

Trademark Tacking: Supreme Court Decides Who Decides

The United States Supreme Court settles circuit split, ruling that juries determine if a party's revisions to a trademark impart the same commercial impression to consumers.

Trademark owners often update their marks and logos to adapt to the times and changing market conditions, or just to freshen up the brand. Indeed, many of the most famous marks of our time have been periodically updated, such as the famous Pepsi-Cola mark:



However, if trademark owners change the mark too much, they can lose some of the long-standing rights associated with the older version of the mark, such as the greater protection and immunity from certain attacks afforded by the Lanham Act. Striking a balance between the competing need to update marks while still ensuring they retain their source identifying function, the courts have developed the tacking doctrine. Under this doctrine, if a modified mark creates the same, continuing commercial impression such that consumers consider the old and new marks as the same, the owner may be able to “tack” its use of the modified mark onto that of the original and thereby retain the benefits associated with the older mark.

As illustrated by the facts of the recent *Hana Financial v. Hana Bank* decision, a trademark owner can also use the tacking doctrine to defend its use of a newer mark that arguably encroaches upon an older mark. In *Hana*, the defendant previously offered various financial services under the marks “Hana Oversees Korean Club” and “Hana World Center.” While these marks pre-dated plaintiff’s “Hana Financial” mark, defendant began using the mark “Hana Bank” after plaintiff had established rights in the “Hana Financial” mark. As trademark rights are determined by who first used the mark in commerce (*i.e.*, who has priority), plaintiff arguably had priority over defendant’s use of the “Hana Bank” mark and could therefore potentially stop defendant from using this newer mark. After a jury found that defendant could tack the “Hana Bank” mark to its older marks and therefore had priority over plaintiff’s mark, defendant prevailed and was allowed to continue using its “Hana Bank” mark.

While the legal test for tacking has been quite clear for many years, the circuits were split over who decides the issue — the judge or the jury? Thus, the United States Supreme Court recently took up the issue to resolve the divide. In arguably its first substantive trademark ruling in a decade, on January 21, 2015, the Court unanimously affirmed the Ninth Circuit ruling that tacking was an appropriate question for

juries. “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,” Justice Sotomayor wrote for the Court.¹ Such a ruling has important implications for the predictability of tacking determinations, a party’s ability to proceed to trial on this question, and the likelihood of success on appealing a tacking ruling. Thus, trademark owners should certainly take note.

Background on the Circuit Split

Not every federal circuit had addressed the question of who determines whether tacking is available for a given mark when the issue reached the Supreme Court. However, the circuits which had examined the issue came to differing conclusions; both the Federal and the Sixth Circuits considered the issue a question of law, while the Seventh and Ninth Circuits treated the issue as a question of fact.² The courts within these circuits generally based these determinations on whether the likelihood of confusion between two marks was a question of fact or law. Courts that considered likelihood of confusion a question of fact did the same with respect to tacking, and vice versa.

A Question of Fact or Law – Why it Matters

The determination of whether a particular question is one of fact or law can have important repercussions for a case. For example, categorizing a particular issue as one of fact or one of law will often affect the length and associated costs of a case because questions of fact can only be resolved by juries (or courts during bench trials), who weigh the evidence after a full trial. On the other hand, questions of law are generally resolved by judges at the summary judgment stage (*i.e.*, before trial) if the underlying facts are undisputed or undisputable (*i.e.*, “if the evidence is so one-sided that there can be no doubt about how the [factual] question should be answered”)³ and, in rare instances, on motions for judgment as a matter of law after trial. Moreover, the categorization can often affect the finality of the initial determination — as appellate courts have less discretion to overturn a jury’s factual findings than a lower court’s legal ruling. Finally, as juries are arguably more unpredictable than judges, the resolution of factual questions can be harder to predict than legal questions, which may affect a litigant’s strategy throughout the entire case.

The Supreme Court’s Ruling

As the tacking doctrine requires the marks to be viewed from the perspective of an “ordinary consumer,” the Court found that juries — who are generally composed of such consumers — are best suited for the task. This decision could result in less predictable results and cause difficulties for trademark owners determining when changes to a mark are permitted under the doctrine. However, the Court quickly dismissed these concerns, noting that any such “unpredictability” is simply a feature of our justice system’s reliance on juries and was also found in the “analogous context” of the “tort, contract, and criminal justice systems,” all of which functioned sufficiently well. As trademark law is not so systemically different from these other legal areas and some degree of unpredictability would still be present even if courts decided the tacking issue, the Court declined to forsake the use of juries to resolve issues of tacking.

Conclusion

Trademark owners must consider the impact of the tacking doctrine when changing their marks and enforcing or defending their marks in litigation. The Court’s ruling has arguably increased the unpredictability of this analysis as trademark owners cannot rely on the well-reasoned, written opinions of courts for guidance, and parsing jury rulings is notoriously difficult. Litigants may also face longer, costlier cases as the tacking issue will only be resolved at trial (unless the facts are undisputable — a rare circumstance). The costs associated with trial could be partially offset by the reduced possibility of appeals against such decisions — given the high standard for overturning a jury verdict and the difficulty

of establishing the evidence can only be reasonably interpreted in one manner — and the greater finality afforded to the jury's determination of this issue. Thus, trademark owners should be even more cautious in changing their marks or enforcing such marks against parties that arguably can claim priority back to an older mark through the tacking doctrine.

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Endnotes

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- ¹ *Hana Fin., Inc. v. Hana Bank*, 574 U.S. ____, (2015).
 - ² *Van Dyne-Crotty, Inc. v. Wear-Guard Corp.*, 926 F.2d 1156, 1159 (Fed. Cir. 1991); *Data Concepts, Inc. v. Digital Consulting, Inc.*, 150 F.3d 620, 623 (6th Cir. 1998); *Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 759 (9th Cir. 2006); *Specht v. Google Inc.*, 758 F. Supp. 2d 570, 583 (N.D. Ill. 2010), *aff'd*, 747 F.3d 929 (7th Cir. 2014).
 - ³ *AutoZone, Inc. v. Strick*, 543 F.3d 923, 929 (7th Cir. 2008) (internal quotation omitted).