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Clarifying the jury's role in intellectual property cases

By Andrew J. Thomas

In January, the U.S. Supreme Court handed down its first trademark decision in a decade. In *Hana Financial Inc. v. Hana Bank*, the Supreme Court addressed whether trademark law's "tacking" doctrine presents a jury question or a pure question of law for the court. Even though the court had not considered tacking for over 90 years, the decision broke no new ground in the substantive trademark law. It does, however, provide a timely reminder of the importance of jury determinations in intellectual property litigation.

Tacking allows a trademark owner to make minor modifications to its mark over time without losing the priority associated with its original use of the mark — an important consideration since trademark rights are determined by the date of a mark's first use in commerce. Tacking also may be used to rebut a claim that by changing the design of a mark, the trademark owner has abandoned the original mark by failing to make continuous use of it in commerce. Such incremental changes in trademarks are not uncommon. Trademark owners often update their marks to adapt to the times and changing market conditions. Litigation over tacking, however, is relatively rare, and trials on the subject are rarer still.

In a concise, eight-page opinion for a unanimous court, Justice Sonia Sotomayor avoided making any substantive pronouncement about the doctrine. Instead, she referred to "the general rule adopted by lower courts" that for tacking to apply the modified trademark must be the "legal equivalent" of its predecessor, such that the two marks "create the same, continuing commercial impression." Resolving a circuit split, the court affirmed the 9th U.S. Circuit Court of Appeals' holding that trademark tacking for purposes of determining priority is a question of fact for the jury. As the court explained, "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."

The underlying facts provide an apt example of how important the consumer's perspective can be. Hana Financial Inc. had alleged that Hana Bank's used of the mark "Hana Bank" for financial services infringed Hana Financial's rights in its mark "Hana Financial," which it registered in 1996. In response, Hana Bank

argued that it had priority under the tacking doctrine, claiming that it had used the name "Hana Bank" in Korea since 1991 and had offered financial services in the U.S. under the mark "Hana Overseas Korean Club" in the early 1990s. Hana Bank pointed to advertisements it published in Korean-language newspapers in 1994 — directed primarily at Korean-Americans familiar with the bank's business in Korea — which used Korean-language characters that translated as "Hana Bank" in addition to the English-language words "Hana Overseas Korean Club."

At trial, a jury concluded that because "Hana Bank" conveyed the same "commercial impression" as the brands in the 1994 advertisement, Hana Bank had priority in the mark over Hana Financial. On appeal, Hana Financial argued that tacking should be considered a pure question of law because it involves primarily a comparison of images.

Hana Bank has some immediate implications for trademark lawyers, including highlighting the importance of demanding a jury trial and underscoring the need for consumer perception surveys and expert testimony. More broadly, it strongly suggests that if presented with the opportunity to resolve a related circuit split, the Supreme Court would find that the likelihood of confusion inquiry under trademark law — an issue at the core of most trademark infringement litigation — is a factual matter for the jury and not a purely legal question for the court.

Although most circuits, including the 9th, treat likelihood of confusion as a jury question, the 6th and Federal Circuits are outliers — as they were in the split over tacking — and hold that the ultimate determination on likelihood of confusion, based on a balancing and weighing of multiple factors, is a purely legal question.

While the Supreme Court did not mention the issue in its *Hana Bank* opinion, the justices inquired about it extensively during oral argument, with Justice Anthony Kennedy calling it "the elephant in the room." Because likelihood of confusion, like tacking, presents a "mixed" question of law and fact that hinges on consumer perception, it would seem the writing is on the wall.

The court's analysis in *Hana Bank*, if followed to its logical conclusion, is likely to have broader implications for intellectual property law generally. At a minimum, it should remind practitioners

of the critical role juries still play in intellectual property cases.

There are many cases where it is appropriate to resolve intellectual property issues as a matter of law on a motion to dismiss or a motion for summary judgment. But trademark lawyers should not become so accustomed to seeing matters resolved this way that they forget that, where material factual disputes prevent such a resolution, the ultimate determination must be made by a jury.

In *Hana Bank*, the Supreme Court rejected a number of arguments by the petitioner that easily could be made in support of placing many intellectual property issues solely in the hands of judges. First, the court rejected the argument that the "legal equivalent" test involves the application of a legal standard to the facts and therefore must be handled by the judge. The court explained that applying legal rules to facts involves a "mixed question of law and fact" and that such "mixed" questions are routinely resolved by juries. Any concerns that juries might misapply the legal rule, the court advised, should be addressed through carefully crafted jury instructions.

Second, the petitioner argued that tacking determinations will "create new law that will guide future tacking disputes" and that such precedent-setting should be reserved for judges. In rejecting this argument, the court reasoned that a jury is no more likely to create new law in a tacking case than in a tort case, contract dispute, or criminal proceeding. The take-away message might be short-handed as "Don't worry so much — IP law isn't that special."

Third, the petitioner argued that allowing juries to decide tacking will lead to unpredictable results and undermine the consistency of the trademark system. The court observed that any decision-making in a fact-intensive dispute will require "judgment calls" and that some degree of uncertainty inevitably will result whether those calls are made by judges or juries. The court again noted that the same thing happens in tort, contract and criminal cases all the time: The fact that another jury, hearing the same case, might reach a different conclusion may make the system "unpredictable," the court explained, "but it has never stopped us from employing juries in ... analogous contexts."

One such analogous context is fair use under copyright law. In *Harper & Row Publishers v. Nation Enterprises*,

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471 U.S. 539 (1985), the Supreme Court described fair use as a "mixed question of law and fact." And in practice — both before and after *Harper & Row* — many, if not most, fair use disputes have been resolved one way or the other on summary judgment. But the Supreme Court's instruction in *Hana Bank* that mixed questions of law and fact are typically resolved by juries should mean that, in those cases where there are material issues of fact precluding summary judgment and a jury trial has been requested, fair use remains for the jury to decide.

That result is consistent with the 9th Circuit pattern jury instructions, which contemplate fair use determinations by juries. It also conforms with historical practice. The Supreme Court discussed the role of the jury in copyright cases at length in *Feltner v. Columbia Pictures Television*, 523 U.S. 340 (1998). In holding that the Seventh Amendment provided a right to jury trial on all issues pertinent to an award of statutory damages under the Copyright Act, the court surveyed historical practices dating from the mid-17th century and concluded that juries consistently have decided copyright damages questions. Justice Joseph Story similarly described fair use as a "question of fact to come to a jury" as early as 1845. *Emerson v. Davies*, 8 F. Cas. 615, 623-24 (D. Mass. 1845).

Hana Bank's affirmation of the jury's role in deciding mixed questions of law and fact is thus likely to resonate in the analysis of copyright fair use as well as trademark likelihood of confusion.

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