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#TrademarkLaw: Protecting and Maximizing the Value of Trademarks in an Evolving Social Media Marketplace

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**#TRADEMARKLAW: PROTECTING AND MAXIMIZING THE
VALUE OF TRADEMARKS IN AN EVOLVING SOCIAL
MEDIA MARKETPLACE**

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I. INTRODUCTION

Trademark law in the United States serves both commerce and consumers. Its primary purpose is to protect consumers from confusion as to the source of goods and services. Trademark law serves to protect businesses by ensuring exclusivity in the brands they curate. Once a business has chosen a name and cultivated a brand, that branding becomes identifiable to consumers as the source of the business' goods or services.² With the upsurge in social media, there are more vast and accessible marketing outlets available to businesses and their branding than ever in the history of American commerce. It has become essential

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² See 15 U.S.C. § 1051 (2012) (“The application shall include . . . the goods in connection with which the mark is used, and a drawing of the mark.”).

for businesses to establish brand visibility across social media platforms. While there are countless benefits to social media marketing, there are certain drawbacks and likely pitfalls as well. This article explores the difficulty in controlling brand identity in light of almost unrestricted third-party participation in social media and the particular trademark problems posed by the prevalence of hashtags in social media marketing.

Social media turned the once simple octothorpe, symbolizing the words “pounds” and “number,” into a very powerful marketing tool. “A ‘hashtag’ is a form of metadata comprised of a word or phrase prefixed with the symbol ‘#.’”³ By applying a hashtag to the beginning of a word or phrase on social media outlets, like Instagram and Twitter, users turn that word or phrase into a searchable expression.⁴ Business owners and marketing professionals alike tout the power of hashtagging a trademark or service mark into a searchable, trend-able expression.

The scope and necessity of social media marketing is observable in the use of business’ allocated marketing budgets. Adweek.com reported the following from a poll of 5,000 marketers conducted in early 2015 by Salesforce:⁵

70% planned to increase social media ad spending;⁶
 70% planned to increase spending on non-paid social media marketing;⁷
 66% responded that “social media was core to their business;”⁸ and
 38% planned to shift a portion of their marketing budgets previously allocated to traditional marketing to digital marketing.⁹

While it is free to use and engage in social media outlets, marketers spend these dollars on sponsored advertisement buys and social media expertise. Social media marketing experts strategically maximize a

³ TMEP § 1202.18 (8th ed. Oct. 2015) (entitled “Hashtag Marks”).

⁴ *See id.* (“Hashtags are often used in social-networking sites to identify or facilitate a search for a keyword or topic of interest.”).

⁵ Shea Bennett, *70% of Marketers Will Increase Social Media Spend in 2015*, SOCIALTIMES (Jan. 12, 2015, 6:00 PM), <http://www.adweek.com/socialtimes/social-marketing-2015/504357>.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

brand's social media prevalence with sponsored advertisements, posting content, and, yes, strategic use of hashtags.

Twitter and Instagram are the two primary social media outlets to revolutionize the hashtag. Twitter is a service on which any user may share an idea, an experience, or a thought in 180 characters of text or less, a photo, or a video, each called a "tweet."¹⁰ Hashtags with accompanying words or phrases appropriate the corresponding tweet to a topic embodied by such word or phrase.¹¹ Each Twitter user has a timeline on his or her profile displaying tweets in reverse chronological order.¹² The timeline and profile of a business become the Twitter face of the brand. Instagram is "a fun and quirky way to share your life with friends through a series of pictures."¹³ Similarly, each user has a profile and timeline of photos or videos displayed in reverse chronological order. Users can provide comments, including hashtags, to photo or video posts. Placing a hashtag at the beginning of a word or phrase on both Twitter and Instagram turns the word or phrase into a hyperlink that leads to topically related posts.¹⁴

Perhaps the greatest advantage social media outlets like Twitter and Instagram pose to marketers is the ability to interact with their audience.¹⁵ When a user tweets or posts on Instagram, other users may then comment, repost, share directly, and basically participate in the conversation surrounding the tweet or post. This audience interaction provides valuable insight to marketers and inflames the reach of a simple marketing effort, sometimes virally. Including a hashtag word or phrase makes such conversations sortable by topic.¹⁶ If the hashtag goes viral, the social media marketplace considers it to be a trending topic, a pinnacle for any social media marketing effort. It is this audience interaction that makes the hashtag such a powerful marketing and branding implement.

¹⁰ See *The Story of a Tweet*, TWITTER, <https://about.twitter.com/what-is-twitter/story-of-a-tweet> (last visited Dec. 27, 2015).

¹¹ See *id.* ("Hashtags assign a topic to a Tweet.").

¹² See *id.*

¹³ *FAQ*, INSTAGRAM, <https://www.instagram.com/about/faq/> (last visited Dec. 27, 2015).

¹⁴ See *The story of a Tweet*, *supra* note 10; *How Do I Use Hashtags?*, INSTAGRAM, <https://help.instagram.com/351460621611097> (last visited Dec. 27, 2015).

¹⁵ See Stephanie Chandler, *The Hidden Benefits of Social Media Marketing: Why Your Strategy May Be Working Better Than You Think*, FORBES / FORBES WOMEN (March 12, 2013, 3:15 AM), <http://www.forbes.com/sites/work-in-progress/2013/03/12/the-hidden-benefits-of-social-media-marketing-why-your-strategy-may-be-working-better-than-you-think/>.

¹⁶ See *The Story of a Tweet*, *supra* note 10; *How Do I Use Hashtags?*, *supra* note 14.

But, “with great power comes great responsibility.”¹⁷ Successful registration of a mark with the United States Patent and Trademark Office provides the owner of that mark the “exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration.”¹⁸ The value in trademark ownership lies in the right to exclusive use of the mark. Thus, it is in the trademark owner’s best interest to police third-party use of his or her mark in order to protect it from dilution and/or consumer confusion with a similar mark. So, there is a problem. Trademark owners are encouraged to limit third-party use of their marks. However, they are simultaneously well served by encouraging audience participation in their social media marketing, especially to exacerbate the use of their marks as hashtagged trending topics.

II. TRADEMARK LAW BROADLY.

A. *Rationale.*

The statute underlying modern trademark law in the United States is the Lanham Act.¹⁹ “The basic goal of the Act . . . was ‘the protection of trademarks, securing to the owner the good will of his business and protecting the public against spurious and falsely marked goods.’”²⁰ A trademark’s capability to distinguish the goods or services of this source is referred to as “distinctiveness.”²¹ A protectable and marketable trademark should be unique among its channel of commerce so that it establishes its own brand as the source of the relevant goods and or services.

¹⁷ SPIDER-MAN (Columbia Pictures 2002).

¹⁸ 15 U.S.C. § 1115(a) (2012) (“Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration . . .”).

¹⁹ See 15 U.S.C. § 1051 (2012).

²⁰ *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1360 (C.C.P.A. 1973). See generally *Jacob Ries Bottling Works, Inc. v. Coca-Cola Co.*, 138 F.2d 56 (C.C.P.A. 1943); *Van Camp Sea Food Co. v. Westgate Sea Prods. Co.*, 48 F.2d 950, 951 (C.C.P.A. 1931); *Skookum Packers Ass’n v. Pac. Nw. Canning Co.*, 45 F.2d 912 (C.C.P.A. 1930).

²¹ See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768–69 (1992).

B. *The Standard.*

Trademarks are valuable to marketers because they distinctly represent a particular brand. For that reason, trademark law will generally not allow for simultaneous ownership of confusingly similar marks by representing more than one brand in a particular channel of commerce. This leads to trademark confusion, which is defined as “the incorrect assumption on the part of a hypothetical consumer that the two trademarks belong to the same source.”²² Therefore, the United States Patent and Trademark Office will reject applications for marks for which there is likelihood of confusion with an existing registered mark.

A likelihood of confusion exists when a mark “so resembles a mark registered in the Patent and Trademark Office . . . as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.”²³ In *In re E. I. DuPont DeNemours & Co.*,²⁴ the predecessor to the United States Court of Appeals for the Federal Circuit set forth the relevant factors to consider when making this determination:

- (1) The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
- (2) The similarity or dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.
- (3) The similarity or dissimilarity of established, likely-to-continue trade channels.
- (4) The conditions under which and buyers to whom sales are made, i.e. “impulse” vs. careful, sophisticated purchasing.

²² *Confusingly Similar (Likelihood of Confusion)*, MARKLAW, <http://marklaw.com/index.php/trademark-terms-c/343-trademark-confusion-confusingly-similar-2> (last visited Dec. 27, 2015).

²³ 15 U.S.C. § 1052(d) (2012).

²⁴ 476 F.2d at 1361.

- (5) The fame of the prior mark (sales, advertising, length of use).
- (6) The number and nature of similar marks in use on similar goods.
- (7) The nature and extent of any actual confusion.
- (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.
- (9) The variety of goods on which a mark is or is not used (house mark, “family” mark, product mark).
- (10) The market interface between applicant and the owner of a prior mark:
 - (a) a mere “consent” to register or use.
 - (b) agreement provisions designed to preclude confusion, i.e. limitations on continued use of the marks by each party.
 - (c) assignment of mark, application, registration and good will of the related business.
 - (d) laches and estoppel attributable to owner of prior mark and indicative of lack of confusion.
- (11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
- (12) The extent of potential confusion, i.e., whether *de minimis* or substantial.
- (13) Any other established fact probative of the effect of use.²⁵

The key concepts to glean from the *DuPont* case as it relates to the present topic are likelihood of confusion in general and factor number six—the number and nature of similar marks in use on similar goods or services. The law aims to protect the consumer from confusion. Courts have held that “an infringement occurs if it is likely

²⁵ *Id.* at 1361.

to confuse the relevant consumer as to the affiliation, connection or sponsorship,"²⁶ with or by an existing mark. However, it is important to note that third-party use of a registered mark that does not serve as a source identifier does not amount to infringement.²⁷ Therefore, using a trademark as a hashtag for purposes of establishing a topical reference will likely not amount to trademark infringement.

DuPont factor number six addresses the occurrence of third-party use of an applied-for mark. When a trademark examining attorney refuses a trademark application under 15 U.S.C. § 1052(d) due to a *likelihood of confusion* with an existing registered mark, the applicant has the chance to respond with an argument that may reference one or several of the DuPont factors. The applicant may address factor number six by pointing to existing concurrent registrations for marks similar to the applied-for mark and existing concurrent third-party use of similar marks in fields similar to the relevant goods or services. This third-party use shows the examining attorney that there is contemporaneous use of similar marks that does not cause detrimental confusion amongst consumers as to the source of the relevant goods or services.

[T]he theory behind this factor is that the relevant class(es) of consumers have become so conditioned by the presence of a plethora of similar marks in the marketplace that they have been educated or accustomed to distinguish such marks based on differences in the marks that would otherwise be less meaningful.²⁸

In this way, concurrent third-party use is actually advantageous. However, concurrent third-party use can be problematic if it indeed does cause consumer confusion or causes attenuation of the mark as a source indicator. For these reasons, it is imperative that trademark owners observe and exert some level of control over third-party use of their marks.

²⁶ THE IP BOOK, 10-134 (Stephen R. Baird et al. eds., 10th ed. 2012), <http://www.minncle.org/Materials/OnlineMaterials/77413IPbook.pdf> (analyzing *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012)).

²⁷ See *Multi Time Machine, Inc. v. Amazon.com, Inc.*, 792 F.3d 1070, 1086–87 (9th Cir. 2015) (holding that Amazon search results for a product are unlikely to cause confusion as a matter of law).

²⁸ *In re Tyson Foods Inc.*, No. 85476655, 2014 WL 788329, at *2 (T.T.A.B. 2014).

Other reasons the United States Patent and Trademark Office may refuse to grant exclusive use of a trademark or services mark are mere descriptiveness, deceptive misdescriptiveness, geographic descriptiveness, geographic misdescriptiveness, primarily merely a surname, and ornamentation.²⁹ Mere descriptiveness refers to a mark that “merely describes the goods or services on or in connection with which it is used.”³⁰ A brand name or slogan that merely describes goods or services will not qualify as a trademark. To lock up such descriptive terms in association with corresponding goods or services would chill business competition and, ultimately, stymie societal enhancement. Conversely, “[i]f a term immediately conveys such an idea but the idea is false, although plausible, then the term is deceptively misdescriptive.”³¹ It is important to note that misdescriptive marks may be able to pass muster unless consumers are “likely to believe the misrepresentation.”³² The same concepts apply to geographic descriptiveness and geographic misdescriptiveness with the key distinction that the unregistrable mark contains geographical indications.³³ Finally, ornamentation is subject matter that is merely a decorative feature that does not identify and distinguish the applicant’s goods and, thus, does not function as a trademark.³⁴ A mark embodying solely such decorative subject matter is considered ornamental. A mark must identify the source of the goods or services in a more significant way than merely adorning goods.

²⁹ *Possible Grounds for Refusal of a Mark*, USPTO, <http://www.uspto.gov/trademark/additional-guidance-and-resources/possible-grounds-refusal-mark> (last visited Jan. 2, 2016).

³⁰ West Publishing, *CORPORATE COUNSEL’S GUIDE TO INTELLECTUAL PROPERTY* § 3.7 (2015). See also *In re Abcor Dev. Corp.*, 588 F.2d 811, 813 (C.C.P.A. 1978) (“The major reasons for not protecting such marks are: (1) to prevent the owner of a mark from inhibiting competition in the sale of particular goods; and (2) to maintain freedom of the public to use the language involved, thus avoiding the possibility of harassing infringement suits by the registrant against others who use the mark when advertising or describing their own products.”).

³¹ *In re Dicom Grid, Inc.*, Nos. 78741602, 78741064, 2009 WL 129552 (T.T.A.B. 2009).

³² *Binney & Smith Inc. v. Magic Marker Indus., Inc.*, 222 U.S.P.Q. 1003 (T.T.A.B. 1984) (LIQUID CRAYON held neither common descriptive name, nor merely descriptive, nor deceptively misdescriptive of coloring kits or markers).

³³ 15 U.S.C. §§ 1052(e)(2)–(3) (2012).

³⁴ *Coach Leatherware Co. v. Ann Taylor, Inc.*, 933 F.2d 162, 171 (2d Cir. 1991).

C. *Within the Social Media Marketplace.*

The bulk of applicable trademark law was developed prior to the social-media boom. While copyright law has addressed many of the issues brought upon by social media in the Digital Millennium Copyright Act's Safe Harbor provision, trademark law does not have an equivalent standard. The Safe Harbor Act of the Digital Millennium Copyright Act provides copyright owners with the opportunity to have infringing material taken down by filing notice of the infringement with the particular internet service provider.³⁵ Ultimately, the Act protects the internet service providers from any copyright infringement liability of an end user if the following conditions are met: (1) the internet service provider "does not have actual knowledge that the material or an activity using the material on the system or network is infringing;"³⁶ (2) the internet services provider "has designated an agent to receive notifications of claimed infringement;"³⁷ and (3) the internet service provider must remove the allegedly infringing material upon notice from copyright owner.³⁸

Some internet service providers will honor the Safe Harbor protocol and apply it to trademark infringement claims as well as copyright infringement claims. However, the Digital Millennium Copyright Act does not apply to trademarks and the internet service providers are under no obligation to treat trademark infringement notices in the same manner.

Many providers have established their own trademark policies and make them available to users via a link at the bottom of their webpages. Twitter's trademark policy says, "Using a company or business name, logo, or other trademark-protected materials in a manner that may mislead or confuse others with regard to its brand or business affiliation may be considered a trademark policy violation."³⁹ In the event that a trademark owner reports an instance of trademark infringement occurring within its services, Twitter will "review the account and may take the following actions:"⁴⁰

³⁵ 17 U.S.C. § 512 (2012).

³⁶ 17 U.S.C. § 512 (c)(1)(A)(i).

³⁷ 17 U.S.C. § 512 (c)(2).

³⁸ 17 U.S.C. § 512 (c)(1)(C).

³⁹ *Trademark Policy*, TWITTER HELP CTR. (Oct. 3, 2012), <http://support.twitter.com/articles/18367>.

⁴⁰ *Id.*

- When there is a clear intent to mislead others through the unauthorized use of a trademark, Twitter will suspend the account and notify the account holder.
- When we determine that an account appears to be confusing users, but is not purposefully passing itself off as the trademarked good or service, we give the account holder an opportunity to clear up any potential confusion. We may also release a username for the trademark holder's active use.
- We are responsive to reports about confusing or misleading Promoted Tweet and Promoted Trend copy, as well as Promoted Account profile information.⁴¹

Instagram has a form for trademark owners to complete and submit in the event of an occurrence of trademark infringement within its service.⁴² Instagram's information on trademarks further clarifies its stance on trademark infringement by encouraging users to reach out directly to an allegedly infringing party without involving Instagram.⁴³ Instagram's Terms of Use says, "We may, but have no obligation to, remove, edit, block, and/or monitor Content or accounts containing Content that we determine in our sole discretion violates these Terms of Use."⁴⁴ The Terms additionally say firmly that users "may not use the Service for any illegal or unauthorized purpose."⁴⁵ According to the terms, an Instagram user must:

[R]epresent and warrant that: (i) you own the Content posted by you on or through the Service or otherwise have the right to grant the rights and licenses set forth in these Terms of Use; (ii) the posting and use of your Content on or through the Service does not violate, misappropriate or infringe on the rights of any third party, including, without limitation, privacy

⁴¹ *Id.*

⁴² *About Trademark*, INSTAGRAM HELP CTR., <http://help.instagram.com/222826637847963> (last visited Jan. 1, 2016).

⁴³ *Id.*

⁴⁴ *Terms of Use*, INSTAGRAM HELP CTR. (Jan. 19, 2013), <https://help.instagram.com/478745558852511>.

⁴⁵ *Id.*

rights, publicity rights, copyrights, trademark and/or other intellectual property rights; (iii) you agree to pay for all royalties, fees, and any other monies owed by reason of Content you post on or through the Service; and (iv) you have the legal right and capacity to enter into these Terms of Use in your jurisdiction.⁴⁶

By using the Instagram service, users submit to the above representation and warranty, which includes that they will not post intellectual property without proper authorization.⁴⁷

To use a registered trademark as a hashtag on Twitter or Instagram in an unauthorized manner violates the Terms of Service policies of each social media platform as well as federal trademark law.⁴⁸ While third-party hashtagging of brand identifiers is potentially welcomed by the trademark owner, they do have the option to shut down the third-party use by means of such policies if it amounts to infringement.⁴⁹ Additionally, trademark registrants may always pursue claims in federal court.⁵⁰

III. REGISTRANTS.

A. *Hashtags and Registered Marks.*

Owners of registered trademarks often use their marks in conjunction with hashtags in social media contexts for marketing purposes. Doing so converts the trademark into a categorical topic which invites the social media marketplace to comment and share. As discussed above, this type of participation is beneficial to marketers in that the marketing spreads throughout the particular social media outlet being used and trademark owners are able to gather informative data about their audience. But not all third-party hashtags of registered marks are welcome by owners. Problematic hashtagging occurs when a brand of similar goods or services uses the mark as a hashtag as either a source identifier of their own or with the intention (or even the effect)

⁴⁶ *Id.*

⁴⁷ *See id.*

⁴⁸ *See id.*

⁴⁹ *See id.*

⁵⁰ *See id.*

of diverting the trademark owner's consumers to themselves. This likely amounts to infringement and the trademark owner has the opportunity to pursue an infringement claim.

B. *Registrability of Hashtag Marks.*

In an effort to curb unauthorized third-party use of a word or phrase with a hashtag, marketers may attempt to acquire a trademark registration for a hashtag mark, meaning a term preceded by the hashtag symbol or the word "hashtag." A brand may also attempt trademark registration of a hashtag mark because the symbol or word is actually part of the mark. However, "the addition of the term HASHTAG or the hash symbol (#) to an otherwise unregistrable mark typically cannot render it registrable."⁵¹ In other words, a mark that does not serve to indicate the source of the relevant goods or services is not registrable as a result of applying a hashtag. The reason for this is that the hashtag simply "facilitate(s) categorization and searching within online social media."⁵² Therefore, a hashtag mark is only registrable if the mark would be otherwise registrable and the hashtag effectuates the source-indicating function of the overall mark.

IV. THIRD-PARTY USE.

A. *Infringement.*

Trademark infringement means the unauthorized third-party use of similar marks for similar goods and/or services as a source identifier. Under the Lanham Act, trademark infringement is defined as:

- (1) Any person who shall, without the consent of the registrant—
 - (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in

⁵¹ TMEP § 1202.18 (8th ed. 2015).

⁵² *In re Hotels.com, L.P.*, 573 F.3d 1300, 1304 (Fed. Cir. 2009) (finding that the addition of a generic top-level-domain to an otherwise unregistrable mark does not typically add any source-identifying significance); *Interactive Prods. Corp. v. a2z Mobile Office Sols., Inc.*, 326 F.3d 687, 691 (6th Cir. 2003) (finding that the post-domain path of a URL does not typically signify source); TMEP §§ 1209.03(m), 1215-.10 (regarding top-level domain names).

connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term “any person” includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.⁵³

⁵³ 15 U.S.C. § 1114 (2012).

Using a hashtag with a registered trademark on a social media outlet may or may not constitute infringement. As mentioned, when an unauthorized third-party uses a registered mark as a hashtag, and the hashtag has the effect of misidentifying the source of goods or services, such hashtag likely infringes upon the registrant's exclusive trademark rights.⁵⁴ If the third-party hashtag is unrelated, related in a way that serves the marketing intentions of the registrant, or does not have a source identifying effect, the hashtag will likely not amount to infringement.⁵⁵

However, the distinction between infringing third-party use and non-infringing third-party use is nuanced and there is little precedent to govern it. Because of the novelty of the issue and parties' ability to resolve such disputes out of court, trademark case law provides very little guidance as to these nuances. One case that does address an interesting nuance is *Eksouzian v. Albanese*.⁵⁶ This case revolves around a settlement agreement the parties reached after the defendant sought the use of variations of the plaintiff's registered trademark to identify the source of its own goods, a small device which vaporizes dry or liquefied herbs, such as tobacco, for consumption by smoking.⁵⁷ The parties agreed that only the plaintiff could use the word "cloud" standing alone, and not coupled with an additional word or words, as a source identifier.⁵⁸ They further agreed that the defendants must cease use of the word "cloud" on their own, and only use it in conjunction with another word.⁵⁹ The settlement agreement between the parties states, "[t]he size and relationship of CLOUD with the other word or words used in close association with CLOUD is within Defendants' discretion except that the word coupled with CLOUD must be in close proximity and readable."⁶⁰

Despite this agreement, the plaintiffs used "#cloudpen" on Instagram.⁶¹ The court analyzed whether plaintiff's use of the word "cloud" coupled with the word "pen" in its Instagram hashtag violated

⁵⁴ See *supra* Part III.A.

⁵⁵ See *supra* Part III.A.

⁵⁶ *Eksouzian v. Albanese*, No. CV 13-00728-PSG-MAN, 2015 WL 4720478 (C.D. Cal. Aug. 7, 2015).

⁵⁷ CLOUDPEN, <https://cloudpenz.com/> (last visited Jan. 25, 2016).

⁵⁸ *Eksouzian*, 2015 WL 4720478, at *2.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.* at *7.

the settlement agreement. The court decided this matter in favor of the plaintiff's use of the hashtag "#cloudpen."⁶² "Plaintiffs did not materially breach the [settlement agreement] by using the generic descriptor "pen" in close association with "CLOUD" hashtag on Instagram."⁶³ The Court reasoned that "[p]laintiff's use of the hashtag '#cloudpen' is merely a functional tool to direct the location of [p]laintiff's promotion so that it is viewed by a group of consumers[.]"⁶⁴ Therefore, the hashtag did not constitute breach of the settlement agreement or trademark infringement because neither the hashtag nor the descriptive word "pen" amounted to coupling the word "cloud" with another word or phrase.

As more cases like this unfold, trademark law's body of governing precedent will provide further clarity on the various possible issues regarding hashtags and trademark infringement.

B. *Exclusivity/Policing/Dilution/Generic.*

Exclusivity.

The Lanham Act affords owners of registered trademarks the exclusive rights to use their marks as source identifiers for their goods or services.⁶⁵ Because one of trademark law's objectives is to alleviate potential confusion amongst consumers, this exclusive right extends to marks for goods or services that are confusingly similar.⁶⁶ The obvious benefit of exclusive use is the ability to establish a brand and differentiate from others in the marketplace.⁶⁷ By doing so, the consumer knows exactly what to expect from goods or services bearing the relevant mark.⁶⁸ For example, a consumer who buys a can of Campbell's chicken noodle soup knows exactly what to expect because it tastes like every other can of chicken noodle soup on the shelves. The

⁶² *Id.* at *8.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ Lanham Act § 33, 15 U.S.C. § 1115(a) (2012).

⁶⁶ *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1301 (2015).

⁶⁷ Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2042–43 (2005).

⁶⁸ 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 2:3 (4th ed. 2015).

can bears the Campbell's trademark so consumers knows that his or her expectations will be met every time he or she buys that particular soup.

An additional benefit of exclusive trademark ownership is that the mark becomes an intellectual property asset.⁶⁹ The trademark owner then has the opportunity to license the mark for authorized third-party use for a negotiated fee.⁷⁰ In this way, the mark has the potential to become a revenue generator. A very lucrative example of this is a professional sports team logo.⁷¹ Professional sports teams are able to license out their logos for use on various types of merchandise items. These licenses give the merchandiser an entire fan base as the market for their goods and garner hefty fees and royalties for the teams.⁷² Owners of intellectual property assets, such as trademarks, have real opportunity to generate income because of their exclusive right to license the intellectual property for third-party use.

Policing

Trademark owners have a "duty to police [their] rights against infringers."⁷³ This means trademark owners must reasonably monitor third-party use of their marks and assert their exclusive rights against infringers.⁷⁴ If they fail to effectively police their marks they may lose their exclusivity.⁷⁵

One undesirable consequence of inadequate policing is illustrated by *Black Diamond Sportswear, Inc. v. Black Diamond Equipment*, where the Second Circuit affirmed the district court's holding that the plaintiff's claim was barred by laches on the basis that the plaintiff should have known of the defendant's infringing use of the

⁶⁹ Cathy Jewell, *Trademarks: Valuable Assets in a Changing World*, WIPO MAG. (July 2009), http://www.wipo.int/wipo_magazine/en/2009/04/article_0002.html.

⁷⁰ *Trademark Licensing*, INT'L TRADEMARK ASS'N (Apr. 2015), <http://www.inta.org/TrademarkBasics/FactSheets/Pages/TrademarkLicensing.aspx>.

⁷¹ Darren Heitner, *Sports Licensing Soars to \$698 Million in Royalty Revenue*, FORBES MAG. (Jun. 17, 2014, 5:00 PM), <http://www.forbes.com/sites/darrenheitner/2014/06/17/sports-licensing-soars-to-698-million-in-royalty-revenue/>.

⁷² *Id.*

⁷³ MCCARTHY, *supra* note 68, § 31:38.

⁷⁴ *Id.*

⁷⁵ *Id.* at § 17.17 (noting that a markholder's failure to take action against infringers can cause the mark to lose distinctiveness) (citing *Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755 (C.C.P.A. 1982)).

mark on its ski wear products.”⁷⁶ The court found that “the plaintiff was aware of the defendants use of the Black Diamond mark on ski equipment . . . and that, had it exercised due diligence in policing its mark, the plaintiff would have readily discovered that the defendant was also selling ski wear in direct competition with the plaintiff’s ski wear.”⁷⁷ In other words, the trademark owner lost its exclusive right to its mark for ski wear due to inadequate policing.

Hashtags and social media pose challenges to trademark owners when it comes to effective policing. The social media marketplace is incredibly vast, making it unlikely that trademark owners would be able to monitor every third-party use of their marks. Further, much of the third-party use of marks, especially as hashtags, is deliberately sought after by marketers. Nonetheless, it is crucial that trademark owners prudently monitor these outlets and uses in order to exercise reasonable control over their exclusive rights in their marks.

Dilution

Another consequence of failing to properly enforce exclusive trademark rights is trademark dilution. The Lanham Act “provides the owner of a famous trademark with injunctive relief against another that engaged in commercial activities that tend to dilute the distinctive quality of the owner’s famous mark or tend to tarnish the owner’s image, even if there is no likelihood of confusion.”⁷⁸ The Lanham Act states that a court “may consider all relevant factors including the following:”

- i. The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- ii. The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- iii. The extent of actual recognition of the mark.

⁷⁶ *Black Diamond Sportswear, Inc. v. Black Diamond Equip.*, No. 06-3508, 2007 WL 2914452, at 4 (2d Cir. Oct. 5, 2007).

⁷⁷ *Id.*

⁷⁸ 15 U.S.C. § 1125(e) (2012).

iv. Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.⁷⁹

For famous marks, third-party hashtags need not serve as a diverting or confusing source identifier to amount to infringement. Owners of famous marks can assert their rights over third-party users on dilution grounds if they object to the use. Twitter and Instagram hashtag campaigns may be monitored and easily controlled by the famous mark owner in this way.

Generic.

Even if your mark is not famous, overuse by third parties could cause your mark to become generic. A generic mark is a term that was once a distinct trademark, but through extensive third-party use, has become synonymous with the goods or services it identifies and no longer serves to distinguish the trademark owner from other sources.⁸⁰ Consequently, the trademark owner loses its exclusive rights in the mark.⁸¹ “The critical issue in genericness cases is whether members of the relevant public primarily use or understand the term sought to be registered to refer to the category or class of goods or services in question.”⁸² The court applies a two-prong test to determine if a mark is or has become generic: “First, what is the category or class of goods or services at issue? Second, is the term sought to be registered understood by the relevant public primarily to refer to that category or class of goods or services?”⁸³

Genericness can be a double-edge sword for trademark owners. On one hand, trademark owners lose their exclusive rights in their mark. On the other hand, the particular trademark owner has likely become a very commonly known source for its goods or services. Extensive hashtagging of a particular mark may lead to mass awareness of the mark as a source identifier for the relevant goods or services. Occasionally, mass awareness causes a mark to become generic. If the trademark owner wishes to maintain its exclusive rights, keeping the

⁷⁹ 15 U.S.C. § 1125(c)(2) (2012).

⁸⁰ 6 MCCARTHY, *supra* note 68, § 17.8.

⁸¹ *Id.*

⁸² *In re Women’s Publ’g Co.*, 23 U.S.P.Q. 2d 1876, 1877 (T.T.A.B. 1992).

⁸³ *H. Marvin Ginn Corp. v. Int’l Ass’n of Fire Chiefs, Inc.*, 782 F.2d 987, 991 (Fed. Cir. 1986).

mark's integrity as a source identifier for its own goods or services, the owners should make reasonable efforts to police the mark and educate the public on the topic of the mark's intended meaning.

C. *Wanted Third-Party Use.*

The above consequences of third-party use of registered trademarks are reason for trepidation on the part of trademark owners in encouraging third-party hashtags of their marks. But paradoxically, those trademark owners stand to benefit greatly from the marketing upside generated by third-party hashtags of their marks. Adweek.com's Shea Bennet highlights this notion in the infographic entitled "The Power of the #hashtag."⁸⁴ Bennet describes the hashtag as an invaluable tool for "[i]nstantly linking a social media post to a group of others about the same topic and updating a group of likeminded users on that topic in real time."⁸⁵ Bennet's infographic goes on to list some additional advantages of the hashtag such as categorization for easy searching and the potential to use them anywhere within the content of a social media post.⁸⁶ All of the above functions of the hashtag are incidental to the audience participation that is so sought after by social media marketers.

The analytics and reporting firm Locowise ran a study on audience engagement rates resulting from hashtags on Twitter and Instagram and gathered the data.⁸⁷ On Twitter, 4.75% of tweets studied contained three or more hashtags; and Hashtags had no effect on audience engagement rates.⁸⁸ These results can teach trademark owners two lessons: (1) marketing efforts aimed at cultivating third-party hashtagging of their marks on Twitter may be fruitless; and (2) the value of maintaining exclusivity of their marks likely outweighs the benefits of encouraging third-party hashtags on Twitter. However, Locowise's Instagram study yielded a contrasting outcome: "Posts that used three hashtags yielded the highest engagement rate."⁸⁹ While the

⁸⁴ Shea Bennett, *The Power of the #Hashtag [Infographic]*, SOCIAL TIMES (Nov. 12, 2013, 3:00 PM), <http://www.adweek.com/socialtimes/hashtag-power/493090>.

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ David Cohen, *Do Hashtags Mean Engagement on Twitter, Instagram?*, SOCIAL TIMES (Nov. 16, 2015, 11:30 AM), <http://www.adweek.com/socialtimes/locowise-hashtags-engagement-twitter-instagram/629995>.

⁸⁸ *Id.*

⁸⁹ *Id.*

Instagram data shows more promise for hashtag campaigns, and marketers are well founded in running hashtag campaigns on social media outlets, trademark owners should consider a cost-versus-benefit analysis before launching such a campaign.

D. *Proposal.*

Some of the value in trademark ownership is the ability to engage in marketing efforts such as hashtag campaigns on social media outlets. So how does a trademark owner protect the exclusivity of the mark while promoting the brand through the very useful social media hashtag?

As mentioned, the trademark owner must diligently monitor third-party use of its mark and prudently maintain control of such use. Trademark owners may set up alerts to notify them of any Internet occurrence of their marks. Also, Twitter and Instagram provide account settings within which their users can clarify any brand affiliation to their marks and/or profile. In certain circumstances, a trademark owner may want to include a rights notification, such as a ®, in the publically visible portion of its user profile.

Additionally, the trademark owner should evaluate each social media campaign with a cost-benefit analysis. Of course, viral hashtagging of a brand's mark is beneficial to the brand from a marketing perspective. The key is to determine the likelihood and scope of the success of each campaign and weigh that against the risk of trademark infringement and its consequences.

Finally, trademark owners ought to address infringing third-party use of their marks with a formal notice and possibly infringement claims.