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Trademark Tacking and the Landscape of Priority Disputes

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In *Hana Financial v. Hana Bank*, 574 U.S. ____ (2015), the U.S. Supreme Court in January resolved a split among the federal circuit courts by holding that juries, rather than judges, should ordinarily decide whether a trademark owner can "tack" together different marks for the purpose of establishing priority. Under the tacking doctrine, a trademark user can make modifications to its trademark over time while still retaining its priority position over other users of the same mark. Whether a trademark user can tack marks together is measured by whether the marks are considered "legal equivalents" or, in other words, whether they create the same continuing commercial impression. In *Hana Financial*, the Supreme Court concluded that this inquiry must be viewed through the eyes of the ordinary consumer, and therefore is properly determined by a jury in most circumstances.

Trademark law creates the right to adopt and use a symbol or device—the trademark—to distinguish the goods made or sold by the owner of the mark, to the exclusion of others. The origins of trademark law date back to the earliest days of the common law, but federal statutory law—the Lanham Act—was adopted in the 1940s to provide a scheme of national protection for trademarks. State law similarly protects the rights of trademark owners. This entire body of law recognizes the importance of the date of first use of a trademark. Generally, the first user to "plant the flag" of use has the right to exclude all others from using the same or confusingly similar mark. This is known as the owner's priority. Priority is such an important concept in trademark law that even the owner of a federal registration (which gives the owner powerful weapons to exclude others) may not be able to trump the user of a similar unregistered mark, if that unregistered use predates the use disclosed in the federal registration.

The tacking doctrine is a common-law principle that permits a user of a mark to maintain his or her priority even when the mark undergoes some change, provided that the new mark creates the same "commercial impression." As one example, Apple changed the iconic rainbow design of its familiar logo in the late 1990s, creating a monochrome look for the logo, which is now as famous as the old logo. Apple would argue that it did not lose its decades-old priority over the logo merely because the color of the logo changed, but who decides that question? For many years, the circuit courts were split on the issue, and the Supreme Court has now resolved that split with *Hana Financial*.

In *Hana Financial*, Hana Bank was sued by Hana Financial for trademark infringement. Hana

Financial owned a 1996 federal trademark registration on the mark "Hana Financial" for financial services, and claimed a first use as early as 1995. In its response to the lawsuit, Hana Bank argued that it was using the mark "Hana Overseas Korean Club" in the United States as early as 1994, which included some sporadic use in advertising of the name Hana Bank. But it was not until 2002 that Hana Bank started using only the mark "Hana Bank" in the United States to market its financial services. Hana Bank argued that it could tack its earlier use of the "Hana Overseas Korean Club" mark onto its later use of "Hana Bank" and thereby defeat the priority of Hana Financial's trademark.

The case was ultimately tried to a jury, and the jury returned a verdict of non-infringement, concluding that the "Hana Overseas Korean Club" and "Hana Bank" marks were legal equivalents, such that they created the same commercial impression in the minds of ordinary consumers. Accordingly, the jury agreed with Hana Bank that the two marks could be tacked together to create an earlier priority position for Hana Bank. Hana Financial pressed its arguments to the Supreme Court, and the court granted certiorari to resolve the question of whether a judge or a jury should normally decide the tacking issue.

The oral argument before the Supreme Court seemed to foretell the court's ultimate conclusion that tacking is typically an issue to be resolved by a jury. The justices were hostile to Hana Financial's arguments, with one justice asking how a trial judge was supposed to measure a consumer's impression, generally, when looking at the respective marks. Contrasting this issue with claim construction in the patent context, another of the justices noted that because patent claim construction involves the interpretation of a written patent, it falls within the usual expertise of a judge. However, when the issue is whether two trademarks present the same continuing commercial impression on consumers, the people who are best equipped to make that decision are not judges, but people who are consumers.

Not surprisingly, the Supreme Court unanimously concluded that the question of whether two marks create the same commercial impression on consumers is best left to juries to decide.

In so holding, the Supreme Court did not state that every tacking case must go to a jury. In the appropriate case, just as in any other, a judge can grant summary judgment or judgment as a matter of law. The Supreme Court simply held that when there is a material and genuine factual dispute over the interrelatedness of two marks in the minds of consumers, a jury should resolve it, applying the knowledge and experiences of ordinary consumers.

In ruling against Hana Financial, the Supreme Court rejected the company's argument that allowing juries to decide these issues will undermine the need for consistency in priority determinations that would arise from a body of judicial decision-making. The court dismissed this argument by noting that the issue of tacking is conceptually no different from any other factual dispute that gets resolved every day by juries all over the country. Even the risk that juries may decide similar issues in different ways did not sway the justices to reach a different conclusion, because that risk is an accepted part of our jury system.

The court concluded that the determination of a tacking issue was no different than a jury's determination of a tort or contract dispute. In the words of the court, the "fact that another jury, hearing the same case, might reach a different conclusion may make the system 'unpredictable,' but it has never stopped us from employing juries in these analogous contexts."

Hana Financial may change somewhat the landscape of priority disputes. First, the already significant costs of litigating a trademark priority dispute may escalate even further. Now that

practitioners know they are likely to face a jury, a renewed focus on consumer survey evidence will be necessary to develop the right arguments to a jury. Lawyers and their clients will want to know how the evidence will impact on a jury, rather than a judge, and accordingly the use of mock juries may become more prevalent in preparing for trial. Such devices add to the costs of litigation.

Moreover, forum selection will also command a different analysis. Rather hear the dispute, lawyers will now be focused more on the same considerations that inform them on venue selection in ordinary tort and contract cases, such as demographics and the jury-selection process.

In addition, the impact of *Hana Financial* in registration and inter partes proceedings before the U.S. Patent and Trademark Office will no doubt create new forum-selection considerations, because proceedings before the USPTO are never tried to a jury. Finally, the court's decision will surely focus lawyers on the need for carefully tailored jury instructions.

It remains to be seen how *Hana Financial* will change the landscape of priority disputes, but it seems clear that the decision will spark some change in litigation strategies.

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