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

Francis A. Raso\*

**I. INTRODUCTION**

Simon Shiao Tam is the lead singer, songwriter, and “front-man” of an Asian American rock band that controversially refers to itself as “The Slants.”<sup>1</sup> While Mr. Tam admits that his band’s name is derived from an ethnic slur for people of Asian descent, he nonetheless seeks federal trademark registration for the moniker, which he regularly utilizes in promotional materials.<sup>2</sup> His stated intent is a desire to recapture the negative stereotypes typically associated with Asian American culture, and to redefine them in a more positive light—as sources of Asian pride and accomplishment.<sup>3</sup> But Mr. Tam’s good faith efforts to seek semiotic change were thwarted when an examining attorney in the United States Patent and Trademark Office (PTO) refused to register his proposed mark on grounds that the term is likely disparaging to a “substantial composite” of the Asian American population.<sup>4</sup> The examining attorney cited section 1052(a) of the Lanham Act as statutory grounds for the refusal.<sup>5</sup>

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\* J.D., 2016, Seton Hall University School of Law; B.A., Journalism and Public Relations, 2013, Seton Hall University. I would like to thank Professor Thomas Healy for lending me his constitutional expertise and providing me with valuable feedback throughout the writing of this Comment. I would also like to thank Kyle Brown for all of his helpful guidance and encouragement.

<sup>1</sup> *In re Tam*, 785 F.3d 567, 568 (Fed. Cir.), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015).

<sup>2</sup> *See id.*

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

<sup>4</sup> *Tam*, 785 F.3d at 568–69.

<sup>5</sup> *Id.* at 568.

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

Mr. Tam appealed the PTO’s decision, and the Trademark Trial and Appeal Board (TTAB) affirmed the examiner’s refusal, citing dictionary definitions, other reference works, and isolated reactions from the relevant community as evidence of likely disparagement.<sup>10</sup> The Federal Circuit

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<sup>6</sup> 15 U.S.C. § 1052(a) (2015).

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

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

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

<sup>10</sup> *Tam*, 785 F.3d at 569.

initially reaffirmed the Board’s decision, but subsequently vacated its judgment and granted Mr. Tam a rehearing *en banc* on the sole issue: Does section 1052(a) violate the First Amendment?<sup>11</sup>

Upon rehearing, the Federal Circuit vacated its earlier judgment, partially overruled *McGinley*, struck down the disparagement provision of section 1052(a) as unconstitutional on its face, and permitted Mr. Tam to register his trademark.<sup>12</sup> The court reaffirmed *McGinley*’s proposition that section 1052(a)’s disparagement provision does not technically *ban* any speech.<sup>13</sup> However, the court held that the provision imposes an “unconstitutional condition” in that it deprives disparaging marks of vitally important business protections, thereby tending to indirectly discourage prospective trademark registrants from using offensive language.<sup>14</sup> The court also ruled that the statutory language was viewpoint-discriminatory on its face (and therefore presumptively invalid) because the PTO’s exclusion of a mark from the Principal Register necessarily depends on its disapproval of the mark’s message<sup>15</sup>—a direct violation of the Supreme Court’s jurisprudence mandating content neutrality in governmental restraints on speech.<sup>16</sup>

Moreover, the Federal Circuit held that section 1052(a)’s disparagement prohibition is not saved by either the “commercial speech” or “government speech” doctrines. With regard to the former, the court reasoned that it is not the mark’s commercial nature as a source identifier, but rather its “expressive character” that serves as the basis for a finding of unregistrability.<sup>17</sup> With respect to the latter, the court held that a trademark owner’s use of his or her mark is *private* speech

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<sup>11</sup> *In re Tam*, 600 F. App’x 775 (Fed. Cir.), *vacating* 785 F.3d 567 (Fed. Cir. 2015).

<sup>12</sup> *See generally Tam*, 808 F.3d 1321.

<sup>13</sup> *See id.* at 1339.

<sup>14</sup> *See id.* at 1339–45.

<sup>15</sup> *Id.* at 1334–37.

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

<sup>17</sup> *Tam*, 808 F.3d at 1337–38.

rather than government speech.<sup>18</sup> The court reasoned that the purpose of identifying a business owner's goods is highly antithetical to any notion of government control,<sup>19</sup> and that neither the regulatory activity of issuing a registration certificate nor the trademark owner's inclusion of an "®" symbol converts this speech from private to government status.<sup>20</sup>

Finally, the court held that Congress may not exclude disparaging trademarks from the Principal Register on the grounds that registration constitutes a government subsidy. Even though "the scope of the subsidy cases has never been extended to a 'benefit' like recognition of legal rights in speakers against private interference,"<sup>21</sup> the court seemed to assume *arguendo* that federal registration constitutes a subsidy. Nevertheless, the court held that Congress does not remain "free to distribute the legal rights it creates without respecting First Amendment limits on content and viewpoint discrimination."<sup>22</sup>

The recent grant of a rehearing in *In re Tam* demonstrates the questionable, wishy washy status of section 1052(a). While the Federal Circuit seems to have taken a definitive position on the provision's constitutionality, the issue remains heated and relevant in other jurisdictions due to controversies surrounding the PTO's cancellation of allegedly disparaging trademarks affiliated with discriminatory sports team names.<sup>23</sup> This strongly suggest that the United States Supreme Court will grant certiorari on the issue sometime in the near future. Additionally, the Federal

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<sup>18</sup> *Id.* at 1345.

<sup>19</sup> *See id.* at 1345 ("The fact that COCA COLA and PEPSI may be registered trademarks does not mean the government has endorsed these brands of cola, or prefers them over other brands.")

<sup>20</sup> *Id.* at 1347.

<sup>21</sup> *Id.* at 1351.

<sup>22</sup> *Id.*

<sup>23</sup> *See, e.g.,* Pro-Football, Inc. v. Blackhorse, 112 F. Supp. 3d 439 (E.D. Va. 2015); *see also* Eugene Volokh, *Federal Appeals Court Decides 'The Slants' Case: Excluding 'Disparaging Marks' from Trademark Registration Violates the First Amendment*, WASH. POST (Dec. 22, 2015), <https://www.washingtonpost.com/news/volokh-conspiracy/wp/2015/12/22/federal-appeals-court-decides-the-slants-case-excluding-disparaging-marks-from-trademark-registration-violates-the-first-amendment/> (explaining that the *Tam* decision is not binding on the Fourth Circuit Court of Appeals, which is currently considering the continued registrability of the "REDSKINS" mark).

Circuit’s *en banc* opinion in *Tam* expressly limits its holding to section 1052(a)’s *disparagement* prohibition, thereby leaving all constitutional issues regarding the statute’s parallel *scandalousness* provision wide open for further debate—even within the Federal Circuit’s domain.<sup>24</sup>

At first glance, there are two major policy implications underlying section 1052(a)’s statutory language that seem particularly troubling. First, the provision serves as an inviting vehicle through which examining attorneys in the PTO may enforce their own subjective ideas of morality—a temptation that exists nowhere else within United States intellectual property law.<sup>25</sup> In short, the PTO possesses admirable expertise in several areas, but its employees do *not* possess the ability to effectively assess and measure the general public’s moral outrage.<sup>26</sup> Imposing such an unreasonable duty on the PTO inevitably leads to individual examiners tapping into their own political views, religious backgrounds, geographic origins, and unique visceral reactions, thereby producing irreconcilably inconsistent results.<sup>27</sup>

The second troublesome policy implication regarding section 1052(a) is that its prohibitions are fundamentally inconsistent with the Lanham Act’s underlying purposes: to eliminate *deceptive* and *misleading* trademarks from interstate commerce; to protect registrants

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<sup>24</sup> *Tam*, 808 F.3d at 1330 n.1; *see also* Lawrence K. Nodine & Daniel B. Englander, *In re Tam En Banc Decision—Lanham Act 2(a) Is Unconstitutional*, BALLARD SPAHR, LLP (Dec. 22, 2015), <http://www.ballardspahr.com/alertspublications/legalalerts/2015-12-22-in-re-tam-en-banc-decision-lanham-act-2-a-is-unconstitutional.aspx> (“Although the Court did not rule that . . . other aspects of the statute were also unconstitutional, it nonetheless made clear that it was open to further challenges to these provisions.”).

<sup>25</sup> *See* Phillips, *supra* note 9, at 56 (“It seems peculiar to call upon the United States Patent and Trademark Office to monitor and protect the morals of society; these sorts of police powers have historically been the domain of states and explicitly not the domain of the federal government.”). The free market itself would likely be a more appropriate judge of a trademark’s value as a source indicator. *Id.* No equivalent morality standard exists in American copyright or patent law; in fact, both of these regimes explicitly offer protection for controversial and potentially offensive works. *Id.* at 71. For example, the United States Copyright Office lacks authority to deny copyright registration to a pornographic magazine, provided the magazine constitutes an “original work of authorship” fixed in a “tangible medium of expression.” 17 U.S.C. § 102 (2015). Additionally, the PTO demonstrated its lack of concern for morality as a criterion of patentability when it issued a patent for a “female functional” mannequin in 1995. Phillips, *supra* note 9, at 71 (citing U.S. Patent No. 5,466,235 (filed Mar. 27, 1995)).

<sup>26</sup> Anne Gilson LaLonde & Jerome Gilson, *Trademarks Laid Bare: Marks That May Be Scandalous or Immoral*, 101 TRADEMARK REP. 1476, 1477 (2011).

<sup>27</sup> *Id.* at 1476–77.

against *unfair competition*; and to prevent *commercial fraud*.<sup>28</sup> Other sections and subsections of the Lanham Act more appropriately reflect these goals.<sup>29</sup> However, the prohibition of scandalous and/or disparaging trademark registrations is entirely disconnected from these underlying concerns. Offensive marks do not necessarily confuse consumers or stimulate unfair competition; they also have the potential to acquire goodwill and serve as effective source identifiers.<sup>30</sup> In sum, the fundamental purposes underlying the Lanham Act strongly suggest that registration prohibitions should exist only to the extent necessary to reduce consumer confusion in the marketplace.<sup>31</sup>

In light of the foregoing policy and the following legal analysis, this Comment posits that the Federal Circuit’s resolution of *Tam* was a step in the right direction, and the United States Supreme Court should affirm the decision if and when it grants certiorari. Ultimately, however, *both* the scandalousness and disparagement prohibitions of section 1052(a) should be struck down as facially violative of the First Amendment. As opposed to focusing on the facially viewpoint-discriminatory nature of section 1052(a)’s prohibitions, this Comment attacks *McGinley* through its analysis of the unconstitutional conditions doctrine as that doctrine interacts with Congress’s Article I spending power. As will be shown, section 1052(a) impermissibly abridges the First Amendment freedoms of trademark applicants through operation of the unconstitutional

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<sup>28</sup> 15 U.S.C. § 1127 (2015). Subsequent case law has identified additional related purposes, including the following: to lessen consumer search costs; to ensure that manufacturers reap the goodwill and other reputation-related benefits of their investments; to identify and distinguish a seller’s goods from others; and to enable consumers to make decisions based on previous experiences with a particular product. Carpenter & Murphy, *supra* note 3, at 466 (citing Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 623 (2004)); Robert Wright, *Today’s Scandal Can Be Tomorrow’s Vogue: Why Section 2(a) of the Lanham Act Is Unconstitutionally Void for Vagueness*, 48 HOW. L.J. 659, 660 (2005).

<sup>29</sup> See, e.g., § 1052(d) (granting the PTO authority to deny registration for marks that strongly resemble other previously registered marks and marks that are otherwise likely to cause consumer confusion).

<sup>30</sup> LaLonde & Gilson, *supra* note 26, at 1487.

<sup>31</sup> See Jasmine Abdel-Khalik, *To Live in In-“Fame”-Y: Reconceiving Scandalous Marks as Analogous to Famous Marks*, 25 CARDOZO ARTS & ENT. L.J. 173, 180 (2007) (citing 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:14 (4th ed. 2004)).

conditions doctrine. Because *McGinley* failed to even consider this doctrine in its analysis, its ruling that section 1052(a) survives First Amendment scrutiny fails to suffice as viable precedent.<sup>32</sup> More importantly, the Spending Clause of the United States Constitution no longer justifies section 1052(a)'s intrusive restrictions on speech—as the *McGinley* court held. This latter point has little to do with the provision's content- or viewpoint-discrimination, and the Federal Circuit need not have engaged in any complex First Amendment analysis in order to dismiss the government's "permissible non-subsidy" argument. Rather, drastic changes in the PTO's internal management and budget mechanisms<sup>33</sup> have rendered *McGinley* obsolete, and federal trademark registration proceedings no longer implicate public treasury funds to a constitutionally adequate degree. In other words, even if section 1052(a)'s prohibitions were content-neutral, *McGinley*'s proposition that the Spending Clause grants Congress the power to withhold federal trademark registrations is incorrect, because the issuance of such a registration does not in any way constitute a government subsidy.

Part II of this Comment summarizes necessary background information regarding how section 1052(a) operates in practice. Part III includes a brief description of the constitutional challenges that have been raised in litigation as prior attempts to invalidate the provision on its face. Part IV argues that section 1052(a) imposes an unconstitutional condition which unlawfully abridges trademark applicants' First Amendment rights. Part V argues that section 1052(a)'s First Amendment intrusion is no longer justified by Congress's inherent spending authority under

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<sup>32</sup> *In re Tam*, 785 F.3d 567, 580 (Fed. Cir.) (Moore, J., additional views), *reh'g en banc granted, opinion vacated*, 600 F. App'x 775 (Fed. Cir. 2015).

<sup>33</sup> *See id.* ("[T]he act of registering a trademark does not involve the federal treasury. In 1981, as noted by the *McGinley* court, trademark registration was 'underwritten by public funds.' That is no longer true today. Since 1991, PTO operations have been funded entirely by registration fees, not the taxpayer." (quoting *In re McGinley*, 660 F.2d 481, 486 (C.C.P.A. 1981)) (citing Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, 104 Stat. 1388 (1990); Revision of Patent and Trademark Fees, 56 Fed. Reg. 65142-01 (Dec. 13, 1991) (to be codified at 37 C.F.R. pt. 1, 2))).



Article I, Section 8, Clause 1 of the Constitution. Finally, Part VI states that as an abridgement of trademark applicants' First Amendment rights to engage in offensive commercial speech, section 1052(a) must withstand a form of intermediate scrutiny set forth in *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*; the provision fails to survive such scrutiny and thus must be invalidated as unconstitutional.

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

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

Either a group or individual may submit an application for federal trademark registration to the PTO.<sup>34</sup> The application is then assigned to an examining attorney who confirms that the applicant has complied with all procedural formalities and determines whether the proposed mark overcomes all substantive statutory prohibitions.<sup>35</sup> At this stage, the examiner can decide that the proposed mark consists of scandalous or disparaging material and refuse registration on those grounds.<sup>36</sup> If this occurs, the denied applicant is given six months to amend his or her application, present evidence countering a finding of scandalousness or disparagement, or otherwise respond with legal arguments.<sup>37</sup> Following a final office action, a rejected applicant may appeal to the TTAB.<sup>38</sup> If the applicant is again denied trademark registration, he or she may submit another appeal to the United States Court of Appeals for the Federal Circuit.<sup>39</sup> Via this route, a denial of registration could theoretically make its way to the United States Supreme Court.<sup>40</sup>

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<sup>34</sup> See 15 U.S.C. § 1051 (2015).

<sup>35</sup> See U.S. PATENT & TRADEMARK OFFICE, TMEP § 704.01 (5th ed. Sept. 2007); Wright, *supra* note 28, at 667 (citing § 1062(b)).

<sup>36</sup> See § 1052(a).

<sup>37</sup> See Wright, *supra* note 28, at 667–68.

<sup>38</sup> § 1070.

<sup>39</sup> See *id.* § 1071.

<sup>40</sup> Wright, *supra* note 28, at 669.

By contrast, if the PTO examiner *approves* the application, the PTO publishes notice in *The Trademark Official Gazette*,<sup>41</sup> and the public has thirty days to oppose the mark's registration.<sup>42</sup> If members of the public do not submit an opposition within thirty days, the PTO issues the applicant a certificate of registration.<sup>43</sup> Once an applicant receives this certificate, all protections afforded by registration are effective. A trademark owner who demonstrates five years of consistent post-registration commercial use acquires an "incontestable" right to continue using the mark in interstate commerce.<sup>44</sup> This "incontestable" status is somewhat of a misnomer, however, because a third party who believes that he or she will be damaged by a trademark's scandalous or disparaging qualities may still initiate a TTAB cancellation proceeding at *any time* following the mark's registration.<sup>45</sup>

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

Although the literal language of section 1052(a) sets forth four separate prohibitions for "immoral," "deceptive," "scandalous," and "disparaging" subject matter,<sup>46</sup> the PTO and courts alike have lumped section 1052(a) challenges into two broadly inclusive categories: those asserting scandalousness and those asserting disparagement.

Courts have defined "scandalous" marks as marks consisting of subject matter that is "shocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; . . . giving offense to the conscience or moral feelings; . . . [or] calling out [for] condemnation."<sup>47</sup>

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<sup>41</sup> 37 C.F.R. § 2.80 (2006).

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

<sup>43</sup> *Id.* at 454–55.

<sup>44</sup> § 1065.

<sup>45</sup> Smith, *supra* note 42, at 455.

<sup>46</sup> § 1052(a).

<sup>47</sup> *In re Mavety Media Grp. Ltd.*, 33 F.3d 1367, 1371 (Fed. Cir. 1994) (quoting *In re Riverbank Canning Co.*, 95 F.2d 327, 328 (C.C.P.A. 1938)). Alternatively, the PTO can establish scandalousness by showing that a mark is "vulgar." See *In re Boulevard Entm't, Inc.*, 334 F.3d 1336, 1340 (Fed. Cir. 2003).

Whether a proposed trademark consists of scandalous subject matter is to be determined from the perspective of “not necessarily a majority, but a substantial composite of the general public.”<sup>48</sup> Courts make such a determination in the context of “contemporary attitudes.”<sup>49</sup> Generally speaking, courts have grouped “scandalous” trademarks into eight distinct categories: (1) marks having religious significance;<sup>50</sup> (2) marks consisting of problematic political imagery;<sup>51</sup> (3) marks containing sexual innuendo and/or sexually graphic imagery;<sup>52</sup> (4) marks containing profanity;<sup>53</sup> (5) marks implicating illegal substances or activities;<sup>54</sup> (6) marks containing slang terminology;<sup>55</sup> (7) marks containing references to violence;<sup>56</sup> and (8) marks implicating one’s sexual orientation.<sup>57</sup>

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<sup>48</sup> *In re McGinley*, 660 F.2d 481, 485 (C.C.P.A. 1981). The Federal Circuit attached little significance to the PTO’s attempt at objectivity through implementation of the “substantial composite” standard. Instead, the court noted that viewpoint discrimination is viewpoint discrimination regardless of whether the government itself disapproves of a given message or posits that some other part of the populace will disapprove of the message. *In re Tam*, 808 F.3d 1321, 1336 (Fed. Cir. 2015) (citing *Snyder v. Phelps*, 562 U.S. 443, 460–61 (2011); *R.A.V. v. City of St. Paul, Minn.*, 505 U.S. 377 (1992); *Texas v. Johnson*, 491 U.S. 397, 414 (1989)).

<sup>49</sup> *Mavety Media*, 33 F.3d at 1371 (citing *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d 1216 (T.T.A.B. 1993)).

<sup>50</sup> *See, e.g., Riverbank Canning*, 95 F.2d 327 (barring the mark “MADONNA” from registration for wines because members of the Christian faith would likely find the association scandalous); *see also In re Reemtsma Cigarettenfabriken G.M.B.H.*, 122 U.S.P.Q. (BNA) ¶ 339 (T.T.A.B. 1959) (barring registration of the mark “SENUSSI” for cigarettes because the name represents a sect of Muslim culture in which tobacco is forbidden for religious reasons).

<sup>51</sup> *See, e.g., Ex parte Martha Maid Mfg. Co.*, 37 U.S.P.Q. (BNA) ¶ 156 (Dec. Comm’r Pat. 1938) (barring registration of the mark “QUEEN MARY” for women’s undergarments); *see also Old Glory Condom*, 26 U.S.P.Q.2d 1216 (overturning a PTO examiner’s final refusal to register a condom design featuring traditional American stars and stripes).

<sup>52</sup> *See, e.g., McGinley*, 660 F.2d 481 (barring registration of an image depicting a nude couple kissing and embracing); *see also Ex parte Parfum L’orle, Inc.*, 93 U.S.P.Q. (BNA) ¶ 481 (P.T.O. 1952) (overturning a PTO examining attorney’s refusal to register the mark “LIBIDO” for perfume scents).

<sup>53</sup> *See, e.g., In re Tinseltown, Inc.*, 212 U.S.P.Q. (BNA) ¶ 863 (T.T.A.B. 1981) (barring registration of the mark “BULLSHIT” for clothing). *But see In re Leo Quan, Inc.*, 200 U.S.P.Q. (BNA) ¶ 370 (T.T.A.B. 1978) (permitting registration of the mark “BADASS” for stringed instruments); *see also In re Big Effin Garage, L.L.C.*, 2010 LEXIS 418 (T.T.A.B. Nov. 23, 2010) (permitting registration of the mark “BIG EFFIN GARAGE” for online music communities).

<sup>54</sup> *See, e.g., Office Action for U.S. Trademark Application Serial No. 85,038,867* (Aug. 28, 2010) (barring registration of the mark “KO KANE” for alcoholic drinks because a substantial composite of the general public would likely interpret the mark as glamorizing drug abuse).

<sup>55</sup> *See, e.g., In re Runsdorf*, 171 U.S.P.Q. (BNA) ¶ 443 (T.T.A.B. 1971) (barring registration of the mark “BUBBY TRAP” for brassieres).

<sup>56</sup> *See e.g., In re Love Bottling Co.*, 2005 LEXIS 261 (T.T.A.B. June 22, 2005) (barring registration of the mark “WIFE BEATER” for male tank tops); *Office Action for U.S. Trademark Application Serial No. 78,400,213* (P.T.O. Nov. 18, 2004) (barring registration of the mark “BABY AI QUAEDA” for t-shirts).

<sup>57</sup> *See, e.g., Office Action for U.S. Trademark Application Serial No. 78,281,746* (Feb. 28, 2004, revised Oct. 28, 2004) (barring registration of the mark “DYKES ON BIKES” for the San Francisco Women’s Motorcycle Contingent), *overruled by McDermott v. S.F. Women’s Motorcycle Contingent*, 81 U.S.P.Q.2d 1212 (T.T.A.B. 2006).

By contrast, a *disparaging* mark is one which “dishonors by comparison with what is inferior, slights, deprecates, degrades, or affects or injures by unjust comparison.”<sup>58</sup> The TTAB articulated the seminal two-part test for disparagement in 1999. First, the court or tribunal must consider dictionary evidence, the relationship of the proposed mark’s elements, and the relevant segment of the marketplace to determine the likely meaning of the proposed mark.<sup>59</sup> Second, the court must determine whether a substantial composite of the relevant public will perceive that likely meaning as disparaging.<sup>60</sup>

The disparagement test can be distinguished from the scandalousness test in three significant ways. First, “while a trademark *must* be scandalous to be denied, registration can be denied if a trademark *may* be disparaging.”<sup>61</sup> In practice, this variation means that challengers asserting disparagement are required to satisfy a lesser burden of proof than challengers asserting scandalousness under identical circumstances. Second, while there are certain situations in which a mark may be assessed for scandalousness using *only* dictionary evidence,<sup>62</sup> the disparagement test necessarily requires a further examination of the relevant market segment as well as the allegedly disparaged group’s culture.<sup>63</sup> Third, rather than depending on the perspective of a substantial composite of the *general public*, disparagement is “evaluated from the perspective of a substantial composite of the *demographic on which the mark is commenting . . .*”<sup>64</sup>

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<sup>58</sup> *In re Geller*, 751 F.3d 1355, 1358 (Fed. Cir. 2014).

<sup>59</sup> *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705 (T.T.A.B. 1999)

<sup>60</sup> *Id.*

<sup>61</sup> Smith, *supra* note 42, at 464.

<sup>62</sup> See *In re Boulevard Entm’t, Inc.*, 334 F.3d 1336, 1341 (Fed. Cir. 2003) (holding that when “multiple dictionaries . . . uniformly indicate that a word is vulgar, and the applicant’s use of the word is clearly limited to the vulgar meaning of the word, . . . the PTO can sustain its burden of showing that the mark comprises or consists of scandalous matter by reference to dictionary definitions alone”).

<sup>63</sup> See Smith, *supra* note 42, at 464.

<sup>64</sup> *Gibbons*, *supra* note 3, at 212; see *In re Heeb Media, L.L.C.*, 89 U.S.P.Q.2d (BNA) 1071 (T.T.A.B. 2008) (holding that the term, “heeb,” is a “highly disparaging reference to Jewish people, that it retains this meaning when used in connection with the applicant’s goods and services, and that a substantial composite of the referenced group finds it to be disparaging”).

In making a section 1052(a) determination of scandalousness or disparagement, courts have relied on dictionary definitions, opinion surveys, marketing strategies, newspaper articles, Internet forums, blogs, and expert witness testimonies.<sup>65</sup> Dictionary definitions are the most common form of evidence utilized in section 1052(a) proceedings,<sup>66</sup> and there are some circumstances under which a PTO examining attorney can rely *solely* on dictionary definitions to reject an application.<sup>67</sup> Opinion surveys, by contrast, are widely associated with consumption of time and excessive cost; as such, courts rarely utilize this form of evidence in scandalous determinations, where it is not required.<sup>68</sup>

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

The test for standing in the context of trademark cancellation proceedings is unusually generous to third parties.<sup>69</sup> This is because the TTAB relies on third party challenges as a primary means of enforcing the section 1052(a) prohibitions. Acknowledging the “somewhat vague” and “highly subjective” qualities of the section 1052(a) standards,<sup>70</sup> the Board has vowed to resolve any doubts concerning a mark’s registrability in favor of the applicant.<sup>71</sup> The general understanding is that if a significant segment of the public *later* finds the mark to be scandalous or disparaging, then a third party can institute an action, and the TTAB will have the opportunity to compile a more complete record.

The customary requirements for standing under Article III of the Constitution were articulated nicely by the Supreme Court in *Lujan v. Defenders of Wildlife*:

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<sup>65</sup> See Lalonde & Gilson, *supra* note 26, at 1498–1507.

<sup>66</sup> See *Boulevard Entm’t*, 334 F.3d at 1340 (“[D]ictionary definitions represent an effort to distill the collective understanding of the community with respect to language and thus clearly constitute more than a reflection of the individual views of either the examining attorney or the dictionary editors.”).

<sup>67</sup> See *supra* note 62.

<sup>68</sup> Smith, *supra* note 42, at 461.

<sup>69</sup> *Id.* at 456.

<sup>70</sup> *In re Hershey*, 6 U.S.P.Q.2d 1470 (T.T.A.B. 1988).

<sup>71</sup> *In re Over Our Heads*, 16 U.S.P.Q.2d 1653 (T.T.A.B. 1990).

Over the years, our cases have established that the irreducible constitutional minimum of standing contains three elements. First, the plaintiff must have suffered an “injury in fact”—an invasion of a legally protected interest which is (a) concrete and particularized; and (b) “actual or imminent, not ‘conjectural’ or ‘hypothetical.’” Second, there must be a causal connection between the injury and the conduct complained of—the injury has to be “fairly . . . trace[able] to the challenged action of the defendant, and not . . . the[e] result [of] the independent action of some third party not before the court.” Third, it must be “likely,” as opposed to merely “speculative,” that the injury will be “redressed by a favorable decision.”<sup>72</sup>

Notwithstanding these ordinary Article III requirements, the Lanham Act does not deem it necessary for the party asserting a section 1052(a) challenge to have a “specific commercial interest . . . not shared by the general public.”<sup>73</sup> Rather, pursuant to the statute, any party who believes he or she is (or would be) “damaged” by the trademark at issue may file a formal opposition with the PTO *prior* to the mark’s registration or a formal petition for cancellation with the TTAB at any time *following* the mark’s registration.<sup>74</sup> A challenger may satisfy this lenient standard by showing that he possesses a particular characteristic that the allegedly scandalous or disparaging mark directly implicates, or by showing that other members of the general public share his belief in emotional or psychological harm.<sup>75</sup>

As one can imagine, the Act’s generous standing requirement can and has become problematic in practice. This is because the Act “effectively allows small special interest groups to curtail others’ speech, raising the risk that trademarks are governed by political correctness

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<sup>72</sup> Lujan v. Defenders of Wildlife, 504 U.S. 555, 560–61 (1992) (citing Whitmore v. Arkansas, 495 U.S. 149, 155 (1990); Allen v. Wright, 468 U.S. 737, 751 (1984); Simon v. E. Ky. Welfare Rights Org., 426 U.S. 26 at 38, 41–43 (1976); Warth v. Seldin, 422 U.S. 490, 508 (1975); Sierra Club v. Morton, 405 U.S. 727, 740–41, n.16 (1972)).

<sup>73</sup> Ritchie v. Simpson, 170 F.3d 1092, 1096–97 (Fed. Cir. 1999).

<sup>74</sup> 15 U.S.C. § 1063–64 (2015).

<sup>75</sup> LaLonde & Gilson, *supra* note 26, at 1508.

rather than free speech values.”<sup>76</sup> Note that a third party may not only preclude a trademark owner from achieving federal registration in the first instance, but may also institute a cancellation proceeding *at any time* following a successful registration. Thus, a trademark owner is never *totally* safe from the risk that his intellectual property rights will be swept out from underneath his feet by a third party asserting scandalousness or disparagement. After years of bolstering a product’s reputation and investing in goodwill, the possibility remains that an owner will have to re-litigate his mark’s moral wholesomeness at the risk of losing his registration.<sup>77</sup> In this situation, the owner would be forced to create a new mark and spend sizeable sums informing the public of the association between his new mark and his old product.<sup>78</sup> Thus, the specter of a looming third party challenger significantly deters the adoption of potentially offensive trademarks, and the Lanham Act’s generous standing requirements significantly contribute to section 1052(a)’s net “chilling effect” on speech.

### III. PRIOR CONSTITUTIONAL CHALLENGES TO SECTION 1052(A)

#### A. First Amendment Challenges

In 1981, the United States Court of Customs and Patent Appeals (CCPA)<sup>79</sup> boldly announced the following: “[I]t is clear that the PTO’s refusal to register appellant’s mark does not affect his right to use it. No conduct is proscribed, and no tangible form of expression is suppressed. Consequently, appellant’s First Amendment rights would not be abridged by the

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<sup>76</sup> Smith, *supra* note 42, at 456. For example, one scholar observes that under the standard announced in *Ritchie*, an ultra-conservative Christian group may have standing to challenge the validity of federal protections granted to a pro-gay rights trademark. *Id.*

<sup>77</sup> *In re Tam*, 808 F.3d 1321, 1343 (Fed. Cir. 2015).

<sup>78</sup> *Id.*

<sup>79</sup> The United States Court of Customs and Patent Appeals was the predecessor to the United States Court of Appeals for the Federal Circuit. *See History of the Federal Judiciary*, FEDERAL JUDICIAL CENTER, [http://www.fjc.gov/history/home.nsf/page/courts\\_special\\_cpa.html](http://www.fjc.gov/history/home.nsf/page/courts_special_cpa.html) (last visited Oct. 19, 2015). It was abolished in 1982, one year after *McGinley* was decided. *See id.*

refusal to register the mark.”<sup>80</sup> During the thirty-plus years between *McGinley* and the recent grant of a rehearing *en banc* in *In re Tam*, the Federal Circuit has unwaveringly continued to reiterate *McGinley*’s reasoning in dismissing First Amendment challenges to section 1052(a)’s facial validity.<sup>81</sup> Nonetheless, trademark applicants have continued to challenge the statute on First Amendment grounds. It has been said that the provision’s constitutional basis is “crumbling,”<sup>82</sup> and the Federal Circuit’s December 2015 ruling invalidating section 1052(a)’s disparagement provision adds dramatic support to this notion.

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

The origins of the void-for-vagueness doctrine lie in the Fifth Amendment’s Due Process Clause.<sup>83</sup> In simplest terms, the doctrine requires a certain level of specificity in statutory language.<sup>84</sup> A statute is unconstitutionally vague if: (1) it fails to provide the general public with fair notice of what conduct is affected by the law; and (2) it has the potential to “impermissibly delegate” policymaking duties to judicial officials, with the “attendant dangers of arbitrary and discriminatory application.”<sup>85</sup> When a vague statute regulates or burdens expression in a content-discriminatory manner, the statute raises special concerns due to its chilling effect on the freedom of speech,<sup>86</sup> and the Supreme Court has held that a more stringent vagueness test applies under these circumstances.<sup>87</sup> As such, when a regulation of expression is at issue, the Court examines

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<sup>80</sup> *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981).

<sup>81</sup> See, e.g., *In re Fox*, 702 F.3d 633 (Fed. Cir. 2012); *In re Boulevard Entm’t, Inc.*, 334 F.3d 1336 (Fed. Cir. 2003); *In re Mavety Media Grp. Ltd.*, 33 F.3d 1367 (Fed. Cir. 1994).

<sup>82</sup> Phillips, *supra* note 9, at 66; see Lee, *supra* note 9, at 67 (“An ‘abridgement’ may result from regulations that do not ‘ban,’ ‘forbid,’ or ‘prohibit.’ In fact, an ‘abridgement’ may result from regulations that merely ‘restrict,’ ‘impinge,’ or ‘burden.’” (quoting Baird, *supra* note 9, at 669)); Smith, *supra* note 42, at 468 (“[I]t is understood that a speaker cannot be prevented from speaking in a public park just because she can go home and say the same speech privately.”).

<sup>83</sup> U.S. CONST. amend. V.

<sup>84</sup> Wright, *supra* note 28, at 661.

<sup>85</sup> *Grayned v. Rockford*, 408 U.S. 104, 108–09 (1972).

<sup>86</sup> *Reno v. ACLU*, 521 U.S. 844, 871–72 (1997).

<sup>87</sup> *Vill. Of Hoffman Estates v. Flipside, Hoffman Estates, Inc.*, 455 U.S. 489, 499 (1982).



the regulatory language with increased scrutiny to ensure that statutory ambiguities do not deter protected speech.<sup>88</sup> Trademark applicants and legal scholars have attacked section 1052(a) as unconstitutionally vague on numerous grounds.

### 1. Shifting Paradigms

First, litigants and scholars have argued that society's idea of what is acceptable is subject to change over time. Therefore, that which a substantial composite of society considers "scandalous" or "disparaging" is at best a moving target.<sup>89</sup> In this context, it is informative to recall how the homosexual community was viewed in 2003:

Many Americans do not want persons who openly engage in homosexual conduct as partners in their business, as scoutmasters for their children, as teachers in their children's schools, or as boarders in their home. They view this as protecting themselves and their families from a lifestyle that they believe to be immoral and destructive.<sup>90</sup>

While both the TTAB and the Federal Circuit Court of Appeals have acknowledged that they must consider ever-changing attitudes and paradigms while ruling on a trademark's registrability, the TTAB has also declared that "the fact that profane words may be uttered more freely does not render them any the less profane."<sup>91</sup> This reasoning essentially enables the TTAB and the PTO to ignore contemporary attitudes if and when they choose to do so.

### 2. Blurring of Statutory Definitions

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<sup>88</sup> F.C.C. v. Fox Television Stations, Inc., 132 S. Ct. 2307, 2317–18 (2012).

<sup>89</sup> Phillips, *supra* note 9, at 70.

<sup>90</sup> Lawrence v. Texas, 539 U.S. 558, 602 (2003) (Scalia, J., dissenting).

<sup>91</sup> *In re Tinseltown, Inc.*, 212 U.S.P.Q. (BNA) ¶ 863 (T.T.A.B. 1981).

Second, applicants who are denied trademark registration claim that the PTO's frequent practice of collapsing the scandalousness and disparagement analyses into a single amorphous framework lends further ambiguity to statutory terms that are already imprecise.<sup>92</sup>

### 3. Unreliability of Dictionary Evidence

Next, litigants attack the perceived ineffectiveness of dictionaries as evidence to show scandalousness or likely disparagement. Applicants assert that the appropriate focus of a section 1052(a) inquiry is not necessarily a phrase's literal meaning, but rather the way in which a substantial composite of the relevant group perceives that phrase.<sup>93</sup> Simply put, dictionary definitions are ill-suited for this task.<sup>94</sup> Additionally, dictionary definitions—like social paradigms—are subject to change as time passes.<sup>95</sup> Many PTO examining attorneys have attempted to remedy this deficiency by consulting online dictionaries, which may lack sufficient indicia of authoritativeness and reliability.<sup>96</sup>

### 4. Lack of Clarity in Substantial Composite Standard

Litigants and scholars have also argued that there exists a lack of clarity within the Federal Circuit's "substantial composite" standard. The Federal Circuit itself has acknowledged the "inherent difficulty in fashioning a single objective measure like a substantial composite of the general public from the myriad of subjective viewpoints."<sup>97</sup> To further aggravate the ambiguity, neither case law nor legislative history has supplied any explanation for how an examining attorney or a fact-finding tribunal is to define a "substantial composite."<sup>98</sup> One commentator has posited

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<sup>92</sup> See Carpenter & Murphy, *supra* note 3, at 471; *e.g.*, *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d 1216 (T.T.A.B. 1993) ("[O]ur finding . . . that the mark is not scandalous subsumes a finding that the mark is not disparaging.").

<sup>93</sup> Carpenter & Murphy, *supra* note 3, at 469.

<sup>94</sup> *Id.*

<sup>95</sup> *Id.* at 480–81; see Gibbons, *supra* note 3, at 208 ("Some dictionaries are slower in recognizing new meanings given to existing words by disenfranchised groups.").

<sup>96</sup> Gibbons, *supra* note 3, at 208–09.

<sup>97</sup> *In re Mavety Media Grp. Ltd.*, 33 F.3d 1367, 1371 (Fed. Cir. 1994).

<sup>98</sup> See Smith, *supra* note 42, at 461.

that the term is a “vacuous point on a nebulous continuum . . . chosen post-hoc to justify the decision-maker’s preconceived determination.”<sup>99</sup> To make matters worse, the standard has not always been universally articulated or applied.<sup>100</sup>

## 5. Relevance of the Proposed Mark’s Surrounding Context

Another inconsistency deals with the relevance of a proposed mark’s surrounding context. Applicants complain that they are unsure of whether or not the PTO will consider such context when making a section 1052(a) determination. In this regard, two contradictory lines of precedent have developed. First, the *McGinley* line of cases examines a proposed trademark in the context of the underlying goods or services it serves to distinguish.<sup>101</sup> A conflicting line of cases embodies the *per se* inquiry, focusing its section 1052(a) inquiries solely on the proposed trademark itself, as that mark exists independently from the nature of the underlying goods or services.<sup>102</sup> Examining bodies frequently move back and forth between the two conflicting approaches—a “schizophrenic movement” that leads to greater unpredictability and further administrative inconsistency.<sup>103</sup>

## 6. Relevance of Applicant’s Intent

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<sup>99</sup> Gibbons, *supra* note 3, at 248 n.89.

<sup>100</sup> *See, e.g., In re Hepperle*, 175 U.S.P.Q. (BNA) ¶ 512 (T.T.A.B. 1972) (applying an “average purchaser” standard).

<sup>101</sup> *See, e.g., In re McGinley*, 660 F.2d 481, 482, 485 (C.C.P.A. 1981) (barring registration of a sexual image partly because the mark indicated that the underlying services involved “illicit sexual intercourse”); *In re Old Glory Condom Corp.*, 26 U.S.P.Q.1d 1216 (T.T.A.B. 1993) (permitting registration of a condom design incorporating elements of the American flag partly because the applicant’s stated intent was to raise AIDS awareness by suggesting a national duty to promote HIV protection); *In re Leo Quan, Inc.*, 200 U.S.P.Q. (BNA) ¶ 370 (T.T.A.B. 1978) (permitting registration of the mark, “BADASS,” because the mark had an alternative non-vulgar meaning, serving as an acronym for “Bettencourt Acoustically Designed Audio Sound Systems”).

<sup>102</sup> Theodore H. Davis, Jr., *Registration of Scandalous, Immoral, and Disparaging Matter Under Section 2(a) of the Lanham Act: Can One Man’s Vulgarity Be Another’s Registered Trademark?*, 54 OHIO ST. L.J. 331, 345 (1993); *see, e.g., In re Tinseltown, Inc.*, 212 U.S.P.Q. (BNA) ¶ 863 (T.T.A.B. 1981).

<sup>103</sup> Abdel-Khalik, *supra* note 31, at 211. *Compare In re Red Bull G.M.B.H.*, 78 U.S.P.Q.2d 1375 (T.T.A.B. 2006) (“It is clearly the profane connotation of the term *per se*, rather than a particular meaning of the term when considered in connection with goods . . .”), *with Doughboy Indus., Inc. v. Reese Chem. Co.*, 88 U.S.P.Q. (BNA) ¶ 227 (P.T.O. 1951) (“A trade mark does not exist apart from goods in connection with which it is used . . .”).

Trademark applicants have argued that the ambiguous role of intent serves as yet another basis for a vagueness challenge to the constitutional validity of section 1052(a). Simply put, sometimes the TTAB considers the applicant's intent in creating and/or utilizing a mark in commerce; other times, the TTAB expressly declines to do so.<sup>104</sup>

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

The doctrine of *stare decisis*—often somewhat of a natural cure for underlying statutory vagueness concerns—is entirely lacking in the context of section 1052(a) scandalousness and disparagement determinations; rather, the PTO and the TTAB are free to rule on these issues on a case-by-case basis, without using any prior decisions, patterns, or trends as a form of guidance or direction:

It is well settled that the Board must decide each application on its own merits, and decisions regarding other registrations do not bind either examining attorneys or this Board. The fact that, whether because of administrative error or otherwise, some marks have been registered even though they may be in violation of the governing statutory standard does not mean that the U.S. Patent and Trademark Office must forgo applying that standard in all other cases.<sup>105</sup>

Without prior registrations and rejections having *some* precedential force, trademark applicants have complained that they have no choice but to guess as to whether their potentially scandalous and/or disparaging marks will achieve the protections of federal registration.<sup>106</sup>

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<sup>104</sup> Compare *In re Heeb Media, L.L.C.*, 89 U.S.P.Q.2d 1071 (T.T.A.B. 2008) (“The fact that an applicant has good intentions with its use of the term does not obviate the fact that a substantial composite of the referenced group find the term objectionable. . . . Our focus must be on the perception of the referenced groups and not the applicant’s intentions.”), with *Old Glory Condom*, 26 U.S.P.Q.2d 1216 (permitting registration of a condom design featuring traditional stars and stripes typically associated with the American flag largely because the applicant’s intention was not to offend or disparage, but to redefine patriotism in a way that prioritizes the fight against AIDS and other STD’s).

<sup>105</sup> *In re RK Netmedia, Inc.*, No. 77064737, 2009 TTAB LEXIS 389 (T.T.A.B. May 21, 2009).

<sup>106</sup> LaLonde & Gilson, *supra* note 26, at 1506. For perhaps the most egregious example of the arbitrariness that results from the lack of *stare decisis* in this context, see *In re Watkins*, No. 76138675, 2005 TTAB LEXIS 651 (T.T.A.B. Feb. 8, 2005) (overturning the PTO’s refusal to register the mark “TWATTY GIRL” following successful applications and registrations of “TWATTY” and “TWATTYTRAX” by the same applicant).

## 8. Inconsistent Results

Finally, trademark applicants and scholars argue that the vagueness and arbitrariness of section 1052(a) is best illustrated through the statute's inconsistent (and often humorous) results. For instance, as of 2011, the PTO had received forty-one applications containing the term, "MILF."<sup>107</sup> Twenty were rejected; twenty were not; the remaining application was abandoned.<sup>108</sup> "It was a *tie*."<sup>109</sup> Perhaps Megan M. Carpenter and Kathryn T. Murphy best expressed trademark applicants' frustration with these inconsistent results:

When BULLSHIT for handbags will scandalize the public, but BIG PECKER for T-shirts will not; when CLEARLY QUEER for clothing will register, but QUEER GEAR, also for clothing, will not; when TWATTY GIRL for cartoon strips is rejected, but TWATTY for cartoon strips is not, it is time to reexamine the structure and implementation of the section 2(a) bars.<sup>110</sup>

The foregoing illustrates that section 1052(a) and its case law grant tremendously unfettered discretion to a small number of PTO attorneys.<sup>111</sup> The exercise of that discretion is entirely arbitrary, often depending largely upon examining attorneys' unique personal reactions to crude subject matter.<sup>112</sup> The resulting lack of clarity is unfair to trademark applicants, who have no fair notice of whether their proposed marks will ultimately achieve registration.<sup>113</sup> More importantly, the immense uncertainty surrounding section 1052(a) provides disincentives that contribute significantly to the provision's chilling effect on speech. Nonetheless, courts and examining bodies have continued to blindly reiterate *McGinley*'s holding that section 1052(a) is

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<sup>107</sup> LaLonde & Gilson, *supra* note 26, at 1478.

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* at 1481.

<sup>110</sup> Carpenter & Murphy, *supra* note 3, at 482.

<sup>111</sup> See Smith, *supra* note 4242, at 481.

<sup>112</sup> See Phillips, *supra* note 9, at 60–61.

<sup>113</sup> Wright, *supra* note 28, at 678.

“sufficiently precise to enable the PTO and the courts to apply the law fairly and to notify a would-be registrant that the mark he adopts will not be granted a federal registration.”<sup>114</sup>

#### IV. THE UNCONSTITUTIONAL CONDITIONS DOCTRINE

##### A. Introduction to the Doctrine

The first reason that the Federal Circuit was correct in partially overruling *McGinley* is that *McGinley* upheld section 1052(a) against First Amendment challenge without considering the “unconstitutional conditions” doctrine. In its simplest terms, the unconstitutional conditions doctrine is a judicially developed rule that prohibits the federal government from conditioning the receipt of a benefit upon an individual’s waiver of a constitutionally protected right.<sup>115</sup> In other words, Congress may not withhold a benefit solely because the individual who would otherwise receive the benefit exercised his First Amendment right to free speech.<sup>116</sup> In 1972, Justice Stewart—writing for a majority of the Supreme Court in *Perry v. Sindermann*—set forth an especially clear articulation of the rule:

[E]ven though a person has no ‘right’ to a valuable governmental benefit and even though the government may deny him the benefit for any number of reasons, there are some reasons upon which the government may not rely. It may not deny a benefit to a person on a basis that infringes his constitutionally protected interests—especially, his interest in freedom of speech. For if the government could deny a benefit to a person because of his constitutionally protected speech or associations, his exercise of those freedoms would in effect be penalized and inhibited.<sup>117</sup>

In *Perry*, Plaintiff Robert Sindermann was employed as a professor at a state college for ten years.<sup>118</sup> Following his election as President of the Texas Junior College Teachers’

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<sup>114</sup> *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981).

<sup>115</sup> See *In re Tam*, 785 F.3d 567, 577 (Fed. Cir.) (Moore, J., additional views), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015) (citing *Perry v. Sindermann*, 408 U.S. 593, 597 (1972)).

<sup>116</sup> *Id.*

<sup>117</sup> *Perry*, 408 U.S. at 597.

<sup>118</sup> *Id.* at 593.

Association, Mr. Sindermann publicly advocated the elevation of his employer from a two-year college to a four-year college—a position opposed by the school’s Board of Regents.<sup>119</sup> Mr. Sindermann alleged that as a result of his choice to publicly voice these opinions and other criticisms of the school district, the Board of Regents refused to offer him a new employment contract for the following academic year.<sup>120</sup> The Supreme Court ultimately remanded the case for further fact-finding, but held that the district’s refusal to renew a public contract on these grounds alone would constitute a violation of Mr. Sindermann’s First Amendment rights through operation of the unconstitutional conditions doctrine.<sup>121</sup>

Prior to *Perry*, the Supreme Court elaborated on its unconstitutional condition jurisprudence on one other occasion: *Speiser v. Randall*.<sup>122</sup> In *Speiser*, a group of honorably discharged World War II veterans claimed a veterans’ property tax exemption provided by California’s state constitution.<sup>123</sup> Pursuant to California law, in order to qualify for the tax exemption, the veterans were required to sign an oath stating that they did not advocate the overthrow of the United States government, and that they would not support a foreign government in the event of an international conflict with the United States.<sup>124</sup> In holding that the provision violated the veterans’ First Amendment rights, the Supreme Court stated the following:

It cannot be gainsaid that a discriminatory denial of a tax exemption for engaging in speech is a limitation on free speech. . . . To deny an exemption to claimants who engage in certain forms of speech is in effect to penalize them for such speech. Its deterrent effect is the same as if the State were to fine them for this speech. . . . Congress may not by withdrawal of privileges place limitations upon the freedom of speech which if directly attempted would be

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<sup>119</sup> *Id.* at 594–95.

<sup>120</sup> *Id.* at 595.

<sup>121</sup> *Id.* at 598.

<sup>122</sup> *Speiser v. Randall*, 357 U.S. 513 (1958).

<sup>123</sup> *Id.* at 514–15.

<sup>124</sup> *Id.* at 515.

unconstitutional.<sup>125</sup>

In short, the Court held that the California state government’s denial of a tax exemption necessarily took on coercive characteristics, penalizing claimants for engaging in certain proscribed speech and thereby indirectly suppressing “dangerous ideas.”<sup>126</sup> Importantly, this excerpted passage from the Court’s holding emphasizes a key rationale underlying the unconstitutional conditions doctrine—that the government may not circumvent an individual’s constitutional rights by achieving *indirectly* what it is forbidden from achieving in a more direct and forthright manner.

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

In *Perry*, a school district improperly conditioned the renewal of a public employment contract upon a teacher’s waiver of his First Amendment right to advocate a political position.<sup>127</sup> In *Speiser*, a state government similarly conditioned a tax exemption upon a veteran’s waiver of his First Amendment right to advocate the overthrow of the federal government.<sup>128</sup> By way of analogy, section 1052(a) conditions the benefits of federal trademark registration upon an applicant’s surrender of his First Amendment right to engage in offensive speech.<sup>129</sup>

As a preliminary matter, the benefits of federal trademark registration are numerous, and they provide trademark owners with indispensable advantages in litigation. First, upon registration, the PTO publishes constructive notice of trademark ownership in *The Trademark Official Gazette*, as well as in several other internationally distributed materials.<sup>130</sup> Next, section 1057 of the Lanham Act provides that a certificate of federal registration constitutes *prima facie*

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<sup>125</sup> *Id.* at 518.

<sup>126</sup> *See id.* at 519 (quoting American Commc’ns Ass’n, C.I.O. v. Douds, 339 U.S. 382, 492 (1950)).

<sup>127</sup> *See supra* notes 117–121 and accompanying text.

<sup>128</sup> *See supra* notes 122–126 and accompanying text.

<sup>129</sup> Phillips, *supra* note 9, at 67–68.

<sup>130</sup> *See* 15 U.S.C. § 1072 (2015); Kristin D. Stout, *Terrifying Trademarks and a Scandalous Disregard for the First Amendment: Section 2(a)’s Unconstitutional Prohibition on Scandalous, Immoral, and Disparaging Trademarks*, 25 ALB. L.J. SCI. & TECH. 213, 218 (2015).



evidence of trademark ownership and validity.<sup>131</sup> This same provision provides federal trademark registrants with a nationwide right of priority in cancellation proceedings, as well as an exclusive right to commercial use of the registered mark in connection with the specified goods or services.<sup>132</sup> Moreover, a separate provision of the Lanham Act provides that a registrant’s right to use his or her mark in commerce becomes incontestable after five consecutive years of post-registration use.<sup>133</sup> Finally, federal registrants are granted the right to enlist the aid of United States Customs in barring the importation of allegedly infringing goods,<sup>134</sup> as well as the right to sue in federal courts to enforce their trademark rights upon a discovery of infringing activities.<sup>135</sup>

While section 1052(a) does not explicitly prohibit offensive commercial speech from entering the marketplace, its removal of the foregoing benefits evinces a congressional intent to discourage such speech, thereby creating a chilling effect that threatens to deprive trademark applicants of essential business protections.<sup>136</sup> In other words, *McGinley* correctly asserts that a section 1052(a) denial would not prevent Mr. Tam from continuing to refer to his musical act as “The Slants” in commerce; however, such a denial severely burdens this commercial use by withholding rights that are essential in the entertainment industry, thereby placing Mr. Tam and his fellow band members at a significant competitive disadvantage.<sup>137</sup> Pursuant to *Perry* and *Speiser*, it is irrelevant that Mr. Tam has no constitutional right to federal trademark registration,

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<sup>131</sup> § 1057.

<sup>132</sup> *Id.*

<sup>133</sup> *Id.* § 1065.

<sup>134</sup> *See id.* § 1124.

<sup>135</sup> *See id.* § 1121.

<sup>136</sup> Phillips, *supra* note 9, at 67–68.

<sup>137</sup> *See In re Tam*, 787 F.3d 567, 577 (Fed. Cir.) (Moore, J., additional views), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015); *see also* Baird, *supra* note 9, at 677 (“Although it is clear that barring and removing offensive matter from the federal registers will not proscribe the commercial use of such matter, it certainly provides an economic disincentive to engage in such use.”); Stout, *supra* note 130, at 216 (“To have an unprotected mark, one that any other entity is free to exercise as part of its commercial or noncommercial presence, can mean a total lack of identity. . . . [T]o be denied federal registration . . . is not so insignificant . . . as the Federal Circuit would have us believe.”).

and it is equally irrelevant that the lack of such protection does not prevent him from nevertheless *using* the speech at issue. As discussed *supra*, these cases teach us that the purpose of the unconstitutional conditions doctrine is to prevent the federal government from achieving indirectly what it is prohibited from accomplishing directly.<sup>138</sup> Because the First Amendment prohibits the government from directly banning offensive commercial speech,<sup>139</sup> it is equally impermissible for Congress to achieve an identical result by prohibiting registration of “The Slants” under section 1052(a).<sup>140</sup>

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

The argument proceeds as follows. Through section 1052(a), Congress and the PTO are effectively saying, “We will give you a benefit, but you can’t use *that benefit* to speak in a scandalous or disparaging manner.” In *Perry* and *Speiser*, by contrast, the government is saying, “We will grant you a benefit, provided that you refrain from engaging in certain specified speech *altogether*.” A simplified hypothetical example best illustrates the crucial difference. If the

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<sup>138</sup> See Lee, *supra* note 9, at 68 (quoting Baird, *supra* note 9, at 693).

<sup>139</sup> See *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 561 (1980) (“The First Amendment, as applied to the States through the Fourteenth Amendment, protects commercial speech from unwarranted governmental regulation.” (citing *Va. Pharmacy Bd. v. Va. Citizens Consumer Council*, 425 U.S. 748, 761–62 (1976))).

<sup>140</sup> See Lee, *supra* note 9, at 68.

government were to hand an individual one hundred dollars, yet prohibit the individual from using *that one hundred dollars* to engage in political advocacy, this act would constitute a permissible non-subsidy.<sup>141</sup> However, if the government were to offer the same individual one hundred dollars, while conditioning its receipt on the individual's agreement to refrain from political speech *entirely*, this would constitute an unlawful, improperly coercive government action.<sup>142</sup> The former situation represents a permissible use of the government's spending powers, but the latter scenario imposes an unconstitutional condition.<sup>143</sup> Some would argue that section 1052(a) is more closely analogous to the former situation, while *Perry* and *Speiser* are best understood as representative of the latter.

The foregoing effort to distinguish section 1052(a) from *Perry* and *Speiser* is without merit. A proper analysis must assess: (1) the enormous competitive disadvantages a trademark applicant faces when his federal registration is rejected; and (2) the economic senselessness of foregoing the benefits that coincide with such registration. When considered in light of these practical realities, countless prospective trademark registrants have in fact been *entirely* precluded not only from *registering* "offensive" trademarks, but also from adopting them in the first place. Together, these factors illustrate the broad "chilling effect" that section 1052(a) has on scandalous and disparaging speech *generally*.

Keeping the foregoing economic realities in mind, section 1052(a) functions practically as an absolute bar against offensive commercial speech. No sensible businessman would invest time, money, and other resources in developing a certain mark if he knew beforehand that he would be unable to assert nationwide priority rights in that particular mark. Nor would he preemptively

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<sup>141</sup> Telephone Conference with Thomas Healy, Professor of Law, Seton Hall Univ. Sch. of Law (Dec. 22, 2015).

<sup>142</sup> *Id.*

<sup>143</sup> *Id.*

sacrifice the ability to rely on advantageous presumptions in litigation. The owner would simply select a different mark. To act otherwise would be to forfeit rights in all geographic areas in which he is not actually using the mark, and to allow competitors to usurp his goodwill. In short, such a sacrifice in today's world would be economic suicide. The only *realistically* viable response to section 1052(a)'s existence, therefore, is for trademark owners to discontinue use of offensive marks *prior* to any substantial investment in goodwill.<sup>144</sup> Importantly, this immense discouragement extends beyond the federal government's grant of a "monopoly," and it permeates the commercial marketplace itself. Not only is this broad eradication of offensive commercial speech the practical *effect* of section 1052(a), but it is also the only conceivable congressional *intent* underlying the provision.

Furthermore, it is not necessarily appropriate to characterize the restrictions at issue in *Perry* and *Speiser* as absolute bars, yet the Supreme Court nevertheless found that the restrictions imposed unconstitutional conditions. Nothing in the school district's refusal to renew an employment contract precluded the plaintiff in *Perry* from continuing to advocate his political views while seeking employment in another jurisdiction. Similarly, nothing prohibited the plaintiffs in *Speiser* from continuing to advocate the overthrow of the federal government while seeking to qualify for a *different* tax exemption. In a sense, the availability of alternatives in *Perry* and *Speiser* makes the government actions in those cases *less* susceptible to a traditional "unconstitutional condition" challenge than a section 1052(a) refusal. When facing a section

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<sup>144</sup> The Supreme Court has held that similar "do-or-die" scenarios are constitutionally impermissible. *See* *United States v. Butler*, 297 U.S. 1, 70–71 (1936) ("The regulation is not . . . voluntary. The farmer . . . may refuse to comply, but the price . . . is the loss of benefits. The amount offered is . . . sufficient to exert pressure . . . to agree to the proposed regulation. The power to confer or withhold unlimited benefits is the power to coerce or destroy."); *see also* *Frost & Frost Trucking Co. v. R.R. Comm'n*, 271 U.S. 583, 593 (1926) ("In reality, the carrier is given no choice, except a choice between the rock and the whirlpool—an option to forego a privilege which may be vital to his livelihood or submit to a requirement which may constitute an intolerable burden.").

1052(a) rejection, by contrast, a trademark applicant has *no* available alternatives. The certificate of federal registration is a unique right offered solely by the PTO, and the deprivation of its benefits essentially forces sensible businessmen to completely forego use of their proposed marks in commerce.

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

### **A. Congress's Spending Power**

Article I, Section 8, Clause 1 (“the Taxing and Spending Clause”) grants Congress broad discretion to tax the public and spend public funds to promote the general welfare.<sup>145</sup> This means that when the federal government appropriates funds from the public treasury to initiate a program, the Spending Clause grants Congress the authority to establish and define the limits of that recipient program.<sup>146</sup> In other words, Congress may insist that funds from the federal treasury are spent in the congressionally authorized manner and for the congressionally authorized purposes specified in the grant at issue.<sup>147</sup> This power occasionally includes the authority to impose conditions that affect recipients’ constitutional rights.<sup>148</sup> Thus, there exists an inherent tension between applying the unconstitutional conditions doctrine and protecting Congress’s ability to direct government spending.<sup>149</sup>

Pursuant to its Spending Clause authority, Congress may condition the receipt of federal funds upon the satisfaction of objectives that are not included within its Article I, Section 8

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<sup>145</sup> U.S. CONST. art. I, § 8, cl. 1.

<sup>146</sup> *United States v. Am. Library Ass’n, Inc.*, 539 U.S. 194, 196 (2003) (citing *Rust v. Sullivan*, 500 U.S. 173, 194 (1991)).

<sup>147</sup> *In re Tam*, 785 F.3d 567, 578 (Fed. Cir.), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015) (quoting *Am. Library Ass’n*, 539 U.S. at 211–12).

<sup>148</sup> *Id.* (quoting *Agency for Int’l Dev. v. Alliance for Open Soc’y Int’l, Inc.*, 133 S. Ct. 2321, 2328 (2013)).

<sup>149</sup> *See id.* at 577.

enumerated powers.<sup>150</sup> Congress may also be selective with regard to what it considers to promote the general welfare; in other words, Congress may selectively fund certain activities if it feels that those activities are in the public’s best interest, but may decline to subsidize other programs that propose alternative solutions to the same problem.<sup>151</sup> In doing so, Congress does not necessarily engage in unlawful viewpoint discrimination; rather, it simply chooses to “fund one activity to the exclusion of another.”<sup>152</sup> Typically, if a recipient objects to a condition placed upon the receipt of federal funds, the sole remedy is to decline the funds and seek financial support elsewhere.<sup>153</sup> This remains the case even when a recipient’s objection is that the condition imposed violates his constitutional rights to free speech.<sup>154</sup>

#### B. Limitations on Congress’s Spending Power

While Congress’s authority under the Spending Clause is very broad, there do exist some checks, balances, and limitations on that power. For instance, Congress is required to exercise its spending authority only in pursuit of the general welfare.<sup>155</sup> Additionally, Congress may not use conditions on the receipt of federal funds as leverage in regulating speech that is unrelated to the program at issue.<sup>156</sup> Congress is also prohibited from encouraging states or private individuals themselves to violate the Constitution.<sup>157</sup> None of these foregoing limitations appear problematic

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<sup>150</sup> See *South Dakota v. Dole*, 483 U.S. 203, 207 (1987); *United States v. Butler*, 297 U.S. 1, 66 (1936).

<sup>151</sup> *Rust*, 500 U.S. at 193.

<sup>152</sup> *Id.*

<sup>153</sup> *Alliance for Open Soc’y*, 133 S. Ct. at 2328.

<sup>154</sup> *Id.*

<sup>155</sup> See U.S. CONST. art. I, § 8, cl. 1; see also *Dole*, 483 U.S. at 207 (citing *Helvering v. Davis*, 301 U.S. 619, 640–41 (1937); *United States v. Butler*, 297 U.S. 1, 66 (1936)). In *Dole*, the Supreme Court articulated several factors that lower courts should consider in deciding whether Congress’s exercise of its spending power exceeds its constitutional authority under Article I, Section 8, Clause 1. Although the Court has never expressly held that the so-called “*Dole* factors” apply to Congress’s provision of financial incentives to *individuals* (as opposed to state governments), the Court has implicitly considered substantially similar factors under these circumstances. See, e.g., *Butler*, 297 U.S. 1.

<sup>156</sup> *In re Tam*, 785 F.3d 567, 578 (Fed. Cir.) (Moore, J., additional views) (quoting *Alliance for Open Soc’y*, 133 S. Ct. at 2328), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015).

<sup>157</sup> *Dole*, 483 U.S. at 210.

with regard to the Lanham Act’s scandalousness and disparagement prohibitions. But there are two further restrictions on Congress’s spending power that *do* become relevant in assessing section 1052(a)’s constitutionality: (1) the requirement that Congress exercise its spending powers only with respect to funds that otherwise *belong* to the public treasury;<sup>158</sup> and (2) the requirement that Congress refrain from unduly “coercing” recipients to behave in a certain way.<sup>159</sup>

C. Trademark Application Fees Are Private Expenditures Unconnected to the Public Treasury.

First, there is the most blatant and egregious way in which section 1052(a) exceeds Congress’s constitutional spending authority. Due to drastic changes in the PTO’s budget mechanisms since *McGinley* was decided, federal trademark registration proceedings no longer implicate public treasury funds. At the time *McGinley* was decided, trademark registrations were funded primarily by federal tax dollars,<sup>160</sup> and the case was necessarily decided against this background. As such, Congress’s authority under the Spending Clause at least arguably justified the resulting intrusions upon applicants’ First Amendment rights.<sup>161</sup> Since Congress’s enactment of the Omnibus Budget Reconciliation Act of 1991, however, trademark registrations have been funded entirely through individual user fees paid by the applicants themselves.<sup>162</sup> As one judge has stated, “Unlike tangible property, a subsidy, or a tax exemption, bestowal of trademark registration does not result in a direct loss to any property or money from the public fisc.”<sup>163</sup> Therefore, the Spending Clause justification no longer has merit. Perhaps the significance of this

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<sup>158</sup> See, e.g., *Dep’t of Tex., Veterans of Foreign Wars of U.S. v. Tex. Lottery Comm’n*, 760 F.3d 427, 435 (5th Cir. 2014).

<sup>159</sup> See *Dole*, 483 U.S. at 211.

<sup>160</sup> See *Tam*, 785 F.3d at 580.

<sup>161</sup> See *id.*

<sup>162</sup> *Id.*

<sup>163</sup> *Id.*

change in the PTO’s financial structure is best illustrated through two federal cases that elaborate on the “public treasury” limitation: *Rust v. Sullivan*<sup>164</sup> and *Department of Texas, Veterans of Foreign Wars of the United States v. Texas Lottery Commission*.<sup>165</sup>

In *Rust v. Sullivan*, the Department of Human Services promulgated regulations prohibiting Title X federal fund recipients from engaging in any abortion-related activities, including counseling and referral services.<sup>166</sup> Recipient healthcare providers challenged the constitutionality of the regulations, alleging that Title X conditioned the receipt of federal funds upon the relinquishment of First Amendment rights—a violation of the unconstitutional conditions doctrine.<sup>167</sup> The United States Supreme Court held that the regulations did not abridge the recipients’ First Amendment rights.<sup>168</sup> Rather, this was a permissible non-subsidy—a perfect example of Congress choosing to “fund one activity to the exclusion of another,” while simultaneously ensuring that the funds it provided were not used for purposes outside the scope of the federal program.<sup>169</sup> An important factor in the Court’s opinion was that Title X subsidies were moneys obtained directly from the public fisc.<sup>170</sup>

More recently, the United States Court of Appeals for the Fifth Circuit reached the opposite result in *Texas Lottery Commission*. In this case, the governmental regulation of speech at issue was promulgated by the *state* government of Texas, not by the federal government. However, the Fifth Circuit found that the Texas state government’s spending power—as set forth in the Texas state constitution and authoritatively construed in case law—was sufficiently analogous to the federal government’s spending powers to warrant judicial review in accordance

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<sup>164</sup> *Rust v. Sullivan*, 500 U.S. 173 (1991).

<sup>165</sup> *Dep’t of Tex., Veterans of Foreign Wars of U.S. v. Texas Lottery Comm’n*, 760 F.3d 427 (5th Cir. 2014).

<sup>166</sup> *Rust*, 500 U.S. at 178–81.

<sup>167</sup> *See id.* at 181.

<sup>168</sup> *See id.* at 192–200.

<sup>169</sup> *Id.* at 174–75.

<sup>170</sup> *See id.* at 198.



with an Article I, Section 8, Clause 1 analytical framework.<sup>171</sup> The case dealt with a 1980 amendment to the Texas state constitution which exempted qualified charitable organizations from state gambling prohibitions, provided that the organizations refrained from using any net gambling proceeds to engage in political advocacy.<sup>172</sup> A group of affected charities brought suit against the state’s lottery commission, alleging abridgement of their First Amendment rights.<sup>173</sup> The Fifth Circuit ruled that the regulatory regime in question granted a *license*, which is separate and distinct from any form of government subsidy.<sup>174</sup> The charities received no funds from the public fisc, and therefore the restrictions on speech were subject to unrestricted analysis under the unconstitutional conditions doctrine.<sup>175</sup> The court distinguished the licenses in question from tax exemptions, which constitute a form of government subsidy administered by the tax system.<sup>176</sup> Here, however, no public monies were involved, and the only government “grant” involved was the grant of authority to conduct an activity that would otherwise be illegal<sup>177</sup>—essentially a form of protection against criminal prosecution and/or civil lawsuit.

Section 1052(a) is analogous to the provisions of the Texas state constitution at issue in *Texas Lottery Commission* because a certificate of federal trademark registration costs the federal government next to nothing.<sup>178</sup> As a form of protection from trademark infringement and unfair competition, the certificate essentially functions like an occupational license, rather than as a government subsidy. The lack of federal funds also distinguishes a section 1052(a) denial from

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<sup>171</sup> See Dep’t of Tex., *Veterans of Foreign Wars of U.S. v. Tex. Lottery Comm’n*, 760 F.3d 427, 434 (5th Cir. 2014).

<sup>172</sup> *Id.* at 431 (citing Bingo Enabling Act, TEX. OCC. CODE ANN. §§ 2001.001–.657 (West 2014)).

<sup>173</sup> *Id.*

<sup>174</sup> See *id.* at 437.

<sup>175</sup> *Id.*

<sup>176</sup> See *id.* at 436–37.

<sup>177</sup> *Texas Lottery Comm’n*, 760 F.3d at 436.

<sup>178</sup> See *In re Tam*, 785 F.3d 567, 580 (Fed. Cir.) (Moore, J., additional views) (“Like the programs in *Bullfrog* and *Texas Lottery Commission*, the system of trademark registration is a regulatory regime, not a government subsidy program.”), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015).

the Title X regulations at issue in *Rust v. Sullivan*, which simply specified how federal funds were to be used if and when granted to a recipient program.<sup>179</sup> Here, no such funds are granted to a trademark applicant seeking Lanham Act registration, so similar specifications are unwarranted. To drive the point home, numerous judges and commentators have observed that more government resources are expended during the appeals processes following section 1052(a) *rejections* than could ever be spent on their approvals.<sup>180</sup>

Although trademark registrations are fully funded by privatized applicant fees, it remains the case that *some* public funds are inevitably spent on *facilitating* the examining process and otherwise enforcing a litigant's subsequently acquired intellectual property rights.<sup>181</sup> Examples of these expenditures include public employee salaries, pensions, health insurance, other benefits, and court costs.<sup>182</sup> However, this routine dip into the public treasury is too attenuated from Lanham Act benefits to justify section 1052(a)'s First Amendment intrusion under Congress's spending powers.<sup>183</sup> A holding otherwise would implicate the Spending Clause with regard to every conceivable benefit provided by a government entity, transforming the coercive denial of those benefits into permissible non-subsidies.

For instance, if the government's act of registering a trademark qualified as a subsidy, then it would likewise be reasonable to argue that the government subsidizes the author of a book or the writer of an article when it grants him or her a copyright.<sup>184</sup> The government could then

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<sup>179</sup> See *supra* notes 166–170 and accompanying text.

<sup>180</sup> See, e.g., *Tam*, 785 F.3d at 583 (Moore, J., additional views); *In re McGinley*, 660 F.2d 481, 487 (C.C.P.A. 1981) (Rich, J., dissenting) (“More ‘public funds’ are being expended in the prosecution of this appeal than would ever result from the registration of the mark.”); Phillips, *supra* note 9, at 68–69 (“It seems likely that more governmental time and resources are needlessly spent with office actions and appellate work targeted at barring scandalous marks than is saved by their proscription.”).

<sup>181</sup> *Tam*, 785 F.3d at 580.

<sup>182</sup> *Id.*; see also *Figueroa v. United States*, 466 F.3d 1023, 1028 (Fed. Cir. 2006).

<sup>183</sup> *Tam*, 466 F.3d at 580–81.

<sup>184</sup> See *In re Tam*, 808 F.3d 1321, 1354 (Fed. Cir. 2015).

circumvent the prohibitions of the First Amendment and ban the copyright registration of literary works tending to offend scattered segments of the general public. If Congress had decided to deny the benefits and protections of copyright registration to any literary work that contains scandalous and/or disparaging material, the world may have been deprived of such great works as Mark Twain's *The Adventures of Huckleberry Finn*, J.D. Salinger's *A Catcher in the Rye*, and D. H. Lawrence's *Lady Chatterly's Lover*. Similarly, pursuant to the line of reasoning advocated by the government in *Tam*, the government could also use its inherent spending powers and "non-subsidy" decisions to regulate the content displayed during parades or peaceful protests. After all, most parades take place on public property and require licenses or permits. The offices that issue these licenses or permits are run by public employees who need to be paid, and public tax dollars ultimately fund these salaries and benefits.

Obviously, the government's argument becomes absurd when taken to these extremes. That is because the costs the government incurs in registering trademarks are the same incidental costs that inevitably accompany *any* system of governmental registration, e.g., copyrights, patents, property deeds, etc.<sup>185</sup> In deciding whether any tension exists between the unconstitutional conditions doctrine and Congress's inherent spending power, courts only consider whether the *conditioned* benefits are paid for with public treasury funds, *not* whether the programs at issue are subsidized in more routine, indirect manners.<sup>186</sup>

One of the reasons the Spending Clause reaches farther and more broadly than the Commerce Clause is because of its "built-in" limitations.<sup>187</sup> Congress needs to spend *money* in

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<sup>185</sup> *Id.* at 1356.

<sup>186</sup> *Id.* at 1353–54.

<sup>187</sup> Telephone Conference with Thomas Healy, Professor of Law, Seton Hall Univ. Sch. of Law (Dec. 22, 2015).

order to trigger its spending power, and that money is by no means limitless.<sup>188</sup> With section 1052(a), however, Congress is essentially invoking its spending power while granting costless benefits. The potentially limitless nature of trademark registration certificates provides the government with infinite temptation to “subsidize” or “non-subsidize,” all while selectively infringing upon essential First Amendment freedoms.

An opposing argument exists in the notion that the monies comprising PTO user fees *become* funds within the public treasury’s possession once they are paid. But this argument fails to recognize the traditional distinction between a public “tax” and a private “fee.” The underlying policy of a taxation system is that citizens who benefit from the existence of a government should generally pay their fair shares to maintain that government.<sup>189</sup> Importantly, there is little to no connection between a taxpayer and the entity that decides how to spend the collected revenue.<sup>190</sup> A tax ultimately provides the treasury with public funds that may be properly allocated to any lawful governmental purpose, and there is no guarantee that those funds will directly benefit the payer.<sup>191</sup> By contrast, a governmental entity collects a “commodity charge” or a “user fee” in exchange for specific products or services rendered to consumers.<sup>192</sup> In this latter situation, specific protections ensure that the fee’s proceeds are used exclusively to finance the provision of the goods or services in the transaction at hand, and the sums are *not* used for general governmental purposes.<sup>193</sup>

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

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<sup>188</sup> *Id.*

<sup>189</sup> See Hugh D. Spitzer, *Taxes vs. Fees: A Curious Confusion*, 38 GONZ. L. REV. 335, 337 (2003).

<sup>190</sup> *Gruen v. Tax Comm’n*, 211 P.2d 651, 651–70 (Wash. 1949), *overruled in part by State ex rel. Wash. State Fin. Comm. v. Martin*, 384 P.2d 833 (Wash. 1963).

<sup>191</sup> See Spitzer, *supra* note 189, at 338–39.

<sup>192</sup> *Id.* at 343.

<sup>193</sup> *Id.*

to constitute “funds within the public treasury’s possession,” the foregoing distinction is certainly helpful in determining whether the federal government *possesses* the funds at issue. While labels are not always dispositive, it seems that in the context of federal trademarks, registration fees are just what they purport to be: private fees. First, the payments are not compulsory; rather, these payments are more analogous to *purchases*, as only mark owners who voluntarily decide to seek the benefits of federal registration make them. Second, there exists a direct relationship between the payment made and the particular service received in exchange for that payment: a PTO certificate of registration. Most importantly, the payment of a Lanham Act registration fee does not provide funds to the federal government with the ultimate design that those funds be deposited in the Treasury and spent on federal programs at the government’s discretion. Instead, these fees cover the costs of operating the PTO.<sup>194</sup> In fact, patent and trademark registration fees together cover 100% of that cost.<sup>195</sup>

There is a small catch. The amounts collected from patent and trademark registration fees *actually* constitute about 110% of the cost of running PTO operations.<sup>196</sup> Through a controversial “surcharge” mechanism implemented by the federal government, it used to be the case that the remaining surplus of monies was “siphoned off” to finance other government programs.<sup>197</sup> This concededly suggests that the federal government exercises at least *some* ownership and control over trademark (and patent) registration fees. But in 1998, the surcharge experiment expired.<sup>198</sup> Now, theoretically, the remaining “extra” funds accumulated annually through the collection of PTO registration fees are made available to the PTO in the following fiscal year on a rollover

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<sup>194</sup> *Report to the House of Delegates*, 2001 A.B.A. SEC. INTELL. PROP. L. 1, 2.

<sup>195</sup> *Id.*

<sup>196</sup> *See id.* at 2.

<sup>197</sup> *See id.* at 3.

<sup>198</sup> *Id.*

basis.<sup>199</sup> While the diversion of these remaining funds to other federal programs has unfortunately continued despite the expiration of Congress’s controversial surcharge mechanism, such diversion is widely perceived as inappropriate and fundamentally unfair to patent and trademark holders.<sup>200</sup> As such, Congress has implemented movements to prevent further incidents of this diversion in the future.<sup>201</sup>

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

Even assuming *arguendo* that section 1052(a) and the federal trademark registration system as a whole implicate public treasury funds to a constitutionally adequate degree, the statute must be invalidated as unduly coercive. When Congress places a condition upon the receipt of federal benefits, it may not do so to the extent that the condition operates in practice as a compulsion.<sup>202</sup> In this regard, a fine line distinguishes a permissible non-subsidy from a coercive penalty. Two seminal Supreme Court cases demonstrate this distinction: *South Dakota v. Dole*,<sup>203</sup> and *United States v. Butler*.<sup>204</sup>

In *Dole*, the Court evaluated the constitutionality of a federal law that withheld five percent of federal highway funds from any state that permitted persons less than twenty-one years of age to purchase alcohol.<sup>205</sup> The Court did not find that the threatened withholding of funds was

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<sup>199</sup> *See id.* at 4.

<sup>200</sup> *See Report to the House of Delegates, supra* note 194, at 2 (“This practice of diversion of USPTO user fees to fund unrelated government activities is unfair to those who pay the fees and is damaging to our nation’s economic health and progress. It must be stopped.”); *USPTO Funding*, INTELLECTUAL PROP. OWNERS ASS’N, <https://www.ipo.org/index.php/advocacy/hot-topics/uspto-funding/> (last visited Oct. 31, 2015) (“IPO has long advocated adequate funding for the U.S. Patent and Trademark Office (USPTO) and seeks to ensure that the USPTO has access to all user fees collected each year. A fully funded USPTO is a key to innovation and job creation and to strengthening the U.S. economy.”).

<sup>201</sup> *See, e.g.*, Innovation Protection Act, H.R. 1832, 114th Cong. (2015); Patent Fee Integrity Act, S. 2146, 113th Cong. (2014); Innovation Protection Act, H.R. 3349, 113th Cong. (2013); Patents and Trademarks Encourage New Technology Jobs Act, H.R. 2582, 113th Cong. (2013); H.R. REP. NO. 106-1048 (2001).

<sup>202</sup> *See S. Dakota v. Dole*, 483 U.S. 203, 211 (1987) (quoting *Steward Mach. Co. v. Davis*, 301 U.S. 548, 590 (1937)); *United States v. Butler*, 297 U.S. 1 (1936).

<sup>203</sup> *Dole*, 483 U.S. 203.

<sup>204</sup> *Butler*, 297 U.S. 1.

<sup>205</sup> *Dole*, 483 U.S. at 211 (citing 23 U.S.C. § 158 (1982)).

sufficiently coercive to amount to a compulsion, thereby exceeding the bounds of Congress’s spending clause authority.<sup>206</sup> Instead, the Court found that the law functioned merely as a financial inducement; while each state undoubtedly had an economic incentive to comply with Congress’s requested minimum drinking age, it also retained a realistic choice as to whether or not such compliance was worthwhile.<sup>207</sup> Of course, the states remained free to seek highway revenue from other sources.

In *United States v. Butler*, by contrast, the Supreme Court invalidated the Agricultural Adjustment Act as an abuse of Congress’s spending power, partly because the Act attempted to use economic pressure as a form of coercion.<sup>208</sup> The legislation at issue imposed a congressional “processing tax” on individual producers of agricultural commodities and redistributed the proceeds of that tax to those producers who agreed to reduce their net acreage.<sup>209</sup> Unlike the South Dakota state government in *Dole*, the Supreme Court held that the individual farmers in *Butler* retained no realistic choice other than to accept the funds and reduce their output of crops.<sup>210</sup> The amount of funds offered created sufficient pressure so as to amount to an impermissible compulsion, thus depriving the farmers of any viable alternatives. The Court held that the involuntary nature of the “choice” at issue positioned each crop producer “between the rock and the whirlpool,” granting him “an ‘option’ to forego a privilege which may be vital to his livelihood or submit to a requirement which may constitute an intolerable burden.”<sup>211</sup>

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<sup>206</sup> *See id.* (“When we consider . . . that all South Dakota would lose if she adheres to her chosen course as to a suitable minimum drinking age is 5% of the funds otherwise obtainable under specified highway grant programs, the argument as to coercion is shown to be more rhetoric than fact.”).

<sup>207</sup> *See id.* at 212 (“Here Congress has offered relatively mild encouragement to the States to enact higher minimum drinking ages than they would otherwise choose. But the enactment of such laws remains the prerogative of the States not merely in theory but in fact.”).

<sup>208</sup> *See generally Butler*, 291 U.S. 1.

<sup>209</sup> *Id.* at 53–57.

<sup>210</sup> *Id.* at 70–71.

<sup>211</sup> *Id.* at 72 (quoting *Frost & Frost Trucking Co. v. R.R. Comm’n*, 271 U.S. 583, 593 (1926)).

Although section 1052(a) affects private, individual parties as opposed to state governments, the prohibitions therein nevertheless function as coercive penalties. *Dole* and *Butler* illustrate that the primary factor distinguishing a non-subsidy from a penalty is whether the affected parties retain a realistic choice to decline the federal benefit in question and seek its equivalent elsewhere.<sup>212</sup> Simply put, rejected trademark applicants have no such choice. All funds—to a certain extent—are fungible; and in this regard, money is distinguishable from a certificate of federal trademark registration. The latter is a unique bundle of rights offered solely by the PTO. A rejected applicant has nowhere else to turn if his proposed mark fails to conform to the arbitrarily imposed standards of section 1052(a)'s scandalousness and disparagement prohibitions. Thus, the traditional remedy of declining a benefit and seeking its equivalent elsewhere is simply unavailable.

## **VI. CENTRAL HUDSON: WHY DOES IT ALL MATTER?**

Because section 1052(a) imposes an unconstitutional condition that is unjustifiable as a non-subsidy, the provision must withstand constitutional scrutiny in order to pass muster.<sup>213</sup> The initial matter to be decided is what level of constitutional scrutiny applies.

As discussed *supra*, Mr. Tam's proposed trademark goes beyond merely identifying his musical act commercially.<sup>214</sup> Rather, his stated intent is to "reclaim" and "take ownership" of traditionally offensive Asian stereotypes, thereby asserting a societal message that Asian Americans should stand strong and be proud of their cultural heritage.<sup>215</sup> Mr. Tam's proposed

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<sup>212</sup> See *supra* notes 205–212 and accompanying text.

<sup>213</sup> See *Davis*, *supra* note 102, at 368 ("A finding that Section 2(a) properly should be held to satisfy the requirements of the First Amendment is not, of course, dispositive of the separate and independent issue of whether it does satisfy those standards.").

<sup>214</sup> See *supra* notes 2–4 and accompanying text.

<sup>215</sup> *In re Tam*, 785 F.3d 567, 575 (Fed. Cir.) (Moore, J., additional views), *reh'g en banc granted, opinion vacated*, 600 F. App'x 775 (Fed. Cir. 2015).



trademark and accompanying message therefore implicate racial, societal, cultural, and political issues—all of which comprise the “heartland” of speech entitled to First Amendment protection.<sup>216</sup>

Moreover, the Federal Circuit’s ultimate disposition of *Tam* demonstrates that section 1052(a)’s restrictions very likely constitute viewpoint-based regulations of speech subject to strict scrutiny.<sup>217</sup> Pursuant to section 1052(a), it is permissible for a trademark applicant to register marks that refer to a particular group or idea in a positive manner, but it is not permissible for the same applicant to register a mark that refers to the same group or idea in a harmful, scandalous, or potentially disparaging manner.<sup>218</sup> A listener’s probable reaction to expression is not a content-neutral basis for regulation;<sup>219</sup> rather, this criterion depends entirely on the content of the speaker’s message. The government does not dispute that section 1052(a)’s underlying purpose is to deter the vilest messages from ever entering commerce in the first place.<sup>220</sup> This conceded objective further solidifies section 1052(a) as a classic example of a restraint on speech that targets expressive content, thereby threatening to eliminate disfavored views from the marketplace of ideas. However, because section 1052(a) fails to survive even the *intermediate* scrutiny ordinarily applied to restrictions of commercial speech, any argument for strict scrutiny becomes largely irrelevant.

As one of the single most important commercial assets a manufacturer or seller can own, a trademark undoubtedly falls within the definition of commercial speech.<sup>221</sup> *Central Hudson*, the seminal case on First Amendment commercial speech jurisprudence, defines commercial speech

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<sup>216</sup> *Id.*

<sup>217</sup> See generally *In re Tam*, 808 F.3d 1321 (Fed. Cir. 2015); see also *Reed v. Town of Gilbert*, 135 S. Ct. 2218, 2226 (2015); *R.A.V. v. City of St. Paul*, 505 U.S. 377, 382 (1992) (explaining that strict scrutiny is necessary in the review of any regulation that burdens speech based on governmental disapproval of the message conveyed).

<sup>218</sup> *Tam*, 785 F.3d at 582.

<sup>219</sup> *Forsyth City v. Nationalist Movement*, 505 U.S. 123, 134 (1992).

<sup>220</sup> See Appellee’s En Banc Brief at 1–3, *Tam*, 808 F.3d 1321.

<sup>221</sup> Lee, *supra* note 9, at 71.

as “expression related solely to the economic interests of the speaker and its audience.”<sup>222</sup> Similarly, *Virginia Board of Pharmacy v. Virginia Citizens Consumer Council, Inc.* describes commercial speech as involving the “dissemination of information as to who is producing and selling what product, for what reason, and at what price.”<sup>223</sup> The Supreme Court has at least once identified trademarks as commercial speech.<sup>224</sup> After all, trademarks serve as commercial identifiers—symbols, words, pictures, and/or logos used to distinguish a company’s goods from those manufactured by others.<sup>225</sup>

In *Central Hudson*, the Supreme Court set forth a four-part framework to determine the constitutionality of commercial speech restrictions. First, the speech at issue must concern otherwise lawful activity and not be misleading in order to come within the ambit of First Amendment protection.<sup>226</sup> Second, courts must determine whether the government’s asserted interest underlying the restriction qualifies as “substantial.”<sup>227</sup> Finally, the regulation must “directly advance” the asserted governmental interest in a manner that is not “more extensive than necessary.”<sup>228</sup> As shown below, section 1052(a) fails to withstand intermediate scrutiny because the government is unable to assert a substantial interest in restricting scandalous and/or disparaging commercial speech.<sup>229</sup> Therefore, it is unnecessary to even reach the third and fourth steps of the *Central Hudson* framework.

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<sup>222</sup> *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 561 (1980) (citing *Va. State Bd. of Pharmacy v. Va. Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976)).

<sup>223</sup> *Va. State Bd. of Pharmacy*, 425 U.S. at 765.

<sup>224</sup> *See Friedman v. Rogers*, 440 U.S. 1, 11 (1979).

<sup>225</sup> 15 U.S.C. § 1127 (2015).

<sup>226</sup> *Cent. Hudson*, 447 U.S. at 566.

<sup>227</sup> *Id.*

<sup>228</sup> *Id.*

<sup>229</sup> To date, no court has considered a section 1052(a) appeal in the context of *Central Hudson*. Whether or not a “substantial government interest” for the provision exists is at best ambiguous. *See Stout*, *supra* note 130, at 241 (positing that when viewed collectively, the possible governmental interests in support of Section 1052(a)’s prohibitions are too weak to justify the provision’s abridgement of protected commercial speech).

Although the Lanham Act’s legislative history provides little to no indication of Congress’s intent in enacting section 1052(a), courts and scholars have manufactured three plausible purposes: (1) a desire to protect the public from disparaging or otherwise offensive trademarks; (2) a desire to refrain from “stamping the government’s imprimatur” on an offensive mark; and (3) a congressional choice not to subsidize offensive material with federal funds.<sup>230</sup>

Supreme Court precedent forecloses use of the first proposed governmental interest—protection of the public welfare—as a legitimate legislative objective with regard to the suppression of commercial speech.<sup>231</sup> It is a fundamental precept of First Amendment jurisprudence that the government may not suppress or burden speech merely because it is offensive to some viewers or listeners.<sup>232</sup> Additionally, the government continues to argue that the refusal to register a trademark does not remove the allegedly scandalous or disparaging mark from commerce or otherwise limit its access to the general public in any meaningful manner.<sup>233</sup> It is hypocritical for the government to argue that a denial of registration does not prevent a trademark applicant from nevertheless *using* his allegedly offensive speech in commerce, yet simultaneously accept the proposition that continuing to deny these registrations will protect the general public against offensive material.

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

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<sup>230</sup> See *In re Tam*, 785 F.3d 567, 582–85 (Fed. Cir.) (Moore, J., additional views), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015); Phillips, *supra* note 9, at 68–69.

<sup>231</sup> See *Sorrell v. IMS Health, Inc.*, 564 U.S. 552, 571–72 (2011).

<sup>232</sup> See, e.g., *Bolger v. Youngs Drug Prod. Corp.*, 463 U.S. 60, 60 (1983).

<sup>233</sup> See *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981).

The duty of this Office under the Trademark Act in reviewing applications for registration is nothing more and nothing less than to register those marks that are functioning to identify and distinguish goods and services in the marketplace . . . . Just as the issuance of a trademark registration by this Office does not amount to a government endorsement of the quality of the goods to which the mark is applied, the act of registration is not a government imprimatur or pronouncement that the mark is a ‘good’ one in an aesthetic, or any analogous, sense.<sup>234</sup>

In a manner consistent with *Old Glory Condom*, scholars have almost universally agreed that registration of a trademark should not signify political support for the mark any more than the PTO’s registration of a patent signifies endorsement of the underlying invention.<sup>235</sup>

The third and final proposed governmental interest in support of section 1052(a)—a congressional choice not to use public funds to subsidize offensive commercial speech—no longer carries any weight. In 1981, the CCPA stated that “the prohibition against registering scandalous marks was not ‘an attempt to legislate morality, but, rather, a judgment by the Congress that such marks not occupy the time, services, and use of funds of the federal government.’”<sup>236</sup> The court provided a multitude of ways in which federal funds were spent in registering a trademark.<sup>237</sup> However, this justification for the abridgement of commercial speech no longer stands on firm ground. Federal trademark registration is now funded almost entirely by user fees, and therefore costs the government very little money.<sup>238</sup> In fact, multiple courts have stated that in light of the section 1052(a) appeal process, it frequently costs the government more money to refuse registration than it does to allow it.<sup>239</sup>

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<sup>234</sup> *In re Old Glory Condom Corp.*, 26 U.S.P.Q.2d 1216 n.3 (T.T.A.B. 1993).

<sup>235</sup> *See, e.g.*, Phillips, *supra* note 9, at 69.

<sup>236</sup> LaLonde & Gilson, *supra* note 26, at 1482 (quoting *McGinley*, 660 F.2d at 486).

<sup>237</sup> This list included the following: maintaining public records; publishing notice in an official publication; enlisting U.S. Customs to aid in blocking importation of infringing goods; and providing registrants with access to federal district courts. *McGinley*, 660 F.2d at 486.

<sup>238</sup> *In re Tam*, 785 F.3d 567, 583 (Fed. Cir.) (Moore, J., additional views), *reh’g en banc granted, opinion vacated*, 600 F. App’x 775 (Fed. Cir. 2015).

<sup>239</sup> *See, e.g.*, *McGinley*, 660 F.2d at 487 (Baldwin, J., dissenting).

## VII. CONCLUSION

It is all too easy to garner sympathy for those who take personal offense to allegedly scandalous or disparaging trademarks. But the Lanham Act is not a proper vehicle through which these offended persons can constitutionally alleviate their frustrations. Scholars have suggested that perhaps a more appropriate remedy lies within the operation of a free, unrestrained marketplace.<sup>240</sup> In any event, the First Amendment protects not only harmless expression, but hurtful expression too.<sup>241</sup> If the public debate rationale underlying the freedom of speech is to have any merit, then the American people as a culture must tolerate some insulting speech in order to provide adequate breathing room for the exercise of essential freedoms.<sup>242</sup> The fact that Mr. Tam offended the public's moral sensibilities merely demonstrates the expressive power of his band's name and its inherent cultural message, as well as the expressive power of trademarks generally.<sup>243</sup>

In denying federal registration to marks consisting of scandalous and/or disparaging subject matter, section 1052(a) of the Lanham Act significantly abridges trademark applicants' First Amendment rights to free speech. Although the Spending Clause authorizes Congress to condition the receipt of federal benefits upon the recipients' relinquishment of constitutional rights under certain circumstances, section 1052(a) fails to meet these criteria. That is because the provision is unduly coercive, and it fails to implicate funds of the federal treasury to a constitutionally adequate degree. As an abridgement of commercial speech, section 1052(a) must withstand intermediate

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<sup>240</sup> See Elder Haber, *Copyrighted Crimes: The Copyrightability of Illegal Works*, 16 YALE J.L. & TECH. 454, 477–78 (2014) (“Economic considerations by themselves—without the law’s intervention—could discourage use of offensive marks, as many customers would avoid purchasing an offensively marked product or service.”); Lee, *supra* note 9, at 80 n.51 (“If a majority of the public is offended by a mark, [then] they are not likely . . . to buy the goods bearing that mark. Therefore, it is not likely that anyone would use a mark that was truly offensive to a majority of the population.”).

<sup>241</sup> *Snyder v. Phelps*, 562 U.S. 443, 458 (2011).

<sup>242</sup> See *id.*

<sup>243</sup> See *In re Tam*, 808 F.3d 1321, 1327–28 (Fed. Cir. 2015).

scrutiny to pass constitutional muster. The statute does not survive such scrutiny because the federal government has failed to articulate a substantial governmental interest for regulating scandalous and/or disparaging material in this manner. As such, the longstanding Federal Circuit precedent of *In re McGinley* must be overruled and section 1052(a) must be invalidated as unconstitutional.