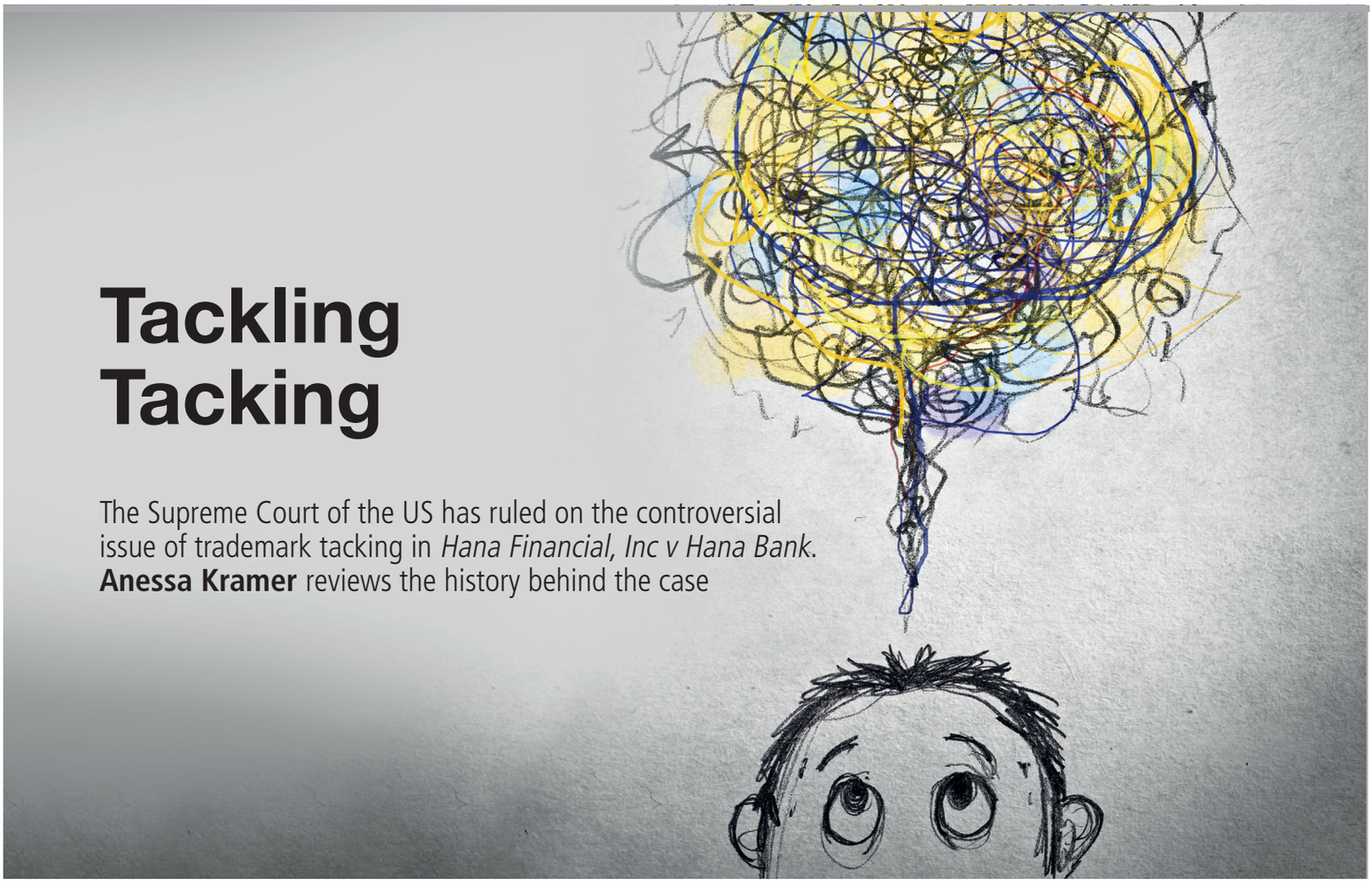

Tackling Tacking

The Supreme Court of the US has ruled on the controversial issue of trademark tacking in *Hana Financial, Inc v Hana Bank*. **Anessa Kramer** reviews the history behind the case

On 3 December 2014, the Supreme Court of the US (SCOTUS) heard oral arguments in the appeal of the Ninth Circuit Court of Appeals decision in *Hana Financial, Inc v Hana Bank*. The question before the court is whether the issue of trademark tacking, that is, the ability to claim priority of use of a mark based on earlier use of a similar mark, is a question of law for the court or a fact question for the jury. A decision from the court is expected later this year.

Trademark tacking is a rather infrequently applied legal doctrine. It arises in cases where a trademark changes over time, such as with the modernisation of a logo. In cases where tacking is allowed, a trademark owner can claim the priority date of an earlier-used similar mark. But, as stated by the Ninth Circuit, the legal standard for tacking is "exceedingly strict: The marks must create the same, continuing commercial impression, and the later mark should not materially differ or alter the character of the mark attempted to be tacked."[1] A leading trademark treatise recognises that "[t]rademark rights inure in the basic commercial impression created by a mark, not in any particular format or style."[2] The *Hana Financial* case raises the question of whether this "continuing commercial impression" should be a question of law or of fact.

Background

The case of *Hana Financial v Hana Bank* first arose in 2007, when Hana Financial, a Korean financial services company, sued Korean bank, Hana Bank, for trademark infringement and related claims based on the latter's use of 'HANA BANK' as a trademark in the US. In the course of this dispute, Hana Bank argued that it had prior rights in the HANA BANK trademark by virtue of its earlier use of a similar mark, and sought to "tack on" that earlier use. If tacking was allowed, then Hana Bank was likely to prevail on the merits of the dispute and would be the party allowed to use HANA in the financial services field in the US.

Hana Bank's tacking argument is best understood in the context of a review of the history of the parties' respective uses of 'HANA' marks in the US. In May 1994, Hana Bank began providing financial services to Korean-American communities in the US. These services were promoted as "HANA Overseas Korean Club". In July 1994, Hana Bank ran its first advertisement in the US in Korean language newspapers. The ad (in Korean) featured references to HANA Overseas Korean Club (in English) and the Korean language version of "HANA BANK". In August, Hana Bank received its first applications for US customers to become members of the "HANA Overseas Korean Club". Hana Financial was incorporated in California in that same month, and first used its 'HANA FINANCIAL' trademark in US commerce on 1 April 1995. Hana Financial federally registered its mark in design form in 1996. Hana Bank began operating in New York under the HANA BANK trademark in 2002.

Clearly, both parties recognised early on that this case was not about likelihood of confusion, which seemed rather clear-cut, given

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the similarity of the marks and the services. Rather, this case was about priority. If Hana Bank could prove that its 1994 use of "HANA Overseas Korean Club" and HANA BANK in Korean characters was the "legal equivalent" of its subsequent use of HANA BANK, ie, if Hana Bank could engage in trademark tacking, then Hana Bank could establish priority.

The rulings

In 2008, the district court granted Hana Bank's motion for summary judgment on trademark infringement, finding that the bank had priority of rights (essentially deciding the tacking issue as a matter of law). On appeal, the Ninth Circuit Court of Appeals remanded the case for trial, claiming in part that the bank's advertisements used to establish priority were subject to competing inferences.

Throughout the time surrounding trial, Hana Financial filed various motions arguing that Hana Bank's efforts to prove priority of rights through trademark tacking were legally insufficient. These motions were denied, and the district court sent the question to the jury. Hana Financial again appealed to the Ninth Circuit, arguing that trademark tacking was a question of law and not a question of fact. The Ninth Circuit affirmed the lower court, thus paving the way for the now-pending appeal to SCOTUS.

Amicus briefs were filed by both the American Intellectual Property Law Association and the International Trademark Association (INTA), both asserting that trademark tacking should be an issue of fact. In its *amicus* brief, INTA argued that trademark tacking required an evaluation of whether the commercial impression of the earlier mark was the same as the later mark, and that "commercial impression, like most issues in trademark law, should be determined from the perspective of the ordinary purchaser of these kinds of goods or services."

"There is clearly a split in the circuits as to whether tacking is a legal issue or a question of fact, as both the Sixth Circuit and the Federal Circuit (as well as the TTAB) have held that tacking is a question of law."

Legal issue or question of fact

Some commentators, including the author, have questioned whether the tacking issue is sufficiently important to command US Supreme Court attention. On the one hand, tacking arises infrequently, as there must be a rather unusual timeline of events for a tacking issue to be relevant. And even in cases where tacking is at issue, it may not be determinative, such as when the marks at issue are found to be sufficiently dissimilar as to create a likelihood of confusion. There is also a question as to whether consideration by a judge or a jury will lead to different outcomes. Even in the *Hana Financial* case, both the judge (at the summary judgment stage) and the jury (at trial) decided in favour of Hana Bank's claim of priority.

Yet, there is clearly a split in the circuits as to whether tacking is a legal issue or a question of fact,[3] as both the Sixth Circuit and the Federal Circuit (as well as the Trademark Trial and Appeal Board) have held that tacking is a question of law. And while most circuits find the "likelihood of confusion" issue to be a question of fact, three have disagreed or treated this as a mixed question of fact and law. As a result, some practitioners have expressed concern that a finding by SCOTUS that trademark tacking is a legal issue could be extended to likelihood of confusion as well. Indeed, in the oral arguments before the court, Justice Kennedy raised this issue by referring to it as the "elephant in the room". Justice Kennedy asked counsel for Hana Bank whether a holding that tacking is a factual issue would require the conclusion that likelihood of confusion is also a factual issue. Counsel did not directly respond to the "elephant in the room", and it remains to be seen whether SCOTUS' decision addresses it.

From a legal perspective, there is nothing that legally requires likelihood of confusion to receive the same treatment as tacking. But from a practical perspective, SCOTUS' decision may put some pressure on the circuits who take a contrary approach to likelihood of confusion. The reason behind this pressure is that currently, all of the circuits treating tacking as a matter of law also treat likelihood of confusion as a matter of law. The reasoning behind the two is similar: if tacking is a question of fact, it is because jurors are better-positioned to consider the commercial impression of the marks as consumers would. It may be difficult to reconcile this with likelihood of confusion being a question of law, as that inquiry also takes into account the impressions of consumers. Thus, the implication of the decision in *Hana Financial* may extend beyond the relatively rare issue of tacking into the much more common determination of likelihood of confusion.

Addendum-post-decision comment

SCOTUS issued its unanimous decision in the *Hana Financial* case on 21 January 2015. Perhaps not surprisingly, the court, in a decision written by Justice Sonia Sotomayor, upheld the Ninth Circuit Court of Appeals' decision finding that trademark tacking is a question of fact. The decision is notable only in its brevity, and the court did not specifically address the "elephant in the room" of whether likelihood of confusion should also be treated as a factual question. The decision does, however, contain language that is likely to put some pressure on the circuits treating likelihood of confusion as a matter of law. For example, the *Hana* court stated that, "Application 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. Indeed, we have long recognised... that, when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decision maker that ought to provide the fact-intensive answer."[4]

Footnotes

1. *Brookfield Commc'ns Inc v West Coast Ent'mt Corp*, 174 F 3d 1036, 1047-48 (9th Cir 1999).
2. J Thomas McCarthy, Trademark Law and Unfair Competition, § 17:26 (4th ed 1998).
3. The 1st, 3rd, 4th, 5th, 7th, 8th, 9th, 10th, 11th, and DC circuits find this a question of fact, whereas the 2nd, 6th and Federal Circuits treat this either as a question of law or a mixed question of law and fact. Even those courts who find this a mixed question of fact and law treat the underlying findings (eg, similarity of marks, similarity of products) as questions of fact.
4. *Hana Financial Inc v Hana Bank*, No 13-1211, slip op at 4 (2015).

Author

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