



Intellectual Property ADVISORY ■

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Supreme Court Holds That Juries Decide Issues of Trademark Tacking

Overview

On January 21, 2015, the U.S. Supreme Court issued its first substantive trademark ruling in a decade in the case *Hana Financial, Inc. v. Hana Bank*, No. 12-1211, slip op. (U.S. January 21, 2015). The case concerned the issue of trademark “tacking.” Trademark tacking is a legal doctrine under which a trademark owner may make changes to its mark and still retain its original priority date as long as the altered mark creates the same, continuing commercial impression to consumers.

The question presented to the Court was whether issues of trademark tacking should be determined by a judge or a jury. In a unanimous decision delivered by Justice Sotomayor, the Court resolved a circuit split by holding that the issue of trademark tacking is properly resolved by a jury.

Background

Respondent Hana Bank was founded in Korea and began using the Hana Bank mark in Korea in 1991. Hana Bank entered the United States market in 1994 under the mark Hana Overseas Korean Club, with the HANA BANK mark printed underneath the mark in Korean. In 2000, Hana Bank changed the HANA OVERSEAS KOREAN CLUB mark to HANA WORLD CENTER, and, in 2002, began operating a bank in the United States under the mark HANA BANK.

Petitioner Hana Financial was established in California in 1994 and began using the mark HANA FINANCIAL in commerce in 1995. It obtained a federal registration for its mark in 1996.

Hana Financial sued Hana Bank for trademark infringement in 2007. Hana Bank denied infringement by claiming that it had priority of use under the tacking doctrine. The district court granted summary judgment to Hana Bank, but the Ninth Circuit reversed. The Ninth Circuit held that there were genuine issues of material fact as to priority of use to be resolved by a jury, and therefore it remanded the case to the district court for trial.

At trial, the district court gave the jury the following instruction on tacking (which was proposed by Hana Financial):

A party may claim priority in a mark based on the first use date of a similar but technically distinct mark where the previously used mark is the legal equivalent of the mark in question or indistinguishable therefrom such that consumers consider both as the same mark. This is called “tacking.” The marks must create the same, continuing commercial impression, and the later mark should not materially differ from or alter the character of the mark attempted to be tacked.

The jury found in favor of Hana Bank, and the Ninth Circuit affirmed.

U.S. Supreme Court Decision

The Supreme Court granted certiorari to resolve a circuit split on whether tacking is a question of fact for the jury, as held by the Fifth, Seventh and Ninth Circuits, or a question of law for the court, as held by the Federal and Sixth Circuits. The Court unanimously affirmed the Ninth Circuit, holding that whether two marks may be tacked for purposes of determining priority is a mixed question of fact and law to be decided by a jury.

The Court did not disturb the standard for tacking relied on by the district court and the Ninth Circuit. The Court instead identified the general rule used by lower courts as being that “two marks may be tacked when the original and revised marks are ‘legal equivalents.’”

The Court rejected Hana Financial’s argument that the “legal equivalents” test is an issue of law that must be decided by the court, instead finding that the test involves the application of law to facts, which is the traditional province of juries. The Court also rejected Hana Financial’s argument that allowing juries to decide tacking issues would result in unacceptable levels of unpredictability in trademark law. The Court noted that juries regularly decide mixed questions of law and fact in other areas, including tort, contract and criminal justice, yet that has never stopped the judicial system from employing juries in those analogous contexts. The Court found no reason why trademark tacking should be treated differently.

Trademark tacking issues do not arise often. Thus, many trademark owners were eager to see whether the Court would address the current circuit split on whether the central issue in infringement cases—likelihood of confusion—is a question of law, fact or a mixed question of law and fact. The majority of circuits hold that it is a question of fact, while the Federal Circuit holds that it is a question of law, and the Second and Sixth Circuits hold that it is a mixed question of fact and law. The issue was addressed by the parties in briefing and at argument, during which Justice Kennedy asked, “[W]hen we write this opinion, will we have to have in the back of our minds what effect it will have on... the likelihood of confusion issue?... Is it the elephant in the room or something like that?” See http://www.supremecourt.gov/oral_arguments/argument_transcripts/13-1211_bocg.pdf at 29:1-15). Nevertheless, the Court’s opinion is silent on the matter.

Significance of the Decision

The *Hana* decision resolves a circuit split, but the doctrine of trademark tacking is not frequently an issue in trademark litigation. Nevertheless, the issue is an important one that trademark owners should take into account when considering changes to their marks. If the trademark owner is aware of a junior user in its field with a similar mark, a change to the trademark owner’s mark could result in the loss of priority or a legal fight over whether priority has been forfeited by the change. Although the jury in *Hana Financial* found that the mark HANA BANK was the legal

equivalent of the mark Hana Overseas Korean Club, juries in other cases might not find that such meaningful changes to a mark result in a legally equivalent mark.

Where we most frequently encounter the issue is when a trademark owner uses a word mark with a design element but has secured registration of only its design mark and not its word mark alone. If the owner changes the design element of its mark, it is possible that a jury could conclude that the mark is not the legal equivalent of the prior mark, even though the word element is the same. If the jury reaches this conclusion, the trademark owner could lose the important benefits of prior registration, including the nationwide priority accorded to registered marks. For that reason, we recommend that trademark owners with the resources to do so register not only their word mark with the design element but also without it.

We offer two final observations regarding the Court's decision. First, the Court's reference to tacking as a mixed question of law and fact (and not a pure question of fact) could be significant in the appeal of tacking decisions because, in some circuits, mixed questions of law and fact are reviewed under a de novo standard, not the clearly erroneous standard under which questions of fact are reviewed. Second, the Court's reference to tacking as a mixed question could be a signal that the Court would view the likelihood of confusion standard as a mixed question and not a pure fact issue, as held by the majority of circuits. At a minimum, it is difficult after this decision to envision the Court agreeing with the Federal Circuit that likelihood of confusion is an issue of law.

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