart, J., concurring).

163. *Erznoznik*, 422 U.S. at 214 (footnote omitted).

164. 316 U.S. 52 (1942).

165. See Michael W. Field, Note and Comment, *On Tap*, 44 *Liquormart, Inc. v. Rhode Island: Last Call for the Commercial Speech Doctrine*, 2 *Roger Williams U. L. Rev.* 57, 63 (1996).

166. See *id.*

167. See *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 591 (1980) (Rehnquist, J., dissenting) ("The test adopted by the Court thus elevates the protection accorded commercial speech that falls within the scope of the First Amendment to a level that is virtually indistinguishable from that of noncommercial speech."); Field, *supra* note 165, at 90 ("With 44 *Liquormart* . . . the Court . . . signals the end of *Central Hudson*'s dominance over cases involving truthful, nonmisleading commercial speech related to a lawful activity.").

168. See *Valentine*, 316 U.S. at 53.

he was violating the sanitary code, which prohibited the distribution of business advertising matter.<sup>169</sup> The Commissioner informed Chrestensen, however, that he could "freely distribute handbills solely devoted to 'information or a public protest.'" <sup>170</sup> In response, Chrestensen printed a double-faced handbill with his advertisement<sup>171</sup> on one side and a protest of the City Dock Department on the other.<sup>172</sup> The Supreme Court, citing no support,<sup>173</sup> unanimously held that the Constitution does not prevent the government from regulating "purely commercial advertising."<sup>174</sup> The Court found that even when a handbill contains both commercial and non-commercial messages, it should not be given constitutional protection when the "affixing of the protest against official conduct to the advertising circular [is] with the intent, and for the purpose, of evading the prohibition of the ordinance."<sup>175</sup> The Court concluded that the First Amendment did not protect Chrestensen's conduct.<sup>176</sup>

Thirty-four years later, the Court began to give commercial speech some constitutional protection. In *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council, Inc.*,<sup>177</sup> a consumer group brought an action challenging a Virginia law that prohibited pharmacists from advertising the price of prescription drugs.<sup>178</sup> On appeal, the state argued that the profession would fall into disrepute if pharmacists were permitted to act like "mere retailer[s]."<sup>179</sup> Further, the state contended that the valuable pharmacist-customer relationship would be destroyed if consumers went to lower-priced pharmacies, instead of their regular pharmacists, as a result of price advertising by pharmacists.<sup>180</sup> The Court, however, was unpersuaded by the state's argument and concluded that the statute was unconstitutional.<sup>181</sup> In

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169. The code read in part: "Handbills, cards and circulars.—No person shall throw, cast or distribute, or cause or permit to be thrown, cast or distributed, any handbill, circular, card, booklet, placard or other advertising matter whatsoever in or upon any street or public place." *Id.* at 53 n.1.

170. *Id.* at 53.

171. The commercial side of the handbill consisted of a revision of Chrestensen's earlier advertisement with the admission fee removed. *See id.*

172. The non-commercial side of the handbill contained a protest of the City Dock Department's refusal to grant Chrestensen wharfage facilities at a city pier. *See id.*

173. *See Kozinski & Banner, supra* note 2, at 627 ("In 1942, the Supreme Court plucked the commercial speech doctrine out of thin air.").

174. *Valentine*, 316 U.S. at 54.

175. *Id.* at 55.

176. *See id.*

177. 425 U.S. 748 (1976).

178. The portion in dispute provided that a pharmacist licensed in Virginia acts unprofessionally if he or she "publishes, advertises or promotes, directly or indirectly, in any manner whatsoever, any amount, price, fee, premium, discount, rebate or credit terms for professional services or for drugs containing narcotics or for any drugs which may be dispensed only by prescription." *Id.* at 750 n.2.

179. *Id.* at 768.

180. *See id.* at 769.

181. *See id.* at 770.

so doing, the Court rejected *Valentine* and the "highly paternalistic" view that the government may completely suppress commercial speech.<sup>182</sup> The Court recognized society's strong interest in the free flow of commercial speech to facilitate intelligent consumer decisions.<sup>183</sup> The Court refused to draw a distinction between "publicly 'interesting' or 'important' commercial advertising and the opposite kind,"<sup>184</sup> stating that "[a]dvertising, however tasteless and excessive it sometimes may seem, is nonetheless dissemination of information as to who is producing and selling what product, for what reason, and at what price."<sup>185</sup> When faced with a choice between suppressing the message or adopting alternative measures, the Court found that "[i]t is precisely this kind of choice, between the dangers of suppressing information, and the dangers of its misuse if it is freely available, that the First Amendment makes for us."<sup>186</sup>

Although *Virginia Pharmacy* offered some constitutional protection for commercial speech, this protection was not absolute.<sup>187</sup> The Court tried drawing on the distinctions between commercial speech and non-commercial speech to justify the lesser degree of protection granted to commercial speech.<sup>188</sup> In defining commercial speech, the Court stated in a footnote that there are "commonsense differences between speech that does 'no more than propose a commercial transaction,' and other varieties."<sup>189</sup> The Court further observed that commercial speech is more verifiable,<sup>190</sup> more durable,<sup>191</sup> and has greater objectivity and hardiness than non-commercial speech.<sup>192</sup> Justice Rehnquist, the sole dissenter, strongly supported these observations, suggesting

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182. *Id.*

183. See *Virginia Pharmacy*, 425 U.S. at 763 (noting that "[a]s to the particular consumer's interest in the free flow of commercial information, that interest may be as keen, if not keener by far, than his interest in the day's most urgent political debate"); see also Field, *supra* note 165, at 66 ("The Court recognized society's strong interest in receiving commercial information in order to make intelligent and well-informed decisions." (footnote omitted)).

184. *Virginia Pharmacy*, 425 U.S. at 765.

185. *Id.*

186. *Id.* at 770.

187. Untruthful speech, deceptive or misleading speech, and speech proposing an illegal transaction are all unprotected. See *id.* at 771-72. Also, the state is not prohibited from "insuring that the stream of commercial information flow cleanly as well as freely." *Id.* at 772 (citation omitted).

188. See *id.* at 771-72 n.24.

189. *Id.* at 771 n.24 (quoting *Pittsburgh Press Co. v. Human Relations Comm'n*, 413 U.S. 376, 385 (1973)).

190. See *id.* at 772 n.24. But see *Kozinski & Banner, supra* note 2, at 637-38 (arguing that commercial speech is not more durable than non-commercial speech).

191. See *Virginia Pharmacy*, 425 U.S. at 772 n.24.

192. See *id.* But see 44 *Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 502 (1996) ("Regulations that suppress the truth are no less troubling because they target objectively verifiable information . . . neither the 'greater objectivity' nor the 'greater hardiness' of truthful, nonmisleading commercial speech justifies reviewing its complete suppression with added deference." (citation omitted)).

that the First Amendment was designed to protect discussion of "political, social, and other public issues, rather than the decision of a particular individual as to whether to purchase one or another kind of shampoo."<sup>193</sup>

After *Virginia Pharmacy*, both the definition of commercial speech and the constitutional protection it received remained in dispute.<sup>194</sup> In 1980, the Supreme Court sought to remedy this problem in *Central Hudson Gas & Electric Corp. v. Public Service Commission*.<sup>195</sup> *Central Hudson* challenged a New York regulation that completely prohibited the utility's right to advertise.<sup>196</sup> The Court rejected New York's argument that because the utility owned a monopoly from the state, the utility's advertisements could be more highly regulated.<sup>197</sup> The Court again recognized the "commonsense" distinction between commercial speech and non-commercial speech,<sup>198</sup> and without much elaboration stated that "[t]he Constitution therefore accords a lesser protection to commercial speech than to other constitutionally guaranteed expression."<sup>199</sup> According to the Court, this "lesser protection" came in the form of a four-part analysis to determine if the commercial speech may be restricted: first, the speech must concern lawful activity and be non-misleading; second, the asserted governmental interest must be substantial; third, the regulation must directly advance the asserted governmental interest; and finally, the restriction must not be more extensive than necessary to serve that interest.<sup>200</sup> Although the Court recognized that the regulation directly advanced

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193. *Virginia Pharmacy*, 425 U.S. at 787 (Rehnquist, J., dissenting).

194. See Kozinski & Banner, *supra* note 2, at 629-30.

195. 447 U.S. 557 (1980).

196. See *id.* at 558-61. The Public Service Commission ordered all electric utilities in New York to cease any advertising that promoted the use of electricity. See *id.* at 558.

197. See *id.* at 566-68.

198. *Id.* at 562 (quoting *Ohralik v. Ohio State Bar Ass'n*, 436 U.S. 447, 455-46 (1978)).

199. *Id.* at 563. Later in the opinion the Court stated in a footnote that "[t]wo features of commercial speech permit regulation of its content. First, commercial speakers have extensive knowledge of both the market and their products . . . . In addition, commercial speech, the offspring of economic self-interest, is a hardy breed of expression that is not 'particularly susceptible to being crushed by overbroad regulation.'" *Id.* at 564 n.6 (quoting *Bates v. State Bar*, 433 U.S. 350, 381 (1977)).

Similarly, in *Ohralik v. Ohio State Bar Ass'n*, 436 U.S. 447 (1978), the Court made the following observation:

To require a parity of constitutional protection for commercial and noncommercial speech alike could invite dilution, simply by a leveling process, of the force of the Amendment's guarantee with respect to the latter kind of speech. Rather than subject the First Amendment to such a devitalization, we instead have afforded commercial speech a limited measure of protection, commensurate with its subordinate position in the scale of First Amendment values.

*Id.* at 456. But see *Board of Trustees of the State Univ. v. Fox*, 492 U.S. 469, 482 (1989) ("Some of our most valued forms of fully protected speech are uttered for a profit.").

200. See *Central Hudson*, 447 U.S. at 566.

New York's legitimate interest in preventing higher energy consumption,<sup>201</sup> it found that the regulation was more extensive than necessary to withstand constitutional scrutiny.<sup>202</sup>

In later cases, the Supreme Court backed away from the enhanced protection afforded to commercial speech set forth in *Central Hudson*. For example, in *Posadas de Puerto Rico Assocs. v. Tourism Co.*,<sup>203</sup> a partnership, franchised to operate a casino, challenged Puerto Rico's Games of Chance Act of 1948.<sup>204</sup> The Act made it illegal for casinos to advertise to the local residents of Puerto Rico, but permitted such advertisements aimed at nonresidents.<sup>205</sup> The Court, applying *Central Hudson*'s four-part test, found the statute constitutional.<sup>206</sup> Because the legislature had the power to ban gambling, the Court reasoned that the legislature *a fortiori* had the power to control the casino's advertising.<sup>207</sup>

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201. See *id.* at 569-71.

202. See *id.* at 570. The Court determined that because the order applies to all promotional advertising, regardless of the impact of the touted service on overall energy use, and because the Commission did not show that a more limited restriction on the content of the advertisements would not be adequate, the order was too broad to be upheld. See *id.* Justice Blackmun, in a concurrence, argued for limited permissible restraints on commercial speech. See *id.* at 575 (Blackmun, J., concurring) ("If the First Amendment guarantee means anything, it means that, absent clear and present danger, government has no power to restrict expression because of the effects its message is likely to have on the public. Our cases indicate that this guarantee applies even to commercial speech." (citations omitted)). Justice Stevens made a similar argument. See *id.* at 580 (Stevens, J., concurring) ("[S]peech proposing a commercial transaction" . . . should not include the entire range of communication that is embraced within the term 'promotional advertising.' (quoting *Central Hudson*, 447 U.S. at 562)).

203. 478 U.S. 328 (1986).

204. See *id.* at 333.

205. See *id.* at 332-33.

206. See *id.* at 344. The asserted interest of the legislature in enacting this statute was to curb the harm associated with gambling. See *id.* The Court afforded great deference to the legislature to decide what measures it deemed fit to impose on the casinos to satisfy this interest. See *id.* at 344 (holding that "it is up to the legislature to decide whether or not such a 'counterspeech' policy would be as effective in reducing the demand for casino gambling as a restriction on advertising"). The Court concluded that the restrictions "directly advanced" the government's interest in decreasing the demand for gambling; it found reinforcement for this finding in the fact that "appellant has chosen to litigate this case all the way to this Court indicates that appellant shares the legislature's view." *Id.* at 342 (citation omitted).

207. See *id.* at 345-46. As the Court explained:

In our view, the greater power to completely ban casino gambling necessarily includes the lesser power to ban advertising of casino gambling. . . . [It would] be a strange constitutional doctrine which would concede to the legislature the authority to totally ban a product or activity, but deny to the legislature the authority to forbid the stimulation of demand for the product or activity through advertising . . . .

*Id.* Justice Brennan, in dissent, responded to this assertion by observing that "the 'constitutional doctrine' which bans Puerto Rico from banning advertisements concerning lawful casino gambling is not so strange a restraint—it is called the First Amendment." *Id.* at 355 n.4 (Brennan, J., dissenting).



Nine years later, in the 1995 case *Rubin v. Coors Brewing Co.*,<sup>208</sup> the Supreme Court addressed the issue of whether Congress could prohibit beer labels<sup>209</sup> from displaying the beer's alcohol content.<sup>210</sup> The Court applied the stringent scrutiny<sup>211</sup> of the *Central Hudson* test and struck down the statute.<sup>212</sup> The Court found that although the federal government's asserted interest in preventing "strength wars"<sup>213</sup> was sufficiently substantial to meet the second prong of the *Central Hudson* test,<sup>214</sup> the government failed to meet its heavy burden<sup>215</sup> of showing that the regulation advanced the government's interest "in a direct and material fashion."<sup>216</sup> In a concurring opinion, Justice Stevens suggested that this was not a "commercial speech" case because speech should only be deemed to fall within the ambit of the commercial speech doctrine when it relates to the reasons for affording commercial speech less constitutional protection, "namely, commercial speech's potential to mislead."<sup>217</sup>

Today, the Court continues to apply the *Central Hudson* test to commercial speech cases; however, the test has become much stricter.

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208. 514 U.S. 476 (1995).

209. The District Court upheld the ban as applied to advertising, but struck it down as to labels. *See id.* at 479. The defendant, Coors Brewing Company, did not appeal the decision regarding the ban on disclosing the alcohol content in advertising. *See id.*

210. Section 205(e)(2) of the Federal Alcohol Administration Act prohibited labels on beer to state the percentage of alcohol in the beer, unless the state in which the beer was to be distributed specifically required it. *See Rubin*, 514 U.S. at 480-81.

211. *See id.* at 491 (suggesting that only the least restrictive means available would be constitutional).

212. *See id.*

213. *Id.* at 479 ("The Government took the position that . . . without the regulation, [brewers] would seek to compete in the marketplace based on the potency of their beer.").

214. *See id.* at 485.

215. *See id.* at 490 (observing that the government's burden "is not satisfied by mere speculation or conjecture; rather, a governmental body seeking to sustain a restriction on commercial speech must demonstrate that the harms it recites are real and that its restriction will in fact alleviate them to a material degree" (quoting *Edenfield v. Fane*, 507 U.S. 761, 770-71 (1993))).

216. *Id.* at 491. The Court took into consideration the fact that under the regulation, advertisements were prohibited from disclosing alcohol content only if a state affirmatively prohibited such advertisements within its jurisdiction. *See id.* at 488. Also, as the Court observed, "manufacturers still can distinguish a class of stronger malt beverages by identifying them as malt liquors." *Id.* at 489. Finally, in the case of wines and spirits, alcohol content may be, and sometimes must be, disclosed on the label. *See id.* at 488.

217. *Id.* at 494 (Stevens, J., concurring). According to Justice Stevens, the statute neither prevent[ed] misleading speech nor protect[ed] consumers from the dangers of incomplete information. A truthful statement about the alcohol content of malt beverages would receive full First Amendment protection in any other context; without some justification tailored to the special character of commercial speech, the Government should not be able to suppress the same truthful speech merely because it happens to appear on the label of a product for sale.

*Id.* at 492 (Stevens, J., concurring).

For example, in *44 Liquormart, Inc. v. Rhode Island*,<sup>218</sup> a divided court<sup>219</sup> struck down two Rhode Island statutes prohibiting the advertisement of liquor prices.<sup>220</sup> A liquor store had placed the word "WOW" alongside pictures of liquor bottles in a newspaper advertisement.<sup>221</sup> The Rhode Island Liquor Control Administrator concluded that the implied reference to discount prices for liquor violated the statutory ban on displaying liquor prices and fined the liquor store \$400.<sup>222</sup> Justice Stevens wrote the principal opinion for *44 Liquormart*, advocating the application of a higher standard of scrutiny for regulations aimed at commercial speech.<sup>223</sup> Quoting *Virginia Pharmacy*, Justice Stevens stated that advertising, "however tasteless and excessive it sometimes may seem, is nonetheless dissemination of information as to who is producing and selling what product, for what reason, and at what price."<sup>224</sup> He concluded that states retain "less regulatory authority when its commercial speech restrictions strike at 'the substance of the information communicated' rather than the 'commercial aspect of [it]—with offerors communicating offers to offerees.'"<sup>225</sup>

Justices Ginsberg and Kennedy joined Justice Stevens in finding that states have the authority to regulate commercial speech when their purpose is "to protect consumers from misleading, deceptive, or

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218. 517 U.S. 484 (1996).

219. The Justices signed the opinion as follows: Justice Stevens announced the judgment of the Court, and delivered the opinion of the Court with respect to parts I, II, and VII, in which Justices Scalia, Kennedy, Souter, Thomas, and Ginsburg joined, the opinion of the Court with respect to part VIII, in which Justices Scalia, Kennedy, Souter, and Ginsburg joined, an opinion with respect to parts III and V, in which Justices Kennedy, Souter, and Ginsburg joined, an opinion with respect to part VI, in which Justices Kennedy, Thomas, and Ginsburg joined, and an opinion with respect to part IV, in which Justices Kennedy and Ginsburg joined. Justices Scalia and Thomas filed opinions concurring in part and concurring in the judgement. Justice O'Connor filed an opinion concurring in the judgement, in which Chief Justice Rehnquist and Justices Souter and Breyer joined. *See id.* at 487-88.

220. *See id.* at 516.

221. *See id.* at 492-93. The advertisements did not state the actual price of the liquor, but they did note that "[s]tate law prohibits advertising liquor prices." *Id.* at 492.

222. *See id.* at 492-93.

223. *See id.* at 507-08 (opinion of Stevens, J.). Justices O'Connor, Souter, Breyer, and Chief Justice Rehnquist, however, proposed to resolve the case more narrowly by applying the established *Central Hudson* test. *See id.* at 528 (O'Connor, J., concurring).

224. *Id.* at 496 (opinion of Stevens, J.). Also, when evaluating the effectiveness of the regulation in advancing the state's interest, Justice Stevens stated that it must do so "to a material degree," which appears to be a higher standard than the *Central Hudson* "reasonable fit" standard. *Id.* at 505 (opinion of Stevens, J.) (citation omitted). Justice Stevens, however, continued to recognize the state's right to regulate speech that is deceptive or has potential to exert an undue influence over the consumers. *See id.* at 498 (opinion of Stevens, J.).

225. *Id.* at 499 (opinion of Stevens, J.) (quoting *Linmark Assocs. v. Township of Willingboro*, 431 U.S. 85, 96 (1977); *Carey v. Population Serv. Int'l*, 431 U.S. 678, 701 n.28 (1977)).

aggressive sales practices.”<sup>226</sup> The Justices reasoned, however, that when a state bans truthful, nonmisleading speech for reason unrelated to maintaining a fair bargaining process, little reason exists to depart from the rigorous review that the First Amendment generally demands.<sup>227</sup>

Justice Stevens was joined by Justices Ginsburg, Kennedy, and Souter in concluding that *Central Hudson*’s “special care” review standard should apply, “mindful that speech prohibitions of this type rarely survive constitutional review.”<sup>228</sup> Justice Stevens observed that the state bears the burden of showing that the ban’s effectiveness must not only advance the state’s interest, but that it must “do so to a material degree.”<sup>229</sup> The price advertising ban, Justice Stevens concluded, did not survive this inquiry.<sup>230</sup>

In part VI of the 44 *Liquormart* opinion, Justices Stevens, Kennedy, Thomas, and Ginsburg rejected the state’s contention that, like the ban on casino advertising in *Posadas*, the statutes were an appropriate exercise of “legislative judgment.”<sup>231</sup> The state had argued that because the Twenty-first Amendment<sup>232</sup> allows states to ban alcohol, states may therefore prohibit alcohol prices in advertisements.<sup>233</sup> Justice Stevens held that “on reflection, we are now persuaded that *Posadas* erroneously performed the First Amendment analysis.”<sup>234</sup> The Court flatly rejected the notion that the power given to the states

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226. *Id.* at 501 (opinion of Stevens, J.).

227. *See id.* (opinion of Stevens, J.).

228. *Id.* at 504 (opinion of Stevens, J.).

229. *Id.* at 505 (opinion of Stevens, J.) (citing *Edenfield v. Fane*, 507 U.S. 761, 771 (1993)). The Court also noted that “a commercial speech regulation ‘may not be sustained if it provides only ineffective or remote support for the government’s purpose.’” *Id.* (opinion of Stevens, J.) (quoting *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm’n*, 447 U.S. 557, 564 (1980)).

230. *See id.* at 508 (opinion of Stevens, J.) (“It necessarily follows that the price advertising ban cannot survive the more stringent constitutional review that *Central Hudson* itself concluded was appropriate for the complete suppression of truthful, nonmisleading commercial speech.” (citing *Central Hudson*, 447 U.S. at 566 n.9)).

231. *Id.* (opinion of Stevens, J.).

232. Section two of the Twenty-first Amendment states: “The transportation or importation into any State, Territory, or possession of the United States for delivery or use therein of intoxicating liquors in violation of the laws thereof, is hereby prohibited.” U.S. Const. amend. XXI, § 2.

233. *See 44 Liquormart*, 517 U.S. at 508 (opinion of Stevens, J.).

234. *Id.* at 509 (opinion of Stevens, J.). Justice Stevens, citing the long history of commercial speech regulation of this type, found that *Posadas* gave too much deference to the legislature. *See id.* at 509-10 (opinion of Stevens, J.). Justice Stevens also rejected the “greater-includes-the-less” argument, because he felt that such an argument was not only “inconsistent with both logic and well-settled doctrine,” but there was no reason to assume that the “[s]tate’s power to regulate commercial activity is ‘greater’ than its power to ban truthful, nonmisleading commercial speech.” *Id.* at 511 (opinion of Stevens, J.). Justice Stevens found that “[e]ven though government is under no obligation to provide a person, or the public, a particular benefit, it does not follow that conferral of the benefit may be conditioned on the surrender of a constitutional right.” *Id.* at 513 (opinion of Stevens, J.) (citation omitted).

through the Twenty-first Amendment to regulate intoxicating liquor qualifies the constitutional prohibition against laws abridging the freedom of speech embodied in the First Amendment.<sup>235</sup>

The "special care" review applied by the Supreme Court in *44 Liquormart*, coupled with the increased burden on the government to show the ban's effectiveness "to a material degree," signaled the end of the commercial speech doctrine as it had evolved over the last fifty years.<sup>236</sup> What will replace it, however, has yet to be determined.<sup>237</sup> In any event, as discussed below in part III, the doctrine still plays a dominating role in the area of trademarks.

### III. FIRST AMENDMENT AND TRADEMARKS CASES

When analyzing regulations censoring trademarks, courts have classified the regulated speech as "commercial," even when the speech being regulated is not related to any underlying business transaction. This part looks at several examples of these cases. This part also examines the justifications for placing trademarks within the realm of commercial speech.

#### A. Cases Applying the Commercial Speech Doctrine to Trademarks

In *Sambo's of Ohio, Inc. v. City Council of Toledo*,<sup>238</sup> a restaurant corporation challenged the Toledo Planning Commission's ("Commission") grant of a construction permit to the corporation on the condition that the restaurant would not use its trade name "Sambo's."<sup>239</sup> The Commission, as well as the NAACP, had objected to the restaurant's use of the name "Sambo's" because it found the name to be offensive.<sup>240</sup> The court found that although the "Sambo's" sign consti-

235. See *id.* at 516.

236. See *id.* at 517 (Scalia, J., concurring) (signaling the end of the *Central Hudson* test by stating that he shared "Justice Thomas's discomfort with the *Central Hudson* test, which seems to me to have nothing more than policy intuition to support it"); see also Kozinski & Banner, *supra* note 2, at 631 (arguing that the commercial speech doctrine is in such disarray that "[u]nless a case has facts very much like those of a prior case, it is nearly impossible to predict the winner").

237. See Field, *supra* note 165, at 89 ("After reviewing the two commercial speech components, the Court will realize their rationale is no longer valid. The only remaining question is what will be the parameters of the new commercial speech doctrine.").

238. 466 F. Supp. 177 (N.D. Ohio 1979).

239. See *id.* at 179. The name "Sambo's" is registered with the Patent and Trademark Office under 15 U.S.C. § 1051. See *id.*

240. See *id.* at 179-80. The first Sambo's restaurant was opened in 1957 by Sam Battistone and F. Newell Bohnett. Battistone's son suggested the name for the pancake house because "Sambo's" not only conjured up associations with pancakes, but it also combined the names of the founders:

The pancake image derives from *The Story of Little Black Sambo* written in 1899 by Helen Bannerman. A childhood narrative, it is the tale of a small boy, Little Black Sambo, who loses his red coat, blue trousers, purple shoes and green umbrella to marauding tigers. In fighting among themselves, the tigers chase each other in a ring around a tree, running so fast that they melt

tuted commercial advertising, thereby entitling it to less protection, the Commission's action was nonetheless an unconstitutional deprivation of the corporation's First Amendment right to free speech.<sup>241</sup> Further, the court concluded that no considerable government interest existed to justify the ban.<sup>242</sup> In response to the Commission's argument that the city had a strong interest in banning the sign because a portion of the population might find the name offensive, the court found that "if [the sign] is too offensive to too many people, its use will be counterproductive, for those who are offended will not only refuse to buy the product, but also, if they are sufficiently offended, they will attempt to persuade others to refuse also."<sup>243</sup> The court proved to be quite prophetic, for soon after its ruling, Sambo's Restaurants, Inc. filed a voluntary petition for relief under Chapter Eleven of the Bankruptcy Code.<sup>244</sup>

The Sambo's trademark came under attack again in *Sambo's Restaurants, Inc. v. City of Ann Arbor*.<sup>245</sup> Sambo's had signed an agreement with the town of Ann Arbor assuring the town that it would not use the name "Sambo's" in conjunction with its restaurant, in exchange for the town's promise to grant the necessary building permits.<sup>246</sup> Sambo's, however, used the name anyway,<sup>247</sup> claiming that its use of the name, although perhaps offensive, was protected speech

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away leaving nothing but a big pool of butter. Little Black Sambo and his parents then use the butter in preparing a delicious pancake supper.

*Sambo's Restaurants, Inc. v. City of Ann Arbor*, 663 F.2d 686, 687 n.1 (6th Cir. 1981). *But see id.* at 702 (Keith, J., dissenting) (finding the term "Sambo's" to be "derogatory in any context").

241. *See Sambo's of Ohio*, 466 F. Supp. at 179. The court distinguished the "Sambo's" sign from types of speech that may be regulated, including fighting words, obscenity, fraudulent or deceptive statements, speech to captive audiences, infringements on the privacy rights of others and matters relating to juveniles. *See id.*

242. *See id.* ("It is clear that the circumstances of the present case do not bring it within those exceptions to the First Amendment guarantees . . ."). The court held that no matter how distasteful and offensive the commercial language is, the First Amendment forbids the government from censoring it. *See id.* at 180 ("It would be selling our birthright for a mess of pottage to hold that because language is offensive and distasteful even to a majority of the public, a legislative body may forbid its use.").

243. *Id.* at 180. As the court observed, if people are "offended by the word 'Sambo's' not only can they refuse to patronize the plaintiffs, but they, too, can erect signs, carry placards, or publish advertisements designed to persuade others to refuse to patronize the plaintiffs. That is what freedom of speech is all about." *Id.* The court also disapproved of the silencing tactic used by the Commission, comparing Voltaire's declaration "I disapprove of what you say, but I will defend to the death your right to say it" with the Commission's apparent paraphrasing of it: "We disapprove of what you say, and will destroy or banish or gag you if you say it." *Id.*

244. *See Sambo's Restaurants, Inc. v. Wheeler (In re Sambo's Restaurants, Inc.)*, 754 F.2d 811, 812 (9th Cir. 1985).

245. 663 F.2d 686 (6th Cir. 1981).

246. *See id.* at 687.

247. When the restaurant began to lose money, Sambo's applied for, and received, permits to use the name "Sambo's" on its signs; however, the permits were subsequently revoked. *See id.* at 687-88.

under the First Amendment.<sup>248</sup> A panel of the Sixth Circuit found the speech in question raised the issue of "'offensive' commercial speech"<sup>249</sup> and thus applied the *Central Hudson* standard<sup>250</sup> for determining the constitutionality of restrictions on commercial speech.<sup>251</sup> The court held that the town's revocation of the sign permit "clearly infringes on [Sambo's] First Amendment rights."<sup>252</sup> Turning next to the speech itself, the court noted that although "much commercial speech may be 'tasteless and excessive,' [these] characteristics alone could not justify repression of the speech."<sup>253</sup> Further, the court found that, in non-obscenity cases, the mere fact that protected speech can be offensive does not mean that it can be suppressed.<sup>254</sup> The court held that the city must show "[m]uch more than a speculative casual [sic] relationship" between the city's interest behind the speech regulation and the regulation itself.<sup>255</sup> Concluding that the city failed to do so, the court enjoined the city from denying Sambo's sign permits.<sup>256</sup>

Another example of a court pigeonholing trademarks into the category of commercial speech is *Hornell Brewing Co. v. Brady*.<sup>257</sup> In *Hornell*, the court considered the constitutionality of a statute that forbade labels on alcohol bottles from containing any reference to the name "Crazy Horse."<sup>258</sup> The statute also provided for the Bureau of Alcohol, Tobacco, and Firearms to immediately revoke any certificate of label approval already issued for labels which bore that name.<sup>259</sup> Hornell—the maker of "The Original Crazy Horse Malt Liquor"—and its authorized bottler, G. Heileman Brewing Company, moved for an injunction to prevent enforcement of the statute.<sup>260</sup>

The court held that the "Crazy Horse Malt Liquor" label was unquestionably commercial speech,<sup>261</sup> even though the challenged regulation was not designed to prevent a commercial harm, but rather to protect Native Americans from what Congress perceived to be an offensive exploitation of the famous Sioux leader, Crazy Horse.<sup>262</sup> The court scrutinized the regulation under the four-part *Central Hudson*

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248. *See id.* at 689.

249. *Id.* at 687.

250. *See supra* note 200 and accompanying text.

251. *See Sambo's Restaurants*, 663 F.2d at 693.

252. *Id.* at 690.

253. *Id.* at 694-95 (quoting *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 765 (1976)).

254. *See id.* at 695 (quoting *Carey v. Population Servs. Int'l*, 431 U.S. 678, 701 (1977)).

255. *Id.*

256. *See id.*

257. 819 F. Supp. 1227 (E.D.N.Y. 1993).

258. *See id.* at 1229.

259. *See id.* at 1231.

260. *See id.*

261. *See id.* at 1233.

262. *See id.* at 1234.

test applied to commercial speech,<sup>263</sup> and noted that "[a]lthough commercial speech may enjoy less protection than political speech, the Supreme Court, in fact, accords it a high value unless it is false or misleading or causes distinctive adverse effects which directly flow from the commercial speech regulated."<sup>264</sup> The court concluded that the regulation was not narrowly drawn, nor did it directly advance the government's interest.<sup>265</sup> Therefore, the court held, the statute was unconstitutional.<sup>266</sup>

A recent example of a court's use of the commercial speech doctrine in the context of trademarks is *Bad Frog Brewery, Inc. v. New York State Liquor Authority*.<sup>267</sup> In *Bad Frog*, a beer brewery applied to the New York State Liquor Authority ("NYSLA") for approval of its beer label.<sup>268</sup> The label contained a drawing of a frog with four digits; one of the frog's middle digits was extended upwards.<sup>269</sup> The NYSLA rejected the label application.<sup>270</sup> In court, the NYSLA argued that its decision to reject the label was justified by the state's significant interests in protecting children from "profane advertising"<sup>271</sup> and promoting "temperance and respect for the law."<sup>272</sup> The

263. *See id.* at 1233.

264. *Id.* at 1239 (citing *Discovery Network, Inc. v. City of Cincinnati*, 946 F.2d 464, 469-71 (6th Cir. 1991)).

265. *See id.* at 1240.

266. *See id.*

267. 134 F.3d 87 (2d Cir. 1998).

268. *See Bad Frog Brewery, Inc. v. New York State Liquor Auth.*, 973 F. Supp. 280, 281 (N.D.N.Y. 1997). Section 107-a(4)(a) of the New York Alcoholic Beverage Control Law mandates that any alcoholic product marketed in New York must have its brand or trade name and label approved by the NYSLA. *See* N.Y. Alco. Bev. Cont. Law § 107-a(4)(a) (McKinney 1987 & Supp. 1998). Signs deemed by the NYSLA to be "obscene or indecent," "obnoxious or offensive to the commonly and generally accepted standard of fitness and good taste," or "any illustration which is not dignified, modest and in good taste" may be prohibited. N.Y. Comp. Codes R. & Regs. tit. 9, § 83.3(2)(iii)-(ix) (1995).

Bad Frog's label has been approved by the Federal Bureau of Alcohol, Tobacco and Firearms. *See Bad Frog*, 973 F. Supp. at 281. While the label is banned in New Jersey, Pennsylvania, Ohio, and North Carolina, it has been approved for marketing in twenty-two other states. *See* Gary Spencer, "Bad Frog" Beer Banned for "Profane" Label, N.Y. L.J., July 31, 1997, at 1.

269. *See Bad Frog*, 973 F. Supp. at 281. Along with the caricature of the frog, the label also contained slogans such as "He Just Don't Care," "Amphibian With An Attitude," "The Beer So Good . . . It's Bad," "Big Bad 40 oz.," "He's Mean, Green, and Obscene," and "Turning Bad Into Good." *See id.*

270. *See id.* at 281-82.

271. *Id.* at 283.

272. *Id.* The NYSLA elaborated on this in their brief to the Second Circuit, stating that:

The Authority has carefully considered the social and behavioral implications arising from the applied-for labels and the negative, provocative and combative connotations evoked by the phrases, "HE JUST DON'T CARE" and "ATTITUDE" in the context selected by the applicant of a graphic illustration of a frog "giving the finger." The Authority, in its experience, has observed that numerous disputes in licensed premises often spin out of con-

court, employing the *Central Hudson* test, found both of these interests substantial.<sup>273</sup> Further, the court found the illustration of the frog to be commercial speech<sup>274</sup> and saying the equivalent of "fuck you."<sup>275</sup> Because the court found a reasonable link<sup>276</sup> between the regulation and the state's interest in protecting children from profane advertising,<sup>277</sup> the court allowed the state to ban the speech.<sup>278</sup>

On appeal, the Second Circuit reversed the district court's ruling.<sup>279</sup> At first, the court questioned whether the label was so purely commercial as to lie outside the ambit of the First Amendment.<sup>280</sup> The court concluded, however, that the label was entitled to the protections afforded commercial speech because the label was a form of advertising, it identified a specific product, and it served the economic interest of the speaker.<sup>281</sup> Under commercial speech analysis,<sup>282</sup> the court held that the ban was unconstitutional because it lacked a "rea-

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control after a gesture is made or a remark is passed which is considered to be insulting. These incidents have resulted in physical violence, beatings, shootings and stabbings, some of which have led to homicides.

Brief for Appellees at 7-8, *Bad Frog*, 134 F.3d 87 (No. 97-7949). *But see* *Cohen v. California*, 403 U.S. 15, 20 (1971) (finding that the words "fuck the draft" are not fighting words).

273. *See Bad Frog*, 973 F. Supp. at 283-84.

274. *See id.* at 282.

275. *Id.* at 285. The gesture of raising the middle finger to signify an insult has been used for many centuries; it has even been said that the gesture was used by Diogenes to insult Demosthenes. *See Bad Frog*, 134 F.3d at 91 n.1 (citing Betty J. Bäuml & Franz H. Bäuml, *Dictionary of Worldwide Gestures* 159 (2d ed. 1997)).

276. The court applied an intermediate level of scrutiny and found a "reasonable fit," *Bad Frog*, 973 F. Supp. at 287, although *Bad Frog* "argued the state could achieve its goal of protecting the young with something less than a complete ban on *Bad Frog* beer, suggesting limits on sale locations and on billboard, print and broadcast advertising." Spencer, *supra* note 268, at 3.

277. *See Bad Frog*, 973 F. Supp. at 285; *cf. Ginsberg v. New York*, 390 U.S. 629 (1968) (upholding a conviction for selling a "girlie" magazine to a 16-year-old, even though the magazine was not "obscene"). As one commentator observed, the state's purported interest in protecting the sensibilities of children from the *Bad Frog* label is somewhat suspect, because "[a]lthough *Bad Frog* beer is banned in New York, the brewery's T-shirts, hats, and other promotional items are available." Spencer, *supra* note 268, at 3; *cf. Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 715 (1984) (observing that Oklahoma's selective regulation of liquor advertising "suggests limits on the substantiality of the interests it asserts").

278. *See Bad Frog*, 973 F. Supp. at 288.

279. *See Bad Frog*, 134 F.3d at 102-03.

280. *See id.* at 96 ("Since *Friedman*, the Supreme Court has not explicitly clarified whether commercial speech, such as a logo or a slogan that conveys no information, other than identifying the source of the product, but that serves, to some degree, to 'propose a commercial transaction,' enjoys any First Amendment protection.").

281. *See id.* at 97. The court found that although "the label communicates no information beyond the source of the product, we think that minimal information, conveyed in the context of a proposal of a commercial transaction, suffices to invoke the protections for commercial speech, articulated in *Central Hudson*." *Id.* at 96-97.

282. *See supra* Part II.



sonable fit" between the state's interest in shielding minors from vulgar speech and the complete ban of the Bad Frog label.<sup>283</sup>

In its *Bad Frog* decision, the Second Circuit explicitly characterized the speech as commercial speech, despite the fact that the regulation did not address a commercial harm.<sup>284</sup> Although the court remained "unpersuaded by Bad Frog's attempt to separate the purported social commentary in the labels from the hawking of beer,"<sup>285</sup> it was actually the NYSLA who sought to ban speech for reasons that were unrelated to the "hawking of beer."<sup>286</sup> As the NYSLA readily conceded, the regulation was not being used to guard against commercial harms, but rather to censor a message that the NYSLA found to contain "a sexually provocative confrontational gesture,"<sup>287</sup> which the NYSLA believed "to be clearly irresponsible" on the brewer's part.<sup>288</sup> Further, the NYSLA pointed to the potential detrimental effects on a young audience as another justification for its censorship.<sup>289</sup>

### B. *Justifications for Treating Trademarks as Commercial Speech*

The strongest argument for the classification of trademarks as commercial speech is that trademarks "propose a commercial transaction."<sup>290</sup> Most labels and advertisements bearing trademarks, as well as the trademarks themselves, are designed to entice a customer to

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283. *Bad Frog*, 134 F.3d at 101.

284. The NYSLA acknowledges the fact that the regulation was not aimed at preventing commercial harm, stating that "the commercial speech at issue—a cartoon frog 'giving the finger' with confrontational slogans—may not be characterized as misleading or related to illegal activity . . ." Brief for Appellees at 24, *Bad Frog* (No. 97-7949).

285. *Bad Frog*, 134 F.3d at 97.

286. The NYSLA conceded the aim of the speech was not commercial, acknowledging that the banned message "convey[ed] no useful consumer information . . ." Brief for Appellees at 24 n.5, *Bad Frog* (No. 97-7949).

287. *Id.* at 7.

288. *Id.* at 8.

289. *See id.* This, however, is no justification to classify speech as commercial. As Justice Blackmun noted in *Central Hudson*: "If the First Amendment guarantee means anything, it means that, absent clear and present danger, government has no power to restrict expression because of the effect its message is likely to have on the public. Our cases indicate that this guarantee applies even to commercial speech." *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 575 (1980) (Blackmun, J., concurring) (citing Thomas W. Merrill, Comment, *First Amendment Protection for Commercial Advertising: The New Constitutional Doctrine*, 44 U. Chi. L. Rev. 205, 243-251 (1976)). As the Court explained in *44 Liquormart*, "a State's paternalistic assumption that the public will use truthful, nonmisleading commercial information unwisely cannot justify a decision to suppress it . . ." *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 497 (1996). If a trademark is being regulated for reasons other than to address commercial harms, the regulation should have to pass strict scrutiny in order to be constitutional. *See infra* Part IV.

290. *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748, 762 (1976) (quoting *Pittsburgh Press Co. v. Human Relations Comm'n*, 413 U.S. 376, 385 (1972)).

buy a product,<sup>291</sup> and thereby propose a commercial transaction.<sup>292</sup> The Supreme Court, in *Friedman v. Rogers*,<sup>293</sup> held that when a trade name has become well-known, it conveys a message about the type, cost, and quality of the product or service associated with the product; “[i]n each role, the trade name is used as part of a proposal of a commercial transaction.”<sup>294</sup> Under this rationale, the purpose of the trademark or trade name is “strictly business.”<sup>295</sup>

Further, businesses do not normally use trademarks to express matters of social discourse, political satire, newsworthy observations, or the like.<sup>296</sup> Rather, they use trademarks to sell products, the sale of which the government is, concededly, empowered to regulate.<sup>297</sup> According to this reasoning, there is little reason to allow the government to regulate the price of products, the place of sale of products, and in some cases, when the product can be sold, without allowing restrictions of the trademarks themselves.<sup>298</sup>

Another justification for classifying trademarks as commercial speech is that trademarks and trade names can easily be used to mislead consumers.<sup>299</sup> Many consumers depend upon the purveyor’s mark to decide the value and quality of a product or service.<sup>300</sup> Often, this reliance is misplaced.<sup>301</sup> A business can lower the quality of its products and services, or change the product or service entirely, all

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291. Trademarks can either directly appeal to a consumer or persuade a consumer to choose one product over another. See Restatement (Third) of Unfair Competition § 9 cmt. c (1995); see also *id.* Reporters’ Note cmt. c (“Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other.” (quoting S. Rep. No. 79-1333, at 4 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1275)).

292. See *Edenfield v. Fane*, 507 U.S. 761, 767 (1993) (“Commercial speech . . . is ‘linked inextricably’ with the commercial arrangement that it proposes.” (citing *Friedman v. Rogers*, 440 U.S. 1, 10 n.9 (1979))).

293. 440 U.S. 1 (1979).

294. *Id.* at 11.

295. *Id.*

296. See *id.* (finding that one who uses a trade name “does not wish to report any particularly newsworthy fact, or to make generalized observations even about commercial matters” (quoting *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748, 761 (1976))).

297. Cf. *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 502 (1996) (holding that “[i]t is the State’s interest in protecting consumers from ‘commercial harms’” which justifies less scrutiny for regulations restricting commercial speech (citing *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 426 (1993))).

298. The state derives its interest in regulating commercial speech from its regulation of the underlying transaction. See *Edenfield v. Fane*, 507 U.S. 761, 767 (1993) (“Commercial speech . . . is ‘linked inextricably’ with the commercial arrangement that it proposes.” (citing *Friedman*, 440 U.S. at 10 n.9)).

299. See *Friedman*, 440 U.S. at 13 (discussing some scenarios where trade names may be used to mislead consumers).

300. See *id.* at 11 (finding that trade names are used to “convey information about the type, price, and quality of services offered for sale in that practice”).

301. See *id.* at 13 (observing that “[t]he possibilities for deception [within trademarks] are numerous”).

while keeping the same mark.<sup>302</sup> The government is in the best position to protect against consumer fraud.<sup>303</sup> To allow businesses to have unfettered discretion to use and abuse trademarks and trade names would leave the government without arrows in its regulatory quiver and consumers without protection from unscrupulous business practices.<sup>304</sup>

While the above justifications may be appropriate for supporting trademark regulations aimed at protecting consumers from commercial harm, such as inadequate safety warnings or mislabeled ingredients, they are entirely inapplicable in supporting regulations that focus on the non-commercial aspects of the trademark and in no way attempt to remedy commercial harms. As *Bad Frog* and other cases illustrate, however, courts have failed to make this significant distinction, resulting in government suppression of speech and ideas that are entitled to full First Amendment protection. As discussed below in part IV, courts need to carefully examine the purpose behind the challenged trademark regulation before deciding what level of scrutiny to apply.

#### IV. WHY TRADEMARKS DO NOT CONSTITUTE COMMERCIAL SPEECH

Despite the benefits of categorizing trademarks as commercial speech, the costs of such categorization to the First Amendment can be even greater. This part examines the legal and policy justifications for applying strict scrutiny to trademark regulations that are not designed to protect consumers from commercial harms.

##### A. *Legal Justifications*

As previously discussed, the Supreme Court has defined commercial speech as speech that does "no more than propose a commercial transaction."<sup>305</sup> The properties of trademarks, however, are wide and varied and often do more than simply propose a commercial transaction. The existence of commercial elements within a trademark

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302. See *id.* (finding the possibility of deception where "[t]he trade name . . . can remain unchanged despite changes in the staff . . . upon whose skill and care the public depends when it patronizes the practice"); cf. Genel, *supra* note 37, at 300 (arguing that courts should require trademark owners to maintain a consistent quality of goods associated with their marks).

303. See generally *Rubin v. Coors Brewing Co.*, 514 U.S. 476, 496 (1995) (Stevens, J., concurring) (discussing the evils of false commercial speech and the reasons that government regulation of such speech is permitted).

304. Cf. *id.* (Stevens, J., concurring) (observing that commercial speech often occurs at the place of sale; therefore, there is little time for consumers to protect themselves against the evils of false commercial speech through counter-speech and considered reflection).

305. *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748, 771 n.24 (1976) (citation omitted).

should not justify government suppression of the trademark's non-commercial qualities.<sup>306</sup> The Supreme Court has articulated this rationale throughout its line of commercial speech cases, restricting states when they attempt to regulate speech for reasons unrelated to the commercial transaction.<sup>307</sup> As the Court observed in *Central Hudson*, government regulations on commercial speech are permissible when they are designed "to protect consumers from fraudulent, misleading, or coercive sales techniques."<sup>308</sup> Indeed, as the Court has found, the typical justification for allowing commercial speech to be more severely restricted than non-commercial speech is the protection of consumers from "commercial harms."<sup>309</sup> Conversely, "when a State entirely prohibits the dissemination of truthful, nonmisleading commercial messages for reasons unrelated to the preservation of a fair bargaining process, there is far less reason to depart from the rigorous review that the First Amendment generally demands."<sup>310</sup>

Trademarks can be used to express political and social statements in many different ways.<sup>311</sup> For example, trademarks can become so tied

306. See *Posadas de Puerto Rico Assocs. v. Tourism Co.*, 478 U.S. 328, 350-51 (1986) (Brennan, J., dissenting) (stating that regulations restricting commercial speech that protect consumers from "deception or coercion" are not given full First Amendment scrutiny); *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 566 n.9 (1980) ("[I]n recent years this Court has not approved a blanket ban on commercial speech unless the expression itself was flawed in some way, either because it was deceptive or related to unlawful activity.").

307. See 44 *Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 501 (1996) (opinion of Stevens, J.); see also *Rubin*, 514 U.S. at 494 ("As a matter of common sense, any description of commercial speech that is intended to identify the category of speech entitled to less First Amendment protection should relate to the reasons for permitting broader regulation: namely, commercial speech's potential to mislead." (citations omitted)); *Central Hudson*, 447 U.S. at 574 (Blackmun, J., concurring) ("Permissible restraints on commercial speech have been limited to measures designed to protect consumers from fraudulent, misleading, or coercive sales techniques."); *Linmark Assocs., Inc. v. Township of Willingboro*, 431 U.S. 85, 96 (1977) (finding unconstitutional a statute banning "For Sale" signs because the statute was not aimed at "any commercial aspect of [the] signs . . .").

308. *Central Hudson*, 447 U.S. at 574 (Blackmun, J., concurring) (citing *Friedman v. Rogers*, 440 U.S. 1, 10 n.9 (1979)).

309. 44 *Liquormart*, 517 U.S. at 502 (opinion of Stevens, J.) ("It is the State's interest in protecting consumers from 'commercial harms' that provides 'the typical reason why commercial speech can be subject to greater governmental regulation than non-commercial speech.'" (quoting *City of Cincinnati v. Discovery Network, Inc.*, 507 U.S. 410, 426 (1993))).

310. *Id.* at 501. (opinion of Stevens, J.). In his concurrence in *Rubin*, Justice Stevens stated that the "commercial speech doctrine" does not apply when the challenged regulation "neither prevents misleading speech nor protects consumers from the dangers of incomplete information." *Rubin*, 514 U.S. at 491-92 (Stevens, J., concurring). Further, he observed that "truthful statement[s] . . . [which] would receive full First Amendment protection in any other context[,] without some justification tailored to the special character of commercial speech, . . . [cannot be suppressed] merely because it happens to appear on the label of a product for sale." *Id.* at 492 (Stevens, J., concurring).

311. See generally Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 Notre Dame L. Rev. 397, 397 (1990) (observing

in with a political group or association that the trademark itself becomes a way of expressing the sentiments of the organization. For example, the PETA (People for the Ethical Treatment of Animals) mark is not used to sell a product, but merely to convey a message about the organization's beliefs about animals.<sup>312</sup> The trade name COYOTE (Cast Off Your Old Tired Ethics) is used by an organization to raise support for the legalization of prostitution,<sup>313</sup> as NORML (National Organization for the Reform of Marijuana Laws) does for marijuana<sup>314</sup> and the NRA (National Rifle Association) does for guns.<sup>315</sup> The mark "MC" on a biker's jacket also sends a social statement. Much like the mark "®" is used to indicate that a mark is federally registered, the Hell's Angels allows motorcycle clubs to use the mark "MC" on their jackets to signify that they are sanctioned by the Hell's Angels.<sup>316</sup>

Even if a company's primary focus is to sell products and collect a profit, it may use its trademark to express a political message as well. For example, the Old Glory Condom Corporation intended its mark to express its belief that the use of condoms is patriotic.<sup>317</sup> It accomplished this goal by registering as its trademark a condom decorated with an American flag.<sup>318</sup> Similarly, the trademark chosen by Bad Frog Breweries, a frog extending a middle digit upwards, was intended not only to identify the beer but to convey either "peace, solidarity, and good will"<sup>319</sup> or an anti-establishment statement.<sup>320</sup> Another corporation, Both Worlds Incorporated, expressed its displeasure at the

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that marks "that once functioned solely as signals denoting the source, origin, and quality of goods, have become products in their own right, valued as indicators of the status, preferences, and aspirations of those who use them").

312. See Christine Gorman, *What's It Worth to Find A Cure?*, Time, July 8, 1996, at 53, 53.

313. See Terry Glover, *The Shame Game: Who Profits from Prostitution*, Playboy, June 1996, at 58, 58.

314. See *The Smoke-Filled Room*, Playboy, Oct. 1996, at 48, 48.

315. See Robert Scheer, *Guns N' Poses*, Playboy, Mar. 1994, at 45, 45.

316. See John Sullivan, *For Motorcycle Gang Without Motorcycles, Even More Bad News*, N.Y. Times, Mar. 11, 1998, at B4.

317. See *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d (BNA) 1216 (1993). The corporation was formed after its president participated in an exhibition entitled "Trouble in Paradise," which focused on artists' reactions to contemporary social and political issues. See *id.* at 1217. The president's exhibit was intended to focus attention on AIDS and other sexually transmitted diseases. See *id.* Moreover, on the back of each condom package is the "'Old Glory Pledge': We believe it is patriotic to protect and save lives. We offer only the highest quality condoms. Join us in promoting safer sex. Help eliminate AIDS. A portion of Old Glory profits will be donated to AIDS related services." *Id.*

318. See *id.*

319. *Bad Frog Brewery, Inc. v. New York State Liquor Auth.*, 134 F.3d 87, 91 (2d Cir. 1998) (noting that in a petition, Bad Frog claimed that "the company's goal was to claim the gesture as its own and as a symbol of peace, solidarity, and good will").

320. See Brief for Appellees at 8, *Bad Frog* (No. 97-7949) (stating the label "invite[s] the public not to heed conventional wisdom and to disobey standards of decorum"). The New York State Liquor Authority elaborated:

amount of people wearing polo shirts with prestigious emblems on them by using as a mark for its own polo shirts the silhouette of a defecating dog.<sup>321</sup>

Another way that trademarks can be used to convey a political or social statement is when consumers themselves begin to adopt an unintended meaning of the mark. Similar to the way Americans in Boston in the late 1700s would order coffee in public (not because they were thirsty, but rather to convey a message that they supported separation from England (the English drank tea)),<sup>322</sup> many trademarks are worn or displayed by the public to send messages.<sup>323</sup> In 1978, for example, a not-for-profit group<sup>324</sup> named S.T.O.P.<sup>325</sup> protested a plan to build a medium-security prison for young offenders in Olympic Village near Lake Placid, New York, by designing, printing, and distributing posters bearing the word "Olympic" along with the Olympic rings.<sup>326</sup> The building was going to be used as temporary housing for Olympic athletes,<sup>327</sup> after which it was to be converted into the

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The Authority has carefully considered the social and behavioral implications arising from the applied-for labels and the negative, provocative and combative connotations evoked by the phrases, "HE JUST DON'T CARE" and "ATTITUDE" in the context selected by the applicant of a graphic illustration of a frog "giving the finger."

*Id.* at 7.

321. See *Greyhound Corp. v. Both Worlds, Inc.*, 6 U.S.P.Q.2d (BNA) 1635, 1638 (1988).

322. See Benjamin Woods Labaree, *The Boston Tea Party* 7 (1964); see also John F. Mariani, *The Dictionary of American Food & Drink* 118 (1983) (noting that coffee sales during the Revolutionary War increased 600%, due in part to a protest against the high taxes on tea imposed by the British).

323. See Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis. L. Rev. 158, 202 (observing that a trademark "provides a vehicle for the communication of ideas"). For example, like members of motorcycle gangs in the past, recent day street gang members have adopted the "Raiders" emblem as a sign of membership in a gang. See Roberta Johnson Schneider, *Detective Gives Parents Some Clues About Gangs*, Kan. City Star, Jan. 25, 1997, at 10; Nina Siegal, *Ganging Up on Civil Liberties*, *Progressive*, Oct. 1997, at 28, 28-29.

324. See *Stop the Olympic Prison v. United States Olympic Comm.*, 489 F. Supp. 1112, 1115 (S.D.N.Y. 1980).

325. S.T.O.P. stands for "Stop The Olympic Prison." *Id.* at 1114. S.T.O.P. was an association of religious, civil, and criminal justice reform groups created in 1978 for the purposes of organizing opposition to and increasing public knowledge about the construction of a federal prison for youthful offenders in Raybrook [sic], New York, and the use of that prison to house athletes gathered to participate in the 1980 Winter Olympic Games in Lake Placid, New York.

*Id.* at 1116.

326. See *id.* at 1114-15. The words "STOP THE OLYMPIC PRISON" appeared on the top half of the poster. *Id.* at 1127. Underneath the title was a picture of a hand holding the Olympic torch jutting out from behind prison bars. See *id.* Wrapped around the wrist were the five intertwining circles indicative of the Olympic rings. See *id.*

327. See *id.* at 1115.

prison.<sup>328</sup> S.T.O.P. used the posters to inextricably link the decision to build the prison with the United States Olympic Committee.<sup>329</sup> When the Committee brought suit against S.T.O.P., the court concluded that S.T.O.P.'s use of the Olympic trademarks was a valid form of speech expression.<sup>330</sup>

People may also use trademarks to express opinions about the mark's owners by using the marks in a parody.<sup>331</sup> For example, in a parody of the L.L. Bean catalog, *High Society* magazine<sup>332</sup> published an article bearing the L.L. Bean trademark and featuring nude models in sexually explicit positions.<sup>333</sup> After winning a summary judgement motion, L.L. Bean obtained an injunction prohibiting *High Society* magazine from further publication of the article.<sup>334</sup> The First Circuit reversed, finding that an injunction would allow a corporation to "shield itself from criticism by forbidding the use of its name in commentaries critical of its conduct."<sup>335</sup>

In addition, an expression of art is often embedded within a trademark.<sup>336</sup> The concept of a trademark's design is similar to the concept

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328. See *id.* Congress had authorized \$49 million in federal funds for the construction of the facility on the condition that it be put to permanent use after the Olympics. See *id.*

329. See *id.* at 1124.

330. See *id.* at 1121-25.

331. The First Circuit Court has held that:

The central role which trademarks occupy in public discourse . . . makes them a natural target of parodists. Trademark parodies, even when offensive, do convey a message. The Message may be simply that business and product images need not always be taken too seriously; a trademark parody reminds us that we are free to laugh at the images and associations linked with the mark. The message also may be a simple form of entertainment conveyed by juxtaposing the irreverent representation of the trademark with the idealized image created by the mark's owner. While such a message lacks explicit political content, that is no reason to afford it less protection under the first amendment. Denying parodists the opportunity to poke fun at symbols and names which have become woven into the fabric of our daily life, would constitute a serious curtailment of a protected form of expression.

*L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir. 1987) (citations omitted).

332. *High Society* magazine is an "adult erotic entertainment" magazine published monthly. *Id.* at 27.

333. See *id.* The article also stated the contents on the page were "humor" and a "parody." *Id.*

334. See *id.*

335. *Id.* at 33. The court found that "[t]he Constitution does not . . . permit the range of the anti-dilution statute to encompass the unauthorized use of a trademark in a noncommercial setting such as an editorial or artistic context." *Id.*

336. See *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) ("The protection of trademarks is the law's recognition of the psychological function of symbols. . . . The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol."); McCarthy, *supra* note 32, § 7.06; cf. Tara J. Goldsmith, Note, *What's Wrong with this Picture? When the Lanham Act Clashes with Artistic Expression*, 7 Fordham Intell. Prop. Media & Ent. L.J. 821, 824-25 (1997)

of recognized pieces of artwork; they are both designed to convey messages, emotions, and to reach people visually.<sup>337</sup> Some trademarks are even recognized pieces of artwork, such as the nude drawing on the label of a 1993 bottle of Chateau Mouton Rothschild by the modern artist Balthus.<sup>338</sup> Additionally, other trademarks may become works of art, such as Andy Warhol's Campbell Soup can paintings.<sup>339</sup> Even artwork itself can become trademark protected. For example, in *Romm Art Creations Ltd. v. Simcha International Inc.*,<sup>340</sup> the Eastern District of New York found that certain Govezensky limited edition reproduction paintings of women in a café infringed on similar paintings by Tarkay and therefore enjoined their sale.<sup>341</sup> Similarly, paintings on greeting cards are protected by trademark law,<sup>342</sup> as are drawings adorning the covers of novels.<sup>343</sup>

Further, the manner of expressing trademarks and trade names can constitute protected speech. The trade dress of a product consists of the artistic and stylistic element of a trademark or trade name.<sup>344</sup> For instance, the distinctive yellow-and-black style of the *Cliff's Notes* is protected as part and parcel of the trademark,<sup>345</sup> as is the old style lettering and borders of the *Old Farmers Almanac*.<sup>346</sup> Even the artistic construction of a distinctive building, such as White Castle's old

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(discussing the conflict between the First Amendment protection of artistic expression and trademark law).

337. See *Mishawaka*, 316 U.S. at 208 ("The creation of a market through an established symbol implies that people float on a psychological current engendered by the various advertising devices which give a trade-mark its potency."). See generally Hugh M. Hefner, *Golden Dreams*, Playboy, Jan. 1994, at 14, 265 (discussing the reasons for choosing a rabbit as a trademark, including the fact that the rabbit "would be both playful and sophisticated").

338. See *Forum F.Y.I.*, Playboy, May 1997, at 53, 53. Many people found the nude drawing offensive and "managed to browbeat the vineyard into relabeling 30,000 bottles." *Id.*; see also *infra* notes 359-62 and accompanying text (arguing that a proper response to offensive marks is to boycott and protest the use of the mark).

339. Warhol painted campbell soup cans many times. See Bennard B. Perlman, Editorial, *Is Warhol's Art Art Yet?*, Baltimore Sun, Mar. 26, 1997, at 17A.

340. 786 F. Supp. 1126 (E.D.N.Y. 1992).

341. See *id.* at 1141.

342. See *Hartford House Ltd. v. Hallmark Cards, Inc.*, 647 F. Supp. 1533, 1540 (D. Colo. 1986) (observing that one purpose of the Lanham Act "is to protect a creative artist's rights in his or her creation and thus provide incentive to be creative").

343. See *Harlequin Enters. Ltd. v. Gulf & W. Corp.*, 644 F.2d 946, 949-50 (2d Cir. 1981).

344. Trade dress of a product consists of the total effect of "background" including the shape, color, and design of the packaging, as well as the containers in which the product is sold. McCarthy, *supra* note 93, § 23:18.

345. See *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Group, Inc.*, 886 F.2d 490, 492 (2d Cir. 1989).

346. See *Yankee Publ'g Inc. v. News Am. Publ'g Inc.*, 809 F. Supp. 267, 269-70 (S.D.N.Y. 1992).



century castle-shaped building, is considered to be a protected trademark.<sup>347</sup>

### B. Policy Justifications

The existence of non-commercial qualities within a trademark, in and of itself, is enough to prevent the government from enacting any regulations of that trademark extending beyond the scope of protecting consumers from "commercial harm." But the free market also provides assurance that consumers will reject offensive trademarks without excessive government intervention.<sup>348</sup>

The most common usage of a trademark or trade name is to identify products as being produced by a certain corporation.<sup>349</sup> The greater the public identifies a trademark with a quality product, the more valuable the trademark becomes.<sup>350</sup> Wall Street has even placed "values" on trademarks by measuring the "brand equity" of a mark.<sup>351</sup> Brand equity reflects the financial value of a brand's reputation by translating consumer loyalty and recognition of the brand's trademark into dollars and cents.<sup>352</sup> For example, because consumers are willing

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347. See *White Tower Sys., Inc. v. White Castle Sys. of Eating Houses Corp.*, 90 F.2d 67, 68 (6th Cir. 1937).

348. See *supra* note 243 and accompanying text.

349. See *supra* notes 35-38 and accompanying text. But see McCarthy, *supra* note 24, § 3:2 (observing that the identification function of marks does not mean that the consumer must know the identity of the manufacturer or distributor of the goods and that seeing the same mark on goods merely identifies to the buyer the fact that all such goods come from a common, even though anonymous source). For example, the Nike "swoosh" is used to identify the maker of the apparel as Nike. See Maria Mallory, *Pop Goes the Pepsi Generation: A Struggling Pepsi-Cola Offers a Cautionary Tale in Brand Stewardship*, U.S. News & World Rep., June 16, 1997, at 48, 49.

350. See John Kimelman, *Free Tony the Tiger*, Fin. World, Sept. 1, 1993, at 50, 50 (stating that "the values of brands . . . [are] created in large part as a direct result of the companies' advertising campaigns over the years").

351. See Mallory, *supra* note 349, at 48-49. Although in the United States, the value assigned to the brands, which are intangible assets, cannot be accounted for in the financial statements, the brand values are accounted for in the United Kingdom. See Alexandra Ourusoff, *What's in a Name: The Methodology*, Fin. World, Sept. 1, 1992, at 46, 46-47.

352. See Mallory, *supra* note 349, at 49. Although valuation techniques differ among analysts, one commonly employed method requires a determination of the total brand sales. See Alexandra Ourusoff et al., *What's in a Name? What the World's Top Brands Are Worth*, Fin. World, Sept. 1, 1992, at 32, 34. From this figure, the cost of the goods sold, general and administrative expenses, and depreciation are all subtracted, leaving only operating profits. See *id.* Subtracted from the operating profits is an amount equal to what could be earned with a plain generic version of the product. See *id.* Applied to this resulting figure is an appropriate tax rate to reach the net brand profits. See *id.* Then a multiple—based on such factors as global reach, market leadership, and stability—is applied to determine the value of the brand. See *id.* For a more in-depth view on different ways to measure brand equity, see generally Paul Dyson et al., *Understanding, Measuring, and Using Brand Equity*, J. Advertising Res., Nov. 21, 1996, at 9.

to pay upwards to \$150 for a pair of sneakers with a "swoosh" on it, Nike's brand equity is estimated at \$7.3 billion.<sup>353</sup>

A corporation's stock price is affected by the corporation's brand equity.<sup>354</sup> A strong brand trademark is essential to capture a larger share of the market, both at home and abroad.<sup>355</sup> When new companies enter foreign markets, one of the first orders of business is to flood the market with the brand's trademark so that consumers can become loyal to the product.<sup>356</sup> A strong brand equity also helps maintain sales when price wars ensue, competition becomes fierce, or the economy slows down.<sup>357</sup> Furthermore, a strong brand name allows a company to use the value embedded in the brand name to gain easier access to capital.<sup>358</sup>

If the mark is truly offensive to a great number of people, consumers will simply refuse to purchase the product.<sup>359</sup> Also, consumers are free to write letters, "erect signs, carry placards, or publish advertisements" in protest of any offensive trademark.<sup>360</sup> The proper response to offensive speech is not censorship, but counter-speech.<sup>361</sup> The marketplace of ideas, as well as the marketplace of commercial products, will eventually weed out trademarks that people find undesirable and offensive.<sup>362</sup> Because free market participants have a financial interest in preserving trademarks through self-regulation,<sup>363</sup> there is no

353. See Mallory, *supra* note 349, at 49.

354. See Peter P. Conway, Jr., *Protect Brand Equity in the Global Marketplace*, Best's Rev., Feb. 1998, at 81, 81 (stating that "8% of the variance in a company's stock price is accounted for by corporate brand equity").

355. See Ourusoff et al., *supra* note 352, at 32-34.

356. See Michael K. Ozanian & Alexandra Ourusoff, *Never Let Them See You Sweat*, Fin. World, Feb. 1, 1994, at 34, 35-38.

357. See Mallory, *supra* note 349, at 49.

358. See Ourusoff et al., *supra* note 352, at 46.

359. See *Hornell Brewing Co. v. Brady*, 819 F. Supp. 1227, 1237 (E.D.N.Y. 1993) (finding that if a beer label is offensive to Native Americans, they would be discouraged from purchasing the product).

360. *Sambo's of Ohio, Inc. v. City Council Toledo*, 466 F. Supp. 177, 180 (N.D. Ohio 1979).

361. See *Texas v. Johnson*, 491 U.S. 397, 419 (1989) ("If there be time to expose through discussion the falsehood and fallacies, to avert the evil by the processes of education, the remedy to be applied is more speech, not enforced silence."); see also *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 577 (1980) (Blackmun, J., concurring) (applying the same reasoning to commercial speech).

362. As the Supreme Court noted, "the relationship of speech to the marketplace of products or of services does not make it valueless in the marketplace of ideas." *Virginia State Bd. Of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. 748, 760 (1976) (quoting *Bigelow v. Virginia*, 421 U.S. 809, 825-26 (1975)); see also *supra* notes 242-43 and accompanying text. But see *Central Hudson*, 447 U.S. at 597 (Rehnquist, J., dissenting) (finding that "although the 'marketplace of ideas' has a historically and sensibly defined context in the world of political speech, it has virtually none in the realm of business transactions").

363. See *supra* notes 350-58 and accompanying text (discussing the benefits of having a strong mark).

reason for the government to regulate trademarks except to protect consumers from commercial harms.

#### CONCLUSION

The First Amendment guarantee of free speech must not be abrogated lightly.<sup>364</sup> The commercial speech doctrine only allows the government to censure messages that perpetrate commercial harms. When the government oversteps its bounds by using the commercial speech doctrine as a cloak to quiet objectionable speech, the courts must hold the government accountable and subject the regulation to the strictest constitutional review.

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364. See *Abrams v. United States*, 250 U.S. 616, 630 (Holmes, J., dissenting) (1919) ("I think that we should be eternally vigilant against attempts to check the expression of opinions that we loathe . . .").