

Litigation Alert: *Hana Financial v. Hana Bank*

The Supreme Court Reaffirms the Power of the Jury to Decide Issues of Commercial Impression in a Trademark Tacking Decision

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In the first substantial trademark case in over a decade, the Supreme Court unanimously decided that a jury can apply the tacking doctrine and decide whether two trademarks, used by a single party, convey the same commercial impression. *Hana Financial, Inc. v. Hana Bank, et al.*, 574 U.S. ____ (2015). In doing so, Justice Sotomayor, on behalf of the Court, reaffirmed the power of a jury to decide issues of an ordinary consumer's impression. The opinion, however, appears for now limited to the tacking doctrine. The Court did not address, as Supreme Court watchers had anticipated, the looming circuit split regarding whether a judge or jury should decide the ultimate trademark question: the likelihood of confusion between the two marks.

What is Tacking?: Normally, the first party to use a trademark in commerce owns the right to use that mark and stop others from using the mark. This first user is said to have "priority" in the mark over subsequent users. Trademark law also recognizes that trademark owners should be able to make some changes to their marks without having to restart the clock on their priority date. This doctrine is called tacking. With tacking, a party can "tack" the first-use date of its new modified mark back to the first-use date of the original mark. But tacking is not available for any two similar marks. The marks have to be "legal equivalents" which create the same, continuing commercial impression for consumers.

Who Has Priority in the HANA mark?: In this case, Defendant Hana Bank, asserted the tacking doctrine to defend against the Plaintiff Hana Financial's claims of trademark infringement. At issue was which bank was the first to use, and therefore had priority in, the HANA mark for banking.

Hana Financial began using its HANA FINANCIAL mark in 1995. Rival Hana Bank did not use its HANA BANK mark until 2002. To claim that it had priority, Hana Bank argued that it could "tack" its HANA BANK mark to its 1994 mark, HANA OVERSEAS KOREAN CLUB, in English, over the words, HANA BANK, in Korean. A jury decided that Hana Bank's two marks offered the same commercial impression and thus were "legal

equivalents." This finding gave Hana Bank priority over Hana Financial and defeated its infringement claims. Hana Financial appealed to the Ninth Circuit arguing that tacking involved the application of a legal standard and thus should be decided by a judge. The Ninth Circuit noted that other circuits, such as the Federal Circuit's *Van Dyne-Crotty, Inc. v. Wear-Guard Corp.*, 926 F. 2d 1156, 1159 (Fed. Cir. 1991) decision, found that judges should decide tacking issues. But the Ninth Circuit disagreed with the Federal Circuit and affirmed the district court's decision to allow the jury to decide tacking.

Seeking to resolve the circuit split, the Supreme Court granted *certiorari* on the question of who should decide tacking: a judge or jury?

Why Should a Jury Decide Tacking?: During oral argument, Justice Sotomayor best summarized the issue by asking: "How is the *judge* supposed to know what a *consumer's* impression would be generally?... Just figure it out?" Similarly, Justice Scalia quipped: "I cannot for the life of me decide why the one [tacking example] should be permitted and the other should not be permitted... And I'd much rather blame it on the jury than on the court." With that predisposition, the Court's decision to allow a jury to decide tacking was not surprising. After noting that tacking depended on a determination of whether the two marks made the same commercial impression "in the eyes of the consumer," the Court observed that "[a]pplication of a test that relies upon an ordinary consumer's understanding of the impression that a mark conveys falls comfortably within the ken of a jury." *Hana Financial*, slip op. at 4.

Swimming upstream, Hana Financial offered four arguments for why a judge should decide the tacking question. First, it argued that assessing whether two marks are "legal equivalents" is a question of law, which must be decided by a court. The Court rejected this argument since "the application-of-legal-standard-to-fact sort of question... , commonly called a 'mixed question of law and fact,' has typically been resolved by juries." *Hana Financial*, slip op. at 5, citing *United States v. Gaudin*, 515 U. S. 506, 512 (1995). The

Court further explained that any concern that a jury would incorrectly apply the legal standard could be cured with appropriate jury instructions.

Next, Hana Financial argued that tacking determinations would create new law, which could only come from a court. This is because, in order to determine whether two marks were legal equivalents, the decision maker would have to review tacking precedent to determine whether the marks at issue were similar enough to prior tacking decisions. The Court disagreed, finding no reason why a jury's decision on tacking issues would "create new law" any more than will a jury verdict in a tort case, a contract dispute or a criminal proceeding." *Hana Financial*, slip op. at 6. Nor was there any support for the claim that a jury must decide tacking by relying on precedent rather than an independent review of the marks at issue.

The Court similarly rejected Hana Financial's argument that allowing a jury to decide tacking would create unpredictability in the trademark system, finding nothing special about the trademark system that was different than the tort, contract, and criminal systems in which a jury routinely decides factual questions. Indeed the Court held that unpredictability in the jury system "has never stopped us from employing juries in these analogous contexts." *Hana Financial*, slip op. at 7. Moreover, no matter who decides the issue, a judge or a jury, there is "some degree of uncertainty, particularly when they have to do with how reasonable persons would behave." *Id.*

Finally, the Court rejected Hana Financial's argument that tacking was historically decided by judges, noting that all of the cases Hana Financial cited were after summary judgment motions or bench trials. The Court did not disagree that a judge *can* decide tacking in those circumstances, but a judge does not *have to* make the determination. And here, Hana Financial provided no reason why a judge, rather than an already empaneled jury needed to decide the tacking issue.

At its core, the Court based its rejection of Hana Financial's arguments on the underlying ability and importance of the jury. As Justice Sotomayor explained: "we have long recognized across a variety of doctrinal contexts that, when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decisionmaker that ought to provide the fact-intensive answer." *Hana Financial*, slip op. at 4.

Takeaways—What Happens Next?: Standing alone, the Court's decision in *Hana Financial* is not a dramatic shift in the tacking landscape. Parties may more strenuously claim that there are issues of fact regarding their tacking arguments in order to avoid summary judgment and reach a jury. But the ultimate determinations regarding whether tacking applies is unlikely to be any more uncertain now than the already existing uncertainty that comes with the variety of decisions by judges and juries regarding the likelihood of confusion between two marks.

If you are considering making a change to your mark, you should reach out to your trademark counsel to evaluate whether tacking may apply in your situation. Doing so can minimize the uncertainty and related costs in a future trademark dispute. If tacking is available, your trademark counsel should also be able to best position you to rely on the tacking doctrine in a future dispute.

Finally, given the Court's renewed interest in trademark law and its reinforcement of the power of jury to decide issues of commercial impression, it may be more likely that in a future decision the Court will hold that likelihood of confusion is a question for the jury to decide.

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