

# Daily Journal

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PERSPECTIVE

## Trademark tacking surprise

By James Hardin and Tyler Woods

Trademark ownership is based on priority of use — the first to actually use a trademark or trade dress (generally, “mark”) in commerce has rights to it. The “tacking” doctrine — which allows someone who has updated or subtly refined a mark over time or received a valid assignment of rights in a mark from an earlier user, to “tack” onto the date of the earliest use to establish priority — is integral to this system. But tacking only applies if the prior and current versions make the same overall “commercial impression.” As McCarthy explained, “continuity is the key ... A mark can be modified or changed without abandonment or loss of priority if done in such a way that the continuing common element of the mark retains its impact and symbolizes a continuing commercial impression. Trademark rights inure in the basic commercial impression created by a mark, not in any particular format or style.” 3 McCarthy on Trademarks and Unfair Competition Section 17:26 (4th ed.).

For the last 20 years or so, the general consensus (including within the 9th U.S. Circuit Court of Appeals) has been to adhere to an “exceedingly strict” rule on tacking, applying the doctrine “only in the exceptionally narrow instance” in which reasonable consumers would consider the marks “indistinguishable” or “the same mark.” *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.2d 1036, 1048-49 (9th Cir. 1999); see also *Quicksilver Inc. v. Kumsta Corp.*, 466 F.2d 749, 760 (9th Cir. 2006) (“The later mark must be indistinguishable.”); see generally *One Industries, LLC v. Jim O’Neal Distributing Inc.*, 578 F.3d 1154, 1161 (9th Cir. 2009) (“Cases from other circuits and from the Trademark Board confirm that tacking will be allowed only if the marks are virtually identical.”) (emphasis added).

Thus, it is notable that the 9th Circuit found an “exceptional” case for applying the tacking doctrine in *Hana Financial Inc. v. Hana Bank*, 2013 DJDAR 15343 (9th Cir. Nov. 22, 2013), where the priority issue hinged on whether the defendant, Hana Bank, could tack its recent use of the “Hana Bank” mark onto its earlier use of a “Hana Overseas Korean Club” mark, which predated the plaintiff’s use and federal registration of its

“Hana Financial” mark. If tacking were allowed, the defendant would defeat the plaintiff’s claim to priority. Remarkably, the jury found that the defendants’ use of two facially dissimilar marks — its current mark “Hana Bank” and its prior mark “Hana Overseas Korean Club” — made the same commercial impression. Because the 9th Circuit follows the majority rule that tacking is a question of fact, the court admittedly felt constrained to defer to the jury’s surprising finding after concluding that “reasonable minds” could differ over the evidence presented at trial.

### The Hana Opinion

The 9th Circuit affirmed a jury verdict in favor of the defendant, including the jury’s finding that the defendant’s current use of the “Hana Bank” mark properly tacked onto its prior use of the “Hana Overseas Korean Club,” to defeat the plaintiff’s claim of priority.

Both parties are Korean-based financial organizations started in the early 1990s to provide financial services to Korean expatriates in the U.S. There was evidence submitted that the principals of each company knew each other and had some knowledge of each other’s respective uses of marks containing the name “Hana,” a Korean word that means “number one.” In July 1994, Hana Bank started using the name “Hana Overseas Korean Club” in commerce in the U.S. by publishing the mark, in English and Korean, in advertisements (along with the “Hana Bank” name (in Korean) and its “dancing man” logo). In April 1995, the plaintiff, Hana Financial Inc. (HFI), began using its “Hana Financial” mark in commerce, and in July 1996 HFI obtained a federal trademark registration in the “Hana Financial” trademark along with its pyramid logo for use in connection with factoring and financial services. In 2001, the bank’s federal trademark application for the “Hana Bank” mark was denied as confusingly similar to HFI’s “Hana Financial” registered mark.

In March 2007, HFI filed a complaint for trademark infringement and related claims, claiming that its “Hana Financial” mark had priority pursuant to its July 1996 trademark registration and that the defendant’s “Hana Bank” mark was confusingly similar. The bank argued that HFI lacked priority and both sought

cancellation and asserted equitable defenses of laches and unclean hands based on HFI’s alleged awareness of the bank’s superior rights.

The case was appealed to the 9th Circuit twice. The first appeal was after the trial court granted summary judgment in favor of the bank on the trademark priority issue, finding that, as a matter of law, the tacking doctrine applied so that the bank’s current use of the “Hana Bank” mark could tack back to its prior use of the “Hana Overseas Korean Club” mark. The 9th Circuit reversed that ruling, “finding that the Bank’s advertisements and other exhibits purported demonstrating priority were ‘relevant,’ but were also subject to competing inferences or were not presented in admissible form.”

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After remand, the case was tried to a jury on the trademark infringement claims, and the jury rendered an advisory verdict on the equitable defenses of laches and unclean hands. The jury found that the bank had — by operation of the tacking doctrine — “used its mark in commerce in the United States beginning prior to April 1, 1995 [when HFI started using ‘Hana Financial’].”

On this appeal, the issue was whether the 9th Circuit should affirm the jury’s finding that the bank had priority based in its prior use of the “Hana Overseas Korean Club,” which was facially quite dissimilar from its currently used “Hana Bank” mark. The 9th Circuit did.

First, the court analyzed both the rigorous standard for tacking and prior 9th Circuit case law denying tacking for much more similar marks. The court explained that “like our sister circuits, we have indicated that tacking applies only in ‘exceptionally narrow’ circumstances,” and cited the applicable standard from Brookfield: “The standard for tacking ... is exceedingly strict: the marks must create the same, continuing commercial impression, and the later Mark should not materially differ from or alter the character of the Mark attempted to be tacked. In other words, the previously

used mark must be the legal equivalent of the mark in question or indistinguishable therefrom, and the consumer should consider both as the same mark. This standard is considerably higher than the standard for likelihood of confusion.”

Second, the *Hana* court concluded that “reasonable minds” could differ on whether the bank’s marks were materially different. On the one hand, the marks “seem aurally and visually distinguishable.” On the other hand, the jury could have relied on ample evidence to the contrary (“the jury could have reasonably concluded that these purchasers associated ‘Hana Bank’ with ‘Hana Overseas Korean Club’ when ‘Hana overseas Korean club’ appeared, in English, next to ‘Hana Bank,’ in Korean, and the dancing man logo in the advertisements.”).

Third, the court underscored the importance of the procedural posture in dictating the result, stating: “As the losing party in a jury trial, HFI must show that its interpretation of the evidence is the only reasonable one. Here, HFI has not satisfied that standard. Tacking requires a highly fact sensitive inquiry, and the jury decided the issue after receiving an instruction that correctly conveyed the narrowness of the doctrine. In this respect, our characterization of tacking is a question of fact is arguably dispositive.” Indeed, the court acknowledged that result could have been different if it were permitted to decide the issue as a matter of law.

While parties will certainly cite *Hana* to argue that tacking could apply to marks that appear to be dissimilar, it stands for the more limited proposition — perhaps most useful at the summary judgment stage — that whether two marks make the same commercial impression is a factual question for the jury, and the jury’s finding will not be disturbed if supported by sufficient evidence.

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