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12 heads are better than one

Richard LaBarge Marshall, Gerstein & Borun LLP analyses the teachings of Hana and B&B, the US Supreme Court's two new trademark decisions

The most significant trademark issue that divides the US circuit courts is whether likelihood of confusion—the key issue in finding trademark infringement—is a question of law or a question of fact. In the opening months of 2015, the US Supreme Court reviewed two decisions in cases where trademark infringement was decided by a jury. In one case, the court upheld the decision to let the jury decide; in the other, it reversed.

In neither case did the court specifically answer whether likelihood of confusion is a question of fact or a question of law. But its decision in the first case, *Hana Financial v Hana Bank*, suggests that it's a question of fact.

The Hana case involved a South Korean company that used a logo that included the term 'Hana Bank' in Korean characters. A US company later began using 'Hana Financial' as a mark for similar services. When the South Korean company Anglicised its wording and started writing 'Hana Bank' in Roman letters, the US company sued, claiming trademark infringement in district court.

The jury found that the South Korean company's rights dated back to its prior use of the Korean form of 'Hana Bank'. Since the South Korean company's rights were then even earlier than the US company's rights, the South Korean company won.

The appellate court (for the Ninth Circuit) affirmed. The US company appealed to the Supreme Court, arguing that the issue of whether the South Korean company was entitled to the benefit of its prior use was a question of law that should have been decided by the judge, not the jury.

The Supreme Court disagreed, affirmed the appellate court, and explained that the priority issue in that situation (the concept of 'tacking') turns on whether the current form of a company's mark creates, in the eyes of purchasers, "the same, continuing commercial impression" as the form of the mark that the company used earlier.

If so, then, for priority purposes, the company is entitled to the benefit of its prior use, and its rights date back to when that prior use began. If the commercial impression of the two versions

of the mark is not the same, then the company's rights date only to when the company first began using its current form of the mark.

The Supreme Court held that the question of whether two marks create the same commercial impression is one well suited for a jury: "When the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decision maker that ought to provide the fact-intensive answer."

Conclusion: there was no error in allowing the jury to decide the issue of tacking.

Likelihood of confusion is an issue that is conceptually very similar to the issue of tacking. It also turns on the commercial impressions created by two marks. The difference in the standards is, perhaps, how similar the two marks must be in the eyes of purchasers. For tacking to be available, the Supreme Court held that the commercial impressions must be "the same" (not visually the same: there is no suggestion that purchasers did not notice that the Korean characters for 'Hana Bank' are visually different than the Roman letters for that term).

For infringement to occur, the commercial impressions created by two marks must be "confusingly similar". Whether the standards are different enough in application to matter can only be guessed. But it's difficult to imagine a factual situation in which the different standards would clearly lead to different results.

Although the Supreme Court concluded that the tacking issue "falls comfortably within the ken of a jury", it also noted two obvious instances where that issue need not be decided by a jury: (i) if neither party requests a jury; and (ii) if the evidence is so one-sided that no reasonable jury would find the other way (making the case suitable for summary judgement or judgement as a matter of law).

The US Supreme Court's subsequent decision in *B&B Hardware v Hargis* revealed a third exception.

The B&B case involved a California company that used 'Sealtight' in connection with fasteners sold to the aerospace industry. A Texas company later began using 'Sealtite' in connection with

fasteners sold to the construction industry. The Texas company used the word 'Sealtite' beneath a large-lettered 'ST' logo. Beneath the word 'Sealtite', the words 'building fasteners' were used and the business address of the company was provided.

Although it used 'Sealtite' with the logo, the Texas company applied to register 'Sealtite' alone, in 'standard characters' (ie, with no identified restriction on the way the mark is presented). The California company objected on two fronts. At the US Patent and Trademark Office (USPTO), it opposed the application. In the district court, it sued and claimed infringement of its trademark.

The opposition was held in the USPTO's Trademark Trial and Appeal Board (TTAB). These proceedings are generally quicker and simpler than infringement litigation, and jury trials aren't allowed. The issue there was whether the specified use of 'Sealtite' was likely to cause confusion. A three-judge panel of the TTAB ruled before the infringement case went to trial, holding that the word mark 'Sealtite' alone could not be registered over the California company's prior federal trademark registration.

Apparently not concerned about that decision (given the separate, ongoing infringement litigation), the Texas company did not appeal (by statute, the Texas company could have appealed by bringing an action in a district court. There, the Texas company could have asked for a jury to reconsider the TTAB's decision on the likelihood of confusion issue).

When the infringement case came to trial, the California company urged that the TTAB's unappealed decision should preclude the Texas company from disputing that its actual use of 'Sealtite' in the marketplace (with the 'ST' logo and the words 'building fasteners') causes confusion. The trial court sided with the Texas company, and sent the infringement issue to a jury. The jury found that the 'Sealtite' mark, as actually used in the marketplace, was not likely to cause confusion.

The appellate court (for the Eighth Circuit) affirmed, reasoning that it was appropriate to let the jury decide because a TTAB decision is never binding on a district court. The California company appealed to the Supreme Court,

urging that, in this case, the TTAB's decision on likelihood of confusion should have had preclusive effect.

This time, the Supreme Court reversed, holding that a TTAB decision on likelihood of confusion can at least sometimes have preclusive effect. A TTAB decision on likelihood of confusion can bind a district court if the "usage" in the infringement litigation is one that was at issue in the TTAB proceeding. The court defined "usage" as the list of goods and the channels of trade (if any) stated in the application.

If the infringement litigation involves only, for example, widgets, and the TTAB proceeding had found that the defendant was not entitled to register its mark for widgets and was not specific about channels of trade, then the usage in the infringement case is the same and the TTAB decision may be binding.

For a TTAB decision to be binding, the form of mark used in the marketplace must also be materially the same as the form that was at issue in the TTAB proceeding. And there, perhaps, is the rub. The mark at issue in the TTAB proceeding was a word mark (no format specified). Did that abstract form materially differ from the specific form of the

mark that the Texas company actually used in the marketplace?

Normally, the TTAB won't consider arguments about the form of the mark when the application at issue doesn't specify the form. But the Texas company apparently made some arguments about the form of its mark in the TTAB proceedings, and the Supreme Court gave credence to at least the possibility that the TTAB did indeed decide the issue of whether the 'Sealtite' mark as actually used in the marketplace is likely to cause confusion.

In a footnote, the court explained that if the TTAB was not authorised to decide that issue (and the rules, at least, don't authorise the TTAB to decide that), then the TTAB's decision shouldn't be binding on the district court after all.

The decision was remanded to the court of appeals. We know that the appellate court's prior decision—that a TTAB decision on likelihood of confusion can never have preclusive effect—was wrong.

But don't be surprised if, on remand, the Eighth Circuit finds that the TTAB's decision was not binding in this particular case because the mark

that the Texas company used in the marketplace materially differed from the one that the TTAB was authorised to consider.

After all, as the Supreme Court said in *Hana*, "twelve men know more of the common affairs of life than does one man, [and] they can draw wiser and safer conclusions from admitted facts ... than can a single judge". And maybe they can also do better than a three-judge panel of the TTAB. [IPPro](#)



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