

## Brand Protection Alert

May 2021

# What's in a Name? And in This Case, a Social Media Handle?

The latest developments in a lawsuit at the intersection of fashion, intellectual property and social media include a Second Circuit decision giving *Say Yes to the Dress* wedding dress designer Hayley Paige Gutman a limited reprieve from a previously entered injunction blocking her from having control over multiple social media handles that include her name, and sending the case back to the lower court for further review. After a second review, the lower court give Gutman control over a TikTok account but prohibited her from holding herself out as a social media influencer, and required her to share (at least for now) the @misshayleypaige Instagram account with JLM Couture Inc., her former employer and opponent in the litigation.

Gutman signed an employment contract and trademark registration acknowledgment in late 2011 granting bridal company JLM “the exclusive world-wide right and license to use her name ‘Hayley,’ ‘Paige,’ ‘Hayley Paige Gutman,’ ‘Hayley Gutman,’ ‘Hayley Paige’ or any derivative thereof ([defined] collectively [as] the ‘Designer’s Name’).” In 2012, Gutman opened the Instagram account @misshayleypaige, where she posted content about her personal life and also posted JLM-related content.

Almost a decade after the initial agreement, the parties had a falling-out over Gutman’s use of the social media account to post content unrelated to her work with JLM and the wedding industry. The rift deepened to the point where Gutman unilaterally terminated the contract, and JLM sued her on a number of claims including breach of contract and trademark infringement. The district court found that an individual’s Instagram account can be a “derivative” of a name for trademark purposes and that an individual may lose control of an account if rights in the name are licensed or assigned—in this case as an exclusive license—to an employer. Gutman was enjoined



from using or authorizing others to use Hayley, Paige, Hayley Paige Gutman, Hayley Gutman or Hayley Paige or any derivations including misshayleypaige in trade or commerce, and engaging in, or being associated with, anyone in the design or manufacture of bridal ware, among other restrictions. She also lost control of and access to the @misshayleypaige Instagram account.

On appeal, the Second Circuit panel agreed with the district court on a number of issues. In a partial victory for Gutman, the court vacated and remanded the issue of control over the social media accounts, stating that the district court exceeded its discretion by granting exclusive control over the disputed social media accounts to JLM. Less than a month later, however, the district court modified and reinstated certain portions of the preliminary injunction, ruling that Gutman is prohibited from promoting herself as a social media influencer and must share the Instagram account with JLM, but requiring JLM to restore her control over a TikTok account.

Gutman has filed a petition for en banc review with the Second Circuit, arguing that the court of appeals decision “stripped away” her “entire identity.”

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## Key Takeaways

- Courts may strictly enforce a license agreement or assignment of an individual's name that is knowingly, intelligently and voluntarily made.
- A license or assignment that includes a license or assignment of "derivatives" can be interpreted broadly to include a wide range of intellectual property, which may include social media handles and accounts, although this issue has been sent back to the lower court for further clarification.
- The appellate court has indicated that ownership of social media handles is more akin to a property right than to a right based in contract.

## The District Court and Second Circuit Decisions

The 2011 employment contract and trademark registration acknowledgment granted to Gutman's employer, JLM, "the exclusive world-wide right and license to use [Gutman's] name ... or any derivative" in connection with bridal goods.

For about eight years, Gutman used the Instagram account @misshayleypaige to post content about her personal life as well as JLM-related content. In July 2020, Gutman began to post endorsements of third-party products, which were not approved by JLM and were not related to the wedding industry. JLM objected to Gutman's more personal, influencer-like posts. Gutman unilaterally terminated the contract, and JLM sued her for breach of contract, trademark infringement, conversion and trespass to chattels, among other causes of action.

JLM obtained a temporary restraining order in December 2020, followed by a permanent injunction in March 2021.

The district court found that JLM had shown a likelihood of success on its claims for breach of contract under the employment agreement, which included a noncompete agreement and the name-rights agreement, as well as on its trademark-infringement claim. The court concluded that consumer confusion was likely to result from Gutman's use of her name, including as the name of the Instagram account, since the use of an identical mark on an account where consumers had previously seen JLM's goods and also began to see promotion of third-party goods increased confusion as to affiliation. Based on that

conclusion, the court ordered Gutman not to compete with JLM through the end of the extended term of the parties' contract. The lower court made this determination without addressing JLM's trespass to chattels or conversion claims.

Gutman lost control and access to the @misshayleypaige Instagram account and was enjoined from making any changes to it, posting new content, and deleting or altering any content already posted. She was also prohibited from using Hayley, Paige, Hayley Paige Gutman or Hayley Paige, or any derivative thereof in trade or commerce and from directly or indirectly engaging in or being associated with any person who engages in the design or manufacture of bridal ware, among other restrictions.

On appeal to the Second Circuit, Gutman challenged the issuance of the permanent injunction, including on the basis that the district court erred in determining that she likely breached the noncompete and name-rights agreements, and that JLM's own breach of contract prohibits it from seeking injunctive relief. Gutman also asserted that the disputed social media accounts are rightfully hers and that the district court erred in assigning control to JLM. The court of appeals agreed with the lower court's ruling and affirmed the enforcement of the noncompete and name-rights agreements. The court found, however, that JLM had not proven that the social media accounts belonged to JLM and not Gutman. Particularly, with regard to the portion of the permanent injunction relating to the social media handles, the Second Circuit concluded that the "overbreadth of this part of the [permanent injunction] reflects the fact that the character of the district court's relief—a grant of perpetual, unrestricted, and exclusive control throughout the litigation—sounds in property, not in contract."

For this reason, the court found that the district court exceeded its discretion by assigning valuable assets to JLM without first determining whether the company owns them. The Second Circuit also questioned why the district court excluded Gutman from using the social media accounts without considering the merits of the trespass to chattels and conversion claims and stressed that while Gutman signed away several of her rights to JLM, she did not forfeit her right to keep property that is legally hers.

While the district court may eventually determine that some or all of the disputed accounts do not belong to Gutman, absent such determinations, the Second Circuit found that JLM may not assert exclusive dominion over accounts Gutman controlled at the time the suit commenced.

The court of appeals did not attempt to decide for the first time on appeal the correct framework for determining who owns the disputed social media accounts or even what result that framework would dictate. Rather, the court stated that, on remand, the district court could choose to answer the question of JLM's likelihood of success on the merits of its conversion and trespass claims and could grant or deny injunctive relief accordingly.

Shortly after the appellate court's decision, the lower court revisited and modified the provisions of the preliminary injunction. Particularly, the court granted Gutman access to the relevant social media accounts but enjoined her from "making any changes to any of the social media accounts ... that are inconsistent with Ms. Gutman's duties under her 2011 employment agreement with JLM," including but not limited to changing the name of the account handles, deleting or altering content, and communicating with third parties through the social media account for non-JLM purposes, among other restrictions, through the term of the contract, i.e., Aug. 1, 2022. The court also ordered the parties to meet and confer to develop mutually accessible login credentials for the Instagram and Pinterest accounts.

The lower court left the question of who owns the social media accounts unanswered, opting instead to provide both parties with joint ownership through the remainder of the contract term.

## Impact of the Courts' Rulings

The Second Circuit has not issued a ruling on the issue of trademark infringement and has sent back the key issue of ownership of the Instagram handle to the lower court, which again declined to make a determination on ownership. While we still do not have clarity on the issues, the appellate court ruling is a sign that lower courts will have to delve deeper into issues surrounding licenses of individuals' name, trademark rights and social media rights, and indicates that the larger issue of ownership of various social media handles may not rest in contract law, but rather is a property right.

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