

# **Municipal Regulation of Trademarked Signs**

presented at

The Texas City Attorney Association  
2013 Summer Conference  
South Padre Island, Texas  
June 6, 2013

by

**Zachariah T. Evans**  
Akers Law Firm, LLP  
6618 Sitio Del Rio Boulevard  
Building E, Suite 102  
Austin, Texas 78730  
512.551.0901  
[www.txcityattorney.com](http://www.txcityattorney.com)

A former United States Marine, Zachariah T. Evans works for the Akers Law Firm, LLP, in Austin, Texas, representing small to medium-sized cities across the state. Prior to joining the firm, he spent nearly a decade working in and around the Texas Legislature, serving members of both parties in the Texas House and Senate. Zachariah obtained a Bachelor of Arts from The University of Texas at Austin and a Doctorate of Jurisprudence from The University of Texas School of Law. He is an avid fan of motorcycle racing, classic cars, and has an affinity for anything that goes fast on wheels. Zachariah resides in Far East Austin, with his wife Nyssa and their two dogs, Nadia and Otis.

## Municipal Regulation of Trademarked Signs

Municipal regulation of trademarked symbols involves the intersection of three prolific legal doctrines: (1) freedom of speech; (2) regulation of speech; and (3) regulation of intellectual property—in this case trademarks. Conversely, at the most basic level, municipal regulation of trademarked signs is little more than U.S. Supreme Court-sanctioned restriction of free speech.

### I. Freedom of Speech, Generally

Virtually every lawyer has studied the landmark free speech cases, in which the United States Supreme Court held that certain acts and symbols are protected under the Free Speech Clause of the First Amendment. The general rule derived from these cases is that symbols are speech protected under the First Amendment;<sup>1</sup> yet, speech can be legitimately restricted according to the “time, place and manner” in which the speech occurs.<sup>2</sup> More specifically, the Court has held that time, place and manner restrictions will be upheld if the regulation:

1. Is content neutral;
2. Is narrowly tailored to serve a significant governmental interest; and
3. Leaves open ample alternative channels for communication of the information to be regulated.<sup>3</sup>

The Court has also had ample occasion to rule on cases relating directly to signage as speech. In doing so, the has Court made clear that, unlike the time, place and manner restrictions that may be imposed on most forms of speech, instances can and do arise in which signs – especially commercial signs – are subject to regulations more stringent than the broad time, place and manner standards that may be applied toward noncommercial speech.

In *City of Ladue v. Gilleo*, the U.S. Supreme Court wrote,

While signs are a form of expression protected by the Free Speech Clause, they pose distinctive problems that are subject to municipalities' police powers. Unlike oral speech, signs take up space and may obstruct views, distract motorists, displace alternative uses for land, and pose other problems that legitimately call for regulation. It is common ground that governments may regulate the physical characteristics of signs – just as they can, within reasonable bounds and absent censorial purpose, regulate audible expression in its capacity as noise.<sup>4</sup>

---

<sup>1</sup> See U.S. CONST. amend. I; *Cohen v. California*, 403 U.S. 15 (1971) (“Fuck this Court” t-shirt was speech protected under First Amendment; *United States v. O'Brien*, 391 U.S. 367 (1968) (burning draft cards was speech protected under First Amendment); *Tinker v. Des Moines Independent Community School District*, 393 U.S. 503 (1969) (armbands protesting Vietnam War were speech protected under First Amendment).

<sup>2</sup> *Ward v. Rock Against Racism*, 491 U.S. 781, 791 (1981).

<sup>3</sup> *Clark v. Community for Creative Nonviolence*, 468 U.S. 288, 293 (1984).

<sup>4</sup> *City of Ladue v. Gilleo*, 512 U.S. 43, 48 (1994).

The “common ground” legitimate purpose for governmental regulation of physical characteristics of signs boils down to two very broad bases: aesthetics and public safety.

## II. Municipal Regulation of Signs: Aesthetics and Public Safety

The two Supreme Court-recognized substantial governmental purposes for regulating signs are public safety and aesthetics.<sup>5</sup>

The seminal case on the matter is *Metromedia, Inc. v. City of San Diego*. In *Metromedia*, the U.S. Supreme Court recognized that billboards and other forms of signage are intended to divert the attention of drivers and pedestrians. The Court further found that “billboards by their very nature, wherever located and however constructed, can be perceived as an esthetic harm.”<sup>6</sup> Accordingly, “the government has legitimate interests in controlling the noncommunicative aspects of the medium.”<sup>7</sup> In oversimplified terms: cities can regulate the location and size of commercial signs in order to advance public safety and aesthetics.

Initially, however, public safety was widely viewed as the primary, if not only, legitimate justification cities had to regulate signage.

As early as 1905, in *City of Passaic v. Patterson Bill Posting, Adv. & Sign Painting*, the New Jersey Court of Errors and Appeals invalidated an ordinance regulating sign height and setbacks for the sake of improving aesthetics.<sup>8</sup> The court wrote, “Aesthetic considerations are a matter of luxury and indulgence rather than of necessity, and it is necessity alone which justifies the expertise of the police power to take private property without compensation.”<sup>9</sup> The California Supreme Court issued a similar ruling four years later in *Varney & Green v. Williams*.<sup>10</sup>

It was not long, however, before the courts changed their tune, finding that aesthetics were not merely “a matter of luxury and indulgence,” but instead a matter of public welfare. In *Berman v. Parker*, Mr. Justice Douglas, waxing philosophic, wrote, “The concept of the public welfare is broad and inclusive,” so much so that “[t]he values it represents are spiritual as well as physical, aesthetic as well as monetary.”<sup>11</sup>

---

<sup>5</sup> See *Metromedia v. City of San Diego*, 453 U.S. 490, 507 (1981)(“[T]raffic safety and the appearance of the city [] are substantial governmental goals.”).

<sup>6</sup> *Id.* at 510.

<sup>7</sup> *Id.* at 502. Note, however, that the Court ultimately struck down San Diego’s billboard ordinance, finding that it unduly burdened noncommercial speech; see *id.* at 513 (“Insofar as the city tolerates billboards at all, it cannot choose to limit their content to commercial messages; the city may not conclude that the communication of commercial information concerning goods and services connected with a particular site is of greater value than the communication of noncommercial messages.”)

<sup>8</sup> Dawn Jourdan, et al, *A Legal and Technical Exploration of On-Premise Sign Regulation, An Evidence Based Model Sign Code*, citing *City of Passaic v. Patterson Bill Posting, Adv. & Sign Painting*, 62 A. 267 (N.J. Err. & App. 1905), retrieved on May 14, 2013, available at: <http://www.dcp.ufl.edu/files/8c71fa03-9cbf-4af2-9.pdf>.

<sup>9</sup> *Id.*

<sup>10</sup> See *Varney & Green v. Williams*, 100 P. 867 (1909)(declaring an ordinance prohibiting all advertising billboards purely for esthetic reasons as an unconstitutional exercise of municipal police power).

<sup>11</sup> *Berman v. Parker*, 348 U.S. 26, 33 (1954).

The rub with aesthetics, of course, is that what is visually appealing to one person may not be so to another. As Mr. Justice White wrote in *Metromedia*, “esthetic judgments are necessarily subjective, defying objective evaluation, and for that reason must be carefully scrutinized to determine if they are only a public rationalization of an impermissible purpose.”<sup>12</sup>

By 1984, the issue was “well settled”<sup>13</sup> (and even the Fifth Circuit has since agreed!).<sup>14</sup> In *Members of City Council v. Taxpayers for Vincent*, the Court wrote, “It is well settled that the state may legitimately exercise its police powers to advance esthetic values... [M]unicipalities have a weighty, essentially esthetic interest in proscribing intrusive and unpleasant formats for expression.”<sup>15</sup>

While the author takes issue with Mr. Justice Stevens’ penchant for the less aesthetically-pleasing use of the American English “esthetic,” *vis a vis* the traditional “aesthetic,” there can be no doubt that regulation of signs on the basis of aesthetics is little more than regulation via collective tastes. Imagine a community in which hundreds of Alfred Munnings team up against a few Pablo Picassos. Or, less anachronistically: if everyone in town thinks the 100-foot, neon pink, “Roadkill Café: You Kill ‘Em, We Grill ‘Em” sign that Bubba Badeaux erected to draw travelers to his restaurant is “unpleasant,” but Bubba thinks it is “beeeaaauuxtiful,” then Bubba is wrong, everyone else in town is right, and the sign can most likely be regulated under an ordinance adopted in the interest of maintaining community aesthetics.

### III. Regulation of Commercial Speech, Generally

Beyond public safety, how should cities balance their established right to regulate signage against the right of individuals and businesses to advertise through trademark-protected symbolism? Should cities be allowed to require a red Dairy Queen sign to be blue so that it fits the look and “feel” of the rest of the community; or to require a W-shaped Whataburger sign to be oval-shaped like those of other businesses in the community? Or, can a city prohibit businesses from displaying trademarked symbols altogether? While it may seem obvious as to whether such businesses are engaging in commercial endeavors, to answer these questions, it is helpful to first understand the fact that commercial speech does not enjoy the same amount of constitutional protection as noncommercial speech.

In *United States v. United Foods*, the Court wrote that commercial speech is “usually defined as speech that does no more than propose a commercial transaction.”<sup>16</sup> In *Central Hudson Gas & Electric v. Public Service Commission*, the Court wrote that commercial speech is “expression

---

<sup>12</sup> *Metromedia*, 453 U.S. at 510. See also, *Members of City Council v. Taxpayers for Vincent*, 466 U.S. 789, 822 (U.S. 1984)(Brennan, J., dissenting)(“[T]he inherent subjectivity of aesthetic judgments makes it all too easy for the government to fashion its justification for a law in a manner that impairs the ability of a reviewing court meaningfully to make the required inquiries.”).

<sup>13</sup> *Taxpayers for Vincent*, 466 U.S. at 805.

<sup>14</sup> See *Lindsay v. San Antonio*, 821 F.2d 1103, 1108-1109 (5th Cir. Tex. 1987) (“It is well-established that ... the state may legitimately exercise its police powers to advance the substantial governmental goals of aesthetics and traffic safety.”)(citing *Taxpayers for Vincent*, 466 U.S. at 805; *Metromedia*, 453 U.S. at 507-08).

<sup>15</sup> *Taxpayers for Vincent*, 466 U.S. at 805-06.

<sup>16</sup> *United States v. United Foods*, 533 U.S. 405, 409 (U.S. 2001) (citing *Virginia Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976)).

related solely to the economic interests of the speaker and its audience.”<sup>17</sup> And, while it may seem absurd today to question whether commercial speech is protected at all, the Supreme Court did not recognize as such until 1976 in *Virginia Board of Pharmacy v. Virginia Citizens Consumer Council*.

In *Virginia Board*, the Court struck down a statute prohibiting pharmacists from advertising prescriptions prices.<sup>18</sup> Similarly, in every Professional Responsibility professor’s favorite case, *Bates v. State Bar of Arizona*, the Court struck down a statute establishing an across the board prohibition on attorney advertising.<sup>19</sup> While the Court struck down these far-reaching prohibitions on advertising, in both cases the Court declined to hold that commercial speech enjoys the same “universally inelastic”<sup>20</sup> constitutional protection as noncommercial speech, thus leaving open the door for relatively stringent commercial speech regulations.

A few years later, the Court made clear that commercial speech does not enjoy the same constitutional protections as noncommercial speech:

To require a parity of constitutional protection for commercial and noncommercial speech alike could invite dilution, simply by a leveling process, of the force of the [First] Amendment's guarantee with respect to the latter kind of speech. Rather than subject the First Amendment to such a devitalization, we instead have afforded commercial speech a limited measure of protection, commensurate with its subordinate position in the scale of First Amendment values, while allowing modes of regulation that might be impermissible in the realm of noncommercial expression.<sup>21</sup>

Returning to Whataburger, as the author is wont to do, we can safely assume the giant, orange, W-shaped sign qualifies as commercial speech based on both of the Court’s definitions, discussed *supra*. By placing a sign where passersby will see it, Whataburger is proposing a commercial transaction in which a hungry attorney will pay money to consume a deliciously gluttonous, double-bacon-cheeseburger with extra mustard, a large order of French fries, and a 64-ounce Kidney Buster Dr. Pepper. We can also safely say that the sign, ultimately, relates to little more than both Whataburger and the attorney’s economic (if not health) interests because money is changing hands during these delicious transactions.

#### **A. After determining that commercial speech is at issue, then what?**

In *Central Hudson Gas & Electric Corporation v. Public Service Commission*, the Supreme Court laid out a four-prong test to determine whether or not a regulation on commercial speech would survive constitutional muster:

---

<sup>17</sup> *Cent. Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 561 (U.S. 1980) (citing *Virginia Pharmacy*, 425 U.S. at 762; *Bates v. State Bar of Arizona*, 433 U.S. 350, 363-364 (1977); *Friedman v. Rogers*, 440 U.S. 1, 11 (1979)).

<sup>18</sup> *Virginia Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748 (1976).

<sup>19</sup> *Bates v. State Bar of Arizona*, 433 U.S. 350 (1977).

<sup>20</sup> *Virginia Board*, 435 U.S. at 778.

<sup>21</sup> *Metromedia*, 453 U.S. at 506 (quoting *Ohralik v. Ohio State Bar Assn.*, 436 U.S. 447, 456 (1978)).

In commercial speech cases a four-part analysis has developed. At the outset, we must determine whether [1] the expression is protected by the First Amendment. For commercial speech to come within that provision, it at least must concern lawful activity and not be misleading. Next, we ask [2] whether the asserted governmental interest is substantial. If both inquiries yield positive answers, we must determine [3] whether the regulation directly advances the governmental interest asserted, and [4] whether it is not more extensive than is necessary to serve that interest.<sup>22</sup>

Utilizing an absolutely absurd hypothetical, let us analyze each prong in simplified terms. The subject sign will be one that Whataburger proposes to be placed 20 feet from a residential neighborhood; it will be 300 feet tall and have a total surface area of 1,000 square feet, with natural gas-powered flames shooting from the sides. The municipal ordinance that Whataburger refuses to abide by and is suing the city over provides:

Ground signs located in areas other than locations on interstate highways shall comply with the following requirements:

- (1) Maximum area: 200 square feet, an example of such a sign is one that is ten feet high by 20 feet wide.
- (2) Maximum height: 30 feet.
- (3) Minimum setback: 25 feet from the property line.
- (4) Minimum distance to other signs: 60 feet.
- (5) Minimum distance to residentially zoned property: 330 feet.
- (6) There shall be an open space of at least three feet in height between the ground and the bottom of a ground sign.<sup>23</sup>

We now apply the 4-prong test from *Central Hudson Gas*:

- (1) Is the sign protected speech? Yes: Whataburger sales and consumption are deliciously unhealthy, but completely legal. Go to prong 2.
- (2) If the city's argument for the ordinance is that the city has an interest in preserving public safety and/or aesthetics, are those interests substantial? Yes: the U.S. Supreme Court said so.<sup>24</sup> Go to prong 3.
- (3) Does the ordinance further the city's interests in maintaining public safety and aesthetics? Yes: "fire bad" and often dangerous; 50-foot wide signs are probably distracting and almost certainly detract from most community aesthetics. Go to prong 4.
- (4) Is the ordinance overly restrictive or more extensive than necessary to protect public safety and/or aesthetics? Probably not: sane people would probably find that that a sign being limited to 50 feet high, 15 feet wide, *sans* shooting flames, is perfectly reasonable.

---

<sup>22</sup> *Cent. Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 566 (U.S. 1980).

<sup>23</sup> City of Balch Springs Code of Ordinances § 58-113(b).

<sup>24</sup> See *Metromedia*, 453 U.S. at 507; *City of Ladue*, 512 U.S. at 48.

Given the well-recognized and reasonable justifications for regulating signs in the interest of preserving public safety and aesthetics, the *Central Hudson* test is relatively straightforward and easy to apply. Unfortunately, the analysis of whether a sign or zoning ordinance is overly restrictive does not stop here when trademarked imagery is involved.

## **B. Municipal Regulation of Trademarked Signs is an Unsettled Matter**

The United States Constitution makes no reference to intellectual property, whether it is patents, copyrights, or trademarks. However, Section 8, Clause 8, often referred to as the Copyright and Patent Clause, provides that Congress shall have the power “To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”<sup>25</sup> Under this authority, Congress enacted the Lanham Act, which was later amended to include 15 U.S.C. §1121(b), providing:

No state or other jurisdiction of the United States or any political subdivision or any agency thereof may require alteration of a registered mark, or require that additional trademarks, service marks, trade names, or corporate names that may be associated with or incorporated into the registered mark be displayed in the mark in a manner differing from the display of such additional trademarks, service marks, trade names or corporate names contemplated by the registered mark as exhibited in the certificate of registration issued by the United States Patent and Trademark Office.<sup>26</sup>

While the plain language of 1121(b) seems relatively clear,<sup>27</sup> city attorneys should be aware that municipal authority to regulate the use of trademarks is far from settled, and case law on the matter is scarce. While there is no doubt that municipal regulation of sign sizes and heights is permissible, a question remains as to whether cities can require trademarked signs to be altered in other ways, i.e., color.

Unfortunately for city attorneys in Texas, the case law that does exist originated in Arizona, Ohio and New York; the U.S. Supreme Court has yet to rule directly on the issue; and, the two circuit court cases on the issue conflict.

The oldest case the author was able to locate on this issue was a 1979 federal district court case styled *Sambo’s of Ohio, Inc. v. City Council of City of Toledo*.<sup>28</sup> In *Sambo’s*, the District Court for the Northern District of Ohio declared null and void a zoning permit condition that forbade the plaintiffs from using the name “Sambo’s.”<sup>29</sup> The court struck down the permit condition on two grounds: (1) prohibiting the plaintiffs from using their trade name would be a “clear ... unconstitutional deprivation of the First Amendment right of free speech,” and (2) the U.S.

---

<sup>25</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>26</sup> 15 U.S.C. §1121(b).

<sup>27</sup> To the contrary, see discussion at B.1.-2, *infra*.

<sup>28</sup> *Sambo’s of Ohio, Inc. v. City Council of City of Toledo, et al.*, 466 F. Supp 177 (N.D. Ohio 1979).

<sup>29</sup> *Id.* at 181-82.

Constitution, Article I, section VII, gives to the Congress the exclusive right to issue patents and copyrights.”<sup>30</sup>

After engaging in a diatribe aimed at the defendant city council, in which the court compared the prohibition on the use of an offensive business name to selling “our birthright for a mess of pottage,”<sup>31</sup> the court addressed the second ground for striking down the ordinance condition: the fact that Toledo’s ordinance prohibited the use of the plaintiff’s *trademarked* name, which the court found to be in direct conflict with the concepts of federalism.

With 1121(b) in mind, the court held,

The Constitution, Article I, Sec. VIII, gives to the Congress the exclusive right to issue patents and copyrights. Statutes enacted under this provision are the supreme laws of the land, and cannot be interfered with by the States or their agencies. While the Council of the City of Toledo is, within its sphere, equal to the Congress of the United States, the Council has no power either to grant or to revoke patents or copyrights, as it has in effect done by Ordinance 798-78. In a conflict between the federal law and the city ordinance, the former must prevail.<sup>32</sup>

Certainly, we can all agree with the court’s lesson on federalism; but was the city really “revoking” a patent or copyright by simply prohibiting the plaintiffs from using their trademarked name? After all, the council did not require the plaintiffs to alter their trademarked sign; the council merely forbade the plaintiffs from displaying their trademarked name in a particular location. And, as the Ninth and Second Circuits both later agreed (on this one point), the Lanham Act does *not* prohibit cities from imposing a flat-out prohibition on the display of trademarked signs.

### **1. Ninth Circuit to Cities: “Don’t Tread on Trademarks”**

In *Blockbuster Videos, Inc. v City of Tempe*, the court struck down a municipal ordinance requiring the alteration of trademarked symbols in certain circumstances.

The court summarized the facts of the case thusly:

In 1996, Video Update and Blockbuster leased space in two separate shopping centers in Tempe, Arizona. In Tempe, all exterior signs in a shopping center must conform to the center’s sign package, which specifies such things as the color, size and location of signs. The owner of a shopping center creates the sign package, subject to review and approval by the Tempe Design Review Board (the “Board”). Individual tenants may apply to the Board for variances from the sign package.

---

<sup>30</sup> *Id.* at 179-80.

<sup>31</sup> *Id.* at 180.

<sup>32</sup> *Id.*

The sign package for the shopping center in which Video Update had leased space required white letters on a turquoise background. Video Update applied to use red letters on two storefront signs. The Board allowed red letters on the sign facing the street but required white letters for the sign inside the shopping center.

The sign package for the shopping center in which Blockbuster had leased space required blue, red or yellow letters. Blockbuster applied to use its torn ticket logo service mark on the exterior signs and to construct its blue awning service mark. The Board approved the torn ticket signs, but did not approve installation of the awning. In place of the awning, the Board approved a sign with blue letters.

After Blockbuster and Video Update each unsuccessfully appealed the Board's decision to the Tempe City Council, they each sued the City of Tempe. The district court consolidated the two cases and granted a preliminary injunction, requiring Tempe to allow Blockbuster and Video Update to display their registered service marks as they had requested.<sup>33</sup>

Naturally, Blockbuster contended that the city had no power – police or otherwise – to require businesses to alter their trademarks; while the city contended “that in the exercise of its police power to ensure compliance with aesthetic zoning, it should be able to require the alteration of registered marks.”<sup>34</sup>

In its discussion, the court thoroughly analyzed the legislative history of 1121(b), but prefaced the discussion by implying that such analysis was unnecessary: “When the words of a statute are clear, our inquiry is at an end. Thus, we need not look to the legislative history on which Tempe relies.”<sup>35</sup> The court then proceeded to look to the legislative history on which Tempe relied.<sup>36</sup>

The court found that “One of the purposes of the Lanham Act is to protect registered marks from interference by State, or territorial legislation,” and that “Congress's intent in enacting section 1121(b) conforms to that purpose in that the section was enacted to stop states from interfering with franchisors' trademarks.”<sup>37</sup> Accordingly, the court held that 1121(b) “prohibits a municipality from enforcing a zoning ordinance which requires the alteration of a registered mark.”<sup>38</sup>

The court also took the opportunity to quote Mr. Justice Frankfurter in a discussion on the effect of trademarks on us, the exploitable human race:

The protection of trade-marks [*sic*] is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them.... The owner of a mark exploits this human propensity

---

<sup>33</sup> *Blockbuster Videos, Inc. v City of Tempe*, 141 F.3d 1295, 1297 (9th Cir. 1998)

<sup>34</sup> *Id.* at 1298.

<sup>35</sup> *Id.*

<sup>36</sup> *See id.* at 1298-99.

<sup>37</sup> *Id.* at 1298 (citing H.R. Rep No. 97-778, at 1 (1982), U.S. Code Cong. & Admin. News at 2621).

<sup>38</sup> *Id.* at 1301.

by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same — to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value.<sup>39</sup>

Regardless of whether the reader agrees with assertion that an atmosphere can be impregnated, the court was certainly correct in that once a trademark is imbedded in the collective consumer psyche a trademark is “something of value.” One need only refer to the *Sambo’s* court’s discussion to get an idea of just how valuable trademarks can be, and the massive sums of money businesses spend in making sure those trademarks become household names and images.<sup>40</sup>

Ultimately, in ruling in Blockbuster’s favor, the court laid out what seemed to be a relatively straightforward, common sense application of 1121(b) to municipal regulation of trademarked signs: regulation of trademarks is a federal question; federal law is the law of the land and therefore cities have no authority to alter a trademark.<sup>41</sup>

Notably, the court did not completely disregard years of precedent regarding municipal authority to regulate signs in order to advance aesthetics and public safety. Perhaps skirting the issue ever so slightly, though, the court merely held that, “Section 1121(b) [] does not require municipalities to allow businesses to display their registered marks. A municipality retains the power to prohibit the use of a registered mark altogether. This is so because section 1121(b) speaks only to the alteration of a mark.”<sup>42</sup> Accordingly, in cities where municipal legislators are concerned about aesthetics, a “no business signs” policy may be a safer bet than a “only *party* signs” policy.

A year after the straightforward ruling in *Blockbuster*, the Second Circuit threw the proverbial wrench in the gears.

## 2. Second Circuit to Cities: “Trademark-Schmademark!”

In *Lisa’s Party City, Inc. v. Town of Henrietta*, the Second Circuit was faced with facts very similar to those in *Blockbuster*:

[Party City, a seller of party supplies leased a retail space in a shopping center located in Henrietta, New York.]

[A]fter it entered into a lease agreement for [the] space, Party City submitted a written application and received a permit for a sign in all red letters. This application comported with the Henrietta Town Code, which provides, in relevant

---

<sup>39</sup> *Id.* (quoting *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942)).

<sup>40</sup> See *Sambo’s*, 466 F. Supp at 179 (“The evidence showed that the plaintiffs had spent over the years in excess of fifty million dollars in advertising and developing the trade name of Sambo’s; that their advertising budget for the 1978-1979 fiscal years is six million dollars; and that if they were required to change their advertising in the Toledo area to delete the trade name, the annual cost would be approximately sixty-three thousand dollars.”).

<sup>41</sup> See also *Desert Subway, Inc. v. City of Tempe*, 322 F. Supp.2d 1036 (D. Ariz 2003)(holding same).

<sup>42</sup> *Blockbuster*, 141 F.3d at 1298.

part, that in shopping plazas, each individual store or other enterprise shall be permitted to have one (1) wall or roof sign . . . the design and style of which shall be coordinated so as to create aesthetic uniformity within the plaza. In compliance with this uniformity requirement, the owner of the [shopping center] had selected the color red for all signs in its plaza.

[] Party City applied for a variance granting it permission to erect a sign with five alternating colors in conformity with its federally-registered trademark. After Party City received a written denial of its variance request, it commenced [a proceeding] appealing the decision of the Zoning Board. [] Party City [later] withdrew its [] petition and subsequently commenced the instant suit. The district court found that the Town had neither required appellant Party City to alter its trademark in violation of the Lanham Act, 15 U.S.C. § 1121(b), nor violated appellants' civil rights, and accordingly entered summary judgment for the Town, dismissing appellants' cause of action.<sup>43</sup>

Unlike the *Blockbuster* court, which found that the plain meaning of 1121(b) was clear and then proceeded to engage in a lengthy discussion of legislative history, the *Party City* court found that “What [alteration of a trademark] means is not self-evident,”<sup>44</sup> and then engaged in its own examination of 1121(b)’s legislative history.

Mercifully, the court narrowed its discussion of 1121(b)’s legislative history to a few remarks regarding municipal zoning authority:

The legislative history of § 1121(b) is unequivocal that aesthetic zoning does not constitute an alteration of a registered mark within the meaning of the statute. The section simply was not intended to interfere with local aesthetic or historic-type zoning, but was aimed only at prohibiting the actual alteration of the mark itself. This understanding was memorialized in the House Report for H.R. 5154, the bill that became § 1121(b), which states: "During the course of Committee debate Mr. Frank raised the issue of whether the bill would in any way restrict the zoning or historic site protection laws or regulations of states. On the advice of counsel, the Committee concludes that the bill in no way affects the powers of state and local governments in areas of concern raised by the gentleman from Massachusetts. Additionally, in response to Representative Frank's stated concerns, Commissioner of Patents and Trademarks Gerald J. Mossinghoff responded that "it will be clear that [an otherwise uniform aesthetic or historic zoning regulation] would not be adversely affected by the legislation."<sup>45</sup>

\* \* \* \*

---

<sup>43</sup> *Lisa's Party City, Inc. v. Town of Henrietta*, 185 F.3d 12 (2nd Cir. 1999)(internal quotations and citations omitted).

<sup>44</sup> *Id.* at 15.

<sup>45</sup> *Id.* at 15-16.

It is difficult to imagine why Congress would have wished to require localities seeking to protect aesthetic harmony to employ such broad measures as forbidding signs altogether or drastically limiting their size, rather than narrower measures such as requiring color conformity or consistent design elements.<sup>46</sup>

There is no question that cities have the authority to regulate signage through zoning ordinances – both the *Blockbuster* and *Party City* courts agreed on this matter. But, while the *Blockbuster* court based its decision to strike down Tempe’s ordinance based on the concepts of federalism, the *Party City* court found, apparently, that federalism and federal legislation prohibiting any “state or other jurisdiction of the United States or any political subdivision or any agency thereof [from requiring] alteration of a registered mark” did not “interfere” in the matter at all.

Both court engaged in comprehensive analyses of section 1121(b) and its legislative history. Both courts described the legal confrontations that lead to the enacting legislation, H.R. 5154, being introduced in Congress; both courts referred to the exact same portions of former Representative Barney Frank’s questioning during hearings on the bill.<sup>47</sup> Yet, the two courts came to completely different conclusions.

The author leaves it to the reader to conclude which interpretation was ultimately correct.

### **3. City Attorneys to Client Cities: “Would You Like to be a Test Case?”**

If during the next city council meeting, the mayor turns to the city attorney, inquiring as to the legality of an ordinance that would require the alteration of businesses’ trademarked symbols, the city attorney should reply: “Well, I can draft an ordinance, Mayor; but, are you familiar with the concept of a test case?”

---

<sup>46</sup> *Id.* at 16 (citing *Payless Shoesource, Inc. v. Town of Penfield*, 934 F.Supp. 540, 546 (W.D.N.Y. 1996); *Blockbuster*, 141 F.3d at 1305-06 (Browning, J., dissenting)).

<sup>47</sup> See *Blockbuster*, 141 F.3d at 1304; and *Party City*, 185 F.3d at 15-16.