Thinking of Rebranding? Ask Twelve of Your Peers

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If you're thinking of sprucing up your brand but are concerned whether others will recognize the new you as the same source of great products and services, don't ask a federal judge. On January 21, 2015, the U.S. Supreme Court announced that "tacking" is an issue for the jury to decide. *Hana Financial , Inc. v. Hana Bank*, 574 U.S. _____ (2015).

"Tacking" allows a trademark owner to revamp its mark without giving up the all-important date of first use for the original mark. As a general rule, the first party to use a trademark in commerce has "priority," and with that comes the right to exclude others from using a confusingly similar mark with the same goods and services. By modifying its trademark, a company risks losing its priority position. If the new mark fails to give consumers the impression that they're still dealing with the same company, the original priority date dies with the old mark. But if the old mark and the new mark are deemed "legal equivalents" (i.e., they create the same, continuing commercial impression), the mark owner will continue to enjoy the benefit of the original priority date with the new mark.

But who decides whether two marks are similar enough to be legal equivalents? In *Hana Financial*, the Supreme Court agreed with the Ninth Circuit that the jury should decide whether "Hana Bank" was the legal equivalent of "Hana Overseas Korean Club" (used with a logo and "Hana Bank" in Korean). Hana Financial had sued Hana Bank for trademark infringement based on Hana Financial's 1995 first use (and 1996 federal registration) of "Hana Financial." But Hana Bank, which started using "Hana Bank" in 2002, invoked tacking to claim priority for the term "Hana" back to 1994, when it went by the name "Hana Overseas Korean Club."

The jury agreed with Hana Bank. So, Hana Financial moved for judgment as a matter of law, asking the judge to override the jury's decision. Both the trial court and the Ninth Circuit declined to disturb the jury's decision. The Ninth Circuit even noted that "Hana Overseas Korean Club" and "Hana Bank" are aurally and visually distinguishable, and that it wasn't clear from the names that the entities offered the same services. But the Ninth Circuit agreed with the trial court that reasonable minds could disagree on whether the marks were materially different. As a result, the judge denied Hana Financial's motion, the Ninth Circuit affirmed, and ultimately, the Supreme Court agreed, confirming that the decision on tacking properly rests with the jury.

The decision gives brand owners no assurances on modifications to their marks; or more precisely, the Supreme Court established that brand owners never really had such assurances. Before *Hana Financial*, brand owners may have taken solace in the notion that federal judges make more consistent decisions (as Hana Financial argued). But at oral argument, Justice Scalia quickly dispensed with the idea that judge-made decisions offer any guidance as to whether tacking applies in a particular case. Referring to several examples of tacking cases decided by judges, he said, "I cannot for the life of me decide why the one should be permitted and the other should not be permitted." And in its final opinion (authored by Justice Sotomayor), the Court brushed aside Hana Financial's lament that juries are unpredictable without refuting that assessment: "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…"

And if that weren't enough, the Court reiterated the Ninth Circuit's observation that determining whether tacking applies is not an easy decision: the doctrine applies only in "exceptionally narrow circumstances" and it "requires a highly fact-sensitive inquiry." The Court was, however, careful to point out that we should not lose all hope in obtaining summary judgment (or judgment as a matter of law) on the issue of whether two marks may be tacked. But if your litigation strategy calls for putting more faith in the judge's assessment, you can only hope your opposition agrees and waives its Seventh Amendment right to a jury trial.

The pundits generally agree that *Hana Financial* is not a landmark case because, despite being the first real trademark opinion issued by the U.S. Supreme Court in a decade, tacking indeed applies only under rare circumstances. But *Hana Financial* may signal the direction the Supreme Court will go on a bigger issue: likelihood of confusion, which is fundamental to determining infringement. As with tacking, the Circuits are currently split on whether likelihood of confusion is an issue of fact for the jury or an issue of law for the judge. Hana Bank made the point that the issues of tacking and likelihood of confusion are linked, and at oral argument, Justice Kennedy agreed, asking if the justices should be considering the effect on the likelihood of confusion issue: "Is [likelihood of confusion] the elephant in the room or something like that?" While we don't yet have the last word, it's conceivable that the Supreme Court will shed some light on the subject when it issues its opinion in *B&B Hardware, Inc. v. Hargis Industries, Inc.* (Dkt. No. 13-352), which addresses whether the Trademark Trial and

Appeal Board's finding of a likelihood of confusion has preclusive effect. We won't hold our breath, but in the meantime, brand owners should keep in mind that summary judgment on both tacking and the likelihood of confusion is becoming an even more remote possibility.