The Federal Circuit Holds that the Ban on Scandalous or Immoral Trademarks is Unconstitutional

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On Friday, December 15, 2017, in an anticipated decision, the Federal Circuit ruled that the scandalous clause of the Lanham Act was unconstitutional on First Amendment grounds. *See In re Brunetti*, No. 2015-1109 (Fed. Cir. Dec. 15, 2017). This decision comes several months after the Supreme Court's decision in *Matal v. Tam*, 137 S. Ct. 1744 (2017), which affirmed the Federal Circuit's decision that the disparagement clause of the Lanham Act, contained in the same section as the scandalous clause, was unconstitutional.

Prior to this decision and in the Supreme Court's holding in *Matal*, section 2(a) of the Lanham Act allowed the United States Patent and Trademark Office ("USPTO") to refuse to register a trademark that "[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute . . . ." 15 U.S.C. § 1052(a). Traditionally, the USPTO would evaluate whether a mark should be refused if "'a substantial composite of the general public' would find the mark scandalous, defined as 'shocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; . . . giving offense to the conscience or moral feelings; . . . or calling out for condemnation." *In re Brunetti*, slip op. at 3 (internal citations omitted). The USPTO also could determine if a mark was "scandalousness by establishing that a mark is 'vulgar.'" *Id.* This determination was made in the context of contemporary attitudes, which means that the determination of what is scandalous or immoral would change over time.

As background, Mr. Brunetti owns the clothing brand "fuct," and in 2011, two individuals filed an intent-to-use application for the mark FUCT for various clothing items. *Id.* at 4. The individuals assigned the application to Mr. Brunetti, who amended it to allege use of the mark. The USPTO refused the application for trademark registration for the word "Fuct" for use on clothing apparel on the grounds that it comprised immoral or scandalous material. As part of its reasoning, the examining attorney noted that FUCT is the past tense of the verb "fuck," which is considered a vulgar word and therefore scandalous. *Id.* Mr. Brunetti requested reconsideration and appealed the decision to the Trademark Trial and Appeal Board ("TTAB" or "the Board") to no avail. Following the decision of the Board, Mr. Brunetti appealed the decision to the Federal Circuit.

Mr. Brunetti's main argument before the court was that the substantial evidence relied upon by the Board to find the mark FUCT vulgar under section 2(a) of the Lanham did not support this finding. Further, even if the mark was vulgar, Mr. Brunetti asserted that section 2(a) did not expressly prohibit registration of vulgar marks and that where there is doubt as to the meaning of the mark, as was with the mark FUCT, then the mark should be approved for registration. *Id.* at 5. As an alternative, Mr. Brunetti challenged the constitutionality of section 2(a)'s prohibition on scandalous or immoral marks.

The Federal Circuit did find that the mark FUCT was vulgar and therefore scandalous. *See id.* at 6-9. In its analysis, the court noted that substantial evidence did support the Board's finding that "'fuct' is a 'phonetic twin' of 'fucked,' the past tense of the word 'fuck,'" and was sufficient to the relevancy of whether Mr. Brunetti's mark FUCT was vulgar. *Id.* at 6. Further, the evidence in the marketplace regarding the use of Mr. Brunetti's mark bolstered the Board's finding—the mark was used on products that contained sexual imagery and was perceived by consumers as having a sexual connotation. *Id.* at 6-7. The court concluded that Mr. Brunetti's arguments had no merit and that the Board did not err in concluding that the mark was not registrable under section 2(a).

Although Judge Moore noted that the "trademark

at issue is vulgar," the Federal Circuit found that the First Amendment protects private speech, even in cases where it is offensive to the general public, and the scandalous clause amounted to a content-based discrimination on speech. Citing to the Supreme Court's decision in *Matal*, the Federal Circuit noted that the Supreme Court left the question open of whether the test articulated in *Central Hudson* "provides the appropriate test for deciding free speech challenges to provisions of the Lanham Act"; however, the Federal Circuit applied this test here and concluded that the scandalous provision discriminates based on content in violation of the First Amendment. *Id.* at 12-13; 566 (1980).

In cases where speech based on content is restricted, strict scrutiny review must be applied, which requires the government to demonstrate that the restriction furthers a compelling interest and is narrowly tailored to achieve that interest. *Id.* at 13. Although, the government conceded that the bar for registering scandalous or immoral marks under section 2(a) is a content-based restriction, the government argued that trademarks are commercial speech, and thus intermediate scrutiny should be applied and therefore was an appropriate restriction under this type of scrutiny. *Id.* at 14 . In rejecting this argument, the court noted that trademark registration is not a government subsidy program, and the cases discussing government subsidies did not justify the government's content-based restriction on immoral or scandalous marks. *See id.* at 14-20.

Additionally, the Federal Circuit found that trademark restriction is not limited to a public forum. The constitutionality of speech restrictions on government property are analyzed under the Supreme Court's "forum analysis", under which the government can regulate property "in its charge" and place limits on speech. *Id.* at 20. Here, the government argued that the federal program for trademark restriction was a limited public forum and thus could subject section 2(a) to content-based restrictions on speech. *Id.* at 21.The Federal Circuit concluded that the registration and use of trademarks was not in line within the public or limited public forum cases, and "bears no resemblance to these limited public forums." *Id.* at 24. Just because the registered trademarks appear on the government's registrar, this is not enough to "transform" the trademark registration into a limited public forum. *Id.* at 25.

Furthermore, the Federal Circuit concluded that because the scandalous clause targeted the expressive content of speech, strict scrutiny should apply. In its analysis, the court noted that although trademarks do convey a commercial message, they may also contain expressive content and stated that "[t]here can be no question that the immoral or scandalous prohibition targets the expressive components of speech." *Id.* at 27. The court relied on a point made by Justice Kennedy in the *Matal* decision that unlike the provisions of the Lanham Act that discuss the source-identifying information of a mark, the disparagement clause, and in turn the scandalous clause, base rejection off an expressive message and not the commercial components of a trademark. *Id.* at 27-28. For these reasons, the Federal Circuit concluded that the scandalous clause of section 2(a) would be unconstitutional if strict scrutiny applied. *Id.* at 28.

Moreover, the Federal Circuit held that the scandalous clause of the Lanham Act did not even pass intermediate scrutiny. Relying on the four-part test for commercial speech articulated in *Central Hudson Gas & Electric Corp. v. Public Service Commission*, 447 U.S. 557, the Federal Circuit asked "whether (1) the speech concerns lawful activity and is not misleading; (2) the asserted government interest is substantial; (3) the regulation directly advances that government interest; and (4) whether the regulation is 'not more extensive than necessary to serve that interest.'" *Id.* (citing *Central Hudson*, 447 U.S. at 566).

Although the court found that the scandalous clause clearly met the first prong, the court concluded that the second prong requiring a substantial government interest was not met: "The only government interest related to the immoral or scandalous provision that we can discern from the government's briefing is its interest in 'protecting public order and morality.'" *Id.* at 29 (internal citation omitted). In its analysis, the court noted that the government does not have a substantial interest in promoting certain trademarks over others and relied upon the Supreme Court's reasoning in *Matal v. Tam* that trademarks are not government speech and cannot be regulated as such. See *id.* at 30-31. Furthermore, the court stated that the precedent of the Supreme Court, "makes clear" that the

government's interest in protecting the public from marks it views as "off-putting" is not a substantial government interest that can be used to suppress speech and relied upon the Supreme Court's decision in *Matal* to support its analysis. *Id.* at 31-32. Additionally, the Federal Circuit noted that the government also does not have a substantial interest in protecting the public from scandalousness and profanities and rejected the government's reliance on *FCC v. Pacifica Foundation*, 438 U.S. 726 (1978), which upheld the constitutionality of an order declaring a radio broadcast as indecent and potentially sanctionable. *Id.* at 33-34. The court noted that government's interest in protecting the public from scandalous or immoral marks was not the same as the government's interest in protecting children and other unsuspecting listeners from an onslaught of swear words, which was the case in *Pacifica*. *Id.* at 34.

With respect to the third prong of *Central Hudson*, the court noted the government also would not meet this prong. The scandalous clause would not prevent prospective trademark applicants from using their marks, even if the mark is not federally registered, and in the age of the Internet, the court stated that the government "has completely failed" to protect the general population from scandalous material. *Id.* at 35.

Lastly, the Federal Circuit held that no matter what the government's interest was, it could not meet the fourth prong of the *Central Hudson* test. *Id.* The court stated that the "inconsistent application" of the scandalous clause "create[d] an 'uncertainty [that] undermines the likelihood that the [provision] has been carefully tailored,'" and noted that nearly identical marks have been approved or rejected by different examining attorneys, including marks that reference the vulgar term "fuck." *Id.* at 35-36 (internal citation omitted). For these reasons, the Federal Circuit concluded that the scandalous clause does not pass muster under the *Central Hudson* test and failed to pass intermediate scrutiny review.

Lastly, the majority noted that statutes are construed as narrowly as possible to preserve their constitutionality. However, the court found it was not reasonable to construe the scandalous or immoral clause to be confined to obscene material, which was limited to material of a sexual nature. *Id.* at 38-41. In a separate concurrence, Judge Dyk disagreed with the majority's conclusion that there could be no reasonable narrow construction of the statute to preserve the constitutionality of it and urged adopting a narrowing construction. Judge Dyk suggested that one possible reading could be to limit the clause to cover obscene marks, which are not entitled to First Amendment protection. See *id.* at 2 (Dyk, J. concurring). However, Judge Dyk did note that because Mr. Brunetti's mark was not obscene, the decision of the Board must be reversed and concurred with the judgment. *Id.* at 8 (Dyk, J. concurring).

This decision is distinct from *Matal* in that the Supreme Court ruled that the disparagement clause constituted viewpoint discrimination, whereas the Federal Circuit concluded that the scandalous clause was a content-based restriction. Due to the recent nature of the decision in *In re Brunetti*, no petition for a writ of certiorari has been filed to date challenging the Federal Circuit's decision.

Because the restrictions of the disparagement clause and scandalous clause no longer exist, and as of yet, there are no apparent restrictions on who can take advantage of these decisions, this may result in more trademark applications for offensive terms. The question now will center on whether there will be any restrictions on such controversial trademarks at all.