

# NON-FUNGIBLE TOKENS AND TRADEMARK LAW: QUO VADIS HERMES, INFRINGEMENT, AND DILUTION?

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UNIVERSITY OF BOLOGNA

JEAN MONNET CENTRE OF EXCELLENCE

“CONSUMERS AND SMES IN THE DIGITAL SINGLE MARKET,”



# THE BASIS FOR NFTS: BLOCKCHAIN

What is a blockchain?

- Blockchain is a system of recording information where pieces of computer data (the “block”) are created stored in a sequential order (the “chain”)
- To illustrate this, think of LEGO blocks: Each block in the chain has its own characteristics (red, rectangle, 8 pegs) this represents the packets of data that make up the “blocks”. But due to the way the the blocks are build, each one has features that correspond to the block in front of and behind it. In the blockchain, each of the blocks is sequential and has a unique “address”. Once put on, a new block cannot be removed and new blocks can only be added to the top of your growing chain.



# WHAT ARE NTFS?

- NTF- “Non-Fungible Token”：“Non-fungible” - unique and can’t be replaced with something else.
- For example, Bitcoin and Ethereum (both crypto currencies) are fungible — Trade a bitcoin for another bitcoin and you’ll have a functionally identical copy of what you had before. Whereas, something that is “non-fungible” is more akin to a one-of-a-kind trading card. If you traded it for a different card, you do not have the same thing that you did before



# WHAT ARE NFTS?

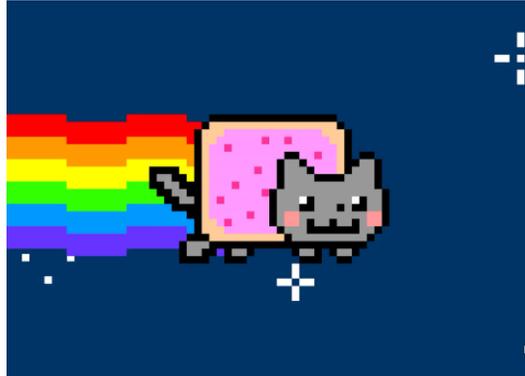
- NFTs—nonfungible tokens—are digital records based on blockchain technology and are uniquely identifiable.
- No one NFT is alike, which creates digital scarcity.
- NFTs can be sold as an asset which has allowed digital artists to monetize their work.



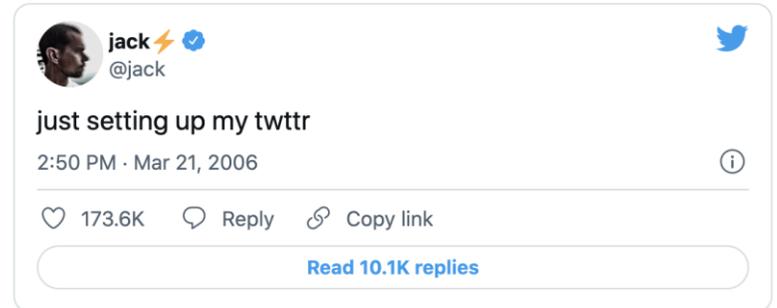
# WHAT ARE NTFS?



This “Bored Ape Yacht Club” NFT sold for \$2,328,524.



Nyan Cat’s creator sold an NFT of the GIF for \$690,000



Jack Dorsey, Founder of Twitter sold NFT of the first tweet for \$2.5 million

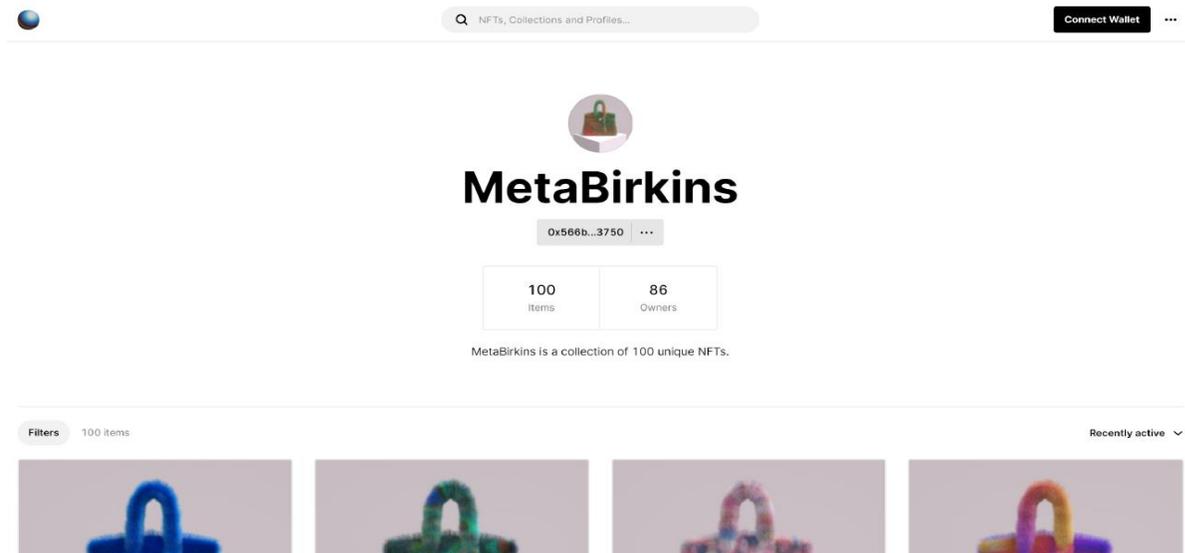
# MASON ROTHSCHILD'S METABIRKIN

- Hermes is most known for its exclusive and rare Birkin bag.



# MASON ROTHSCHILD'S METABIRKIN

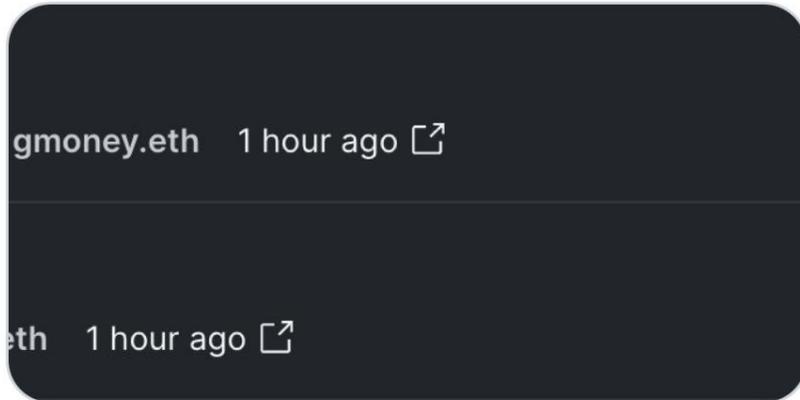
- A digital artist, Mason Rothschild, created knockoff Birkin bags in the metaverse by creating images of various bags, branding them as METABIRKINS, and issuing NFTs for the images.



# MASON ROTHSCHILD'S METABIRKIN

- Rothchild created just 100 images of the Birkin bag that have been sold for up to \$45,100.

 **MetaBirkins** @MetaBirkins · Mar 10  
MetaBirkins 17 and 31 just sold for 3.5 Ether each to @gmoneyNFT (≈\$18,00.00) on @LooksRareNFT!



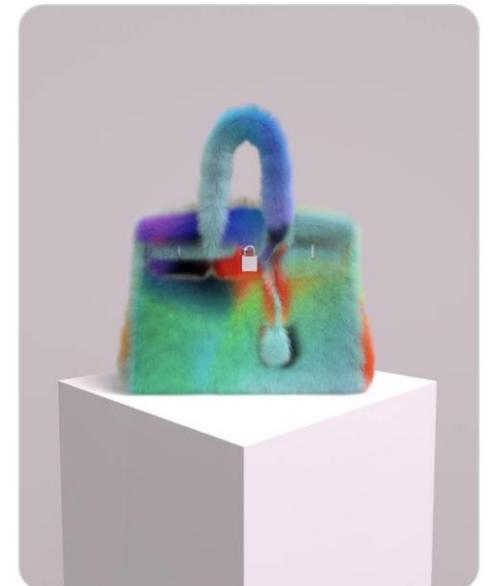
5 7 34

 **MetaBirk...** @MetaBirk... · Dec 4, 2021  
Just sold for 9.9 ETH (\$39,600.00) — moving closer to 150 ETH (\$600,000) volume traded in just 48 hours. #MetaBirkins



16 100 253

 **MetaBirkins** @MetaBirkins · Feb 12  
MetaBirkins 95 just sold for 3.5 Ether (≈\$10,500.00) on @LooksRareNFT!



4 17 96

# HERMES' CEASE AND DESIST LETTER

- Hermes sent a cease-and-desist letter to Rothschild on December 16, 2021.
- Rothschild responded to Hermes on Twitter and continued to sell the METABIRKINS across various avenues, leading to a lawsuit.

Dear Hermès,

So, I got your cease & desist letter. While I am sorry if you were insulted by my art, as an artist, I will not apologize for creating it.

Now, as you are aware, the First Amendment gives me every right to create art based on my interpretations of the world around me. There are countless examples of artists who reference the world and the products and cultural artifacts in it. With that understanding, MetaBirkins is a playful abstraction of an existing fashion-culture landmark. I re-interpreted the form, materiality and name of a known cultural touchpoint. MetaBirkins are also a commentary on fashion's history of animal cruelty, and its current embrace of fur-free initiatives and alternative textiles. My aim is always to create additive art projects that contribute positively to the culture.

When it comes to art, selling my MetaBirkins as NFTs is akin to selling them as physical art prints. It should not be my job to educate you on advancements in the world and the culture of art. Art is art.

There is a moving tide of innovation and evolution, and it is your role as a fashion powerhouse to amplify young creatives and artists rather than stomp them out. Your actions can help determine the future of art in the Metaverse.

You can be a part of an incredible movement.

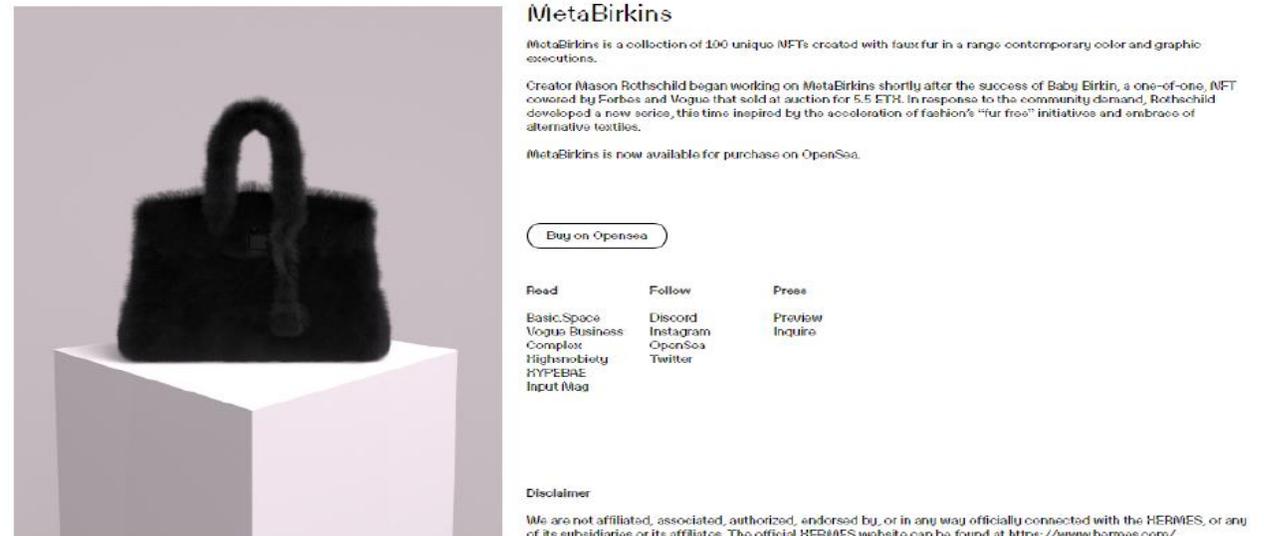
# HERMES' COMPLAINT

- Hermes filed a complaint against Rothschild in January 2022.
  - Hermes alleged that Rothchild seeks to swap out Hermes' "real life rights' for 'virtual rights'" by creating a similar illusion that Birkin bags have in real life as a "digital commodity."

2. Defendant has openly revealed his METABIRKINS business plan. He seeks to make his fortune by swapping out Hermès' "real life" rights for "virtual rights". As he has explained, Defendant is trying to "create the same kind of illusion that [the Birkin] has in real life as a digital commodity." The "digital commodities" upon which Defendant is building his business, NFTs, are unique and non-fungible (i.e., non-interchangeable) units of data stored on a blockchain just as

# HERMES' COMPLAINT

- Hermes alleged that the use of the METABIRKINS mark constitutes trademark infringement, trademark dilution, and cybersquatting.
- While Rothschild's website contains a disclaimer that the brand is not associated or affiliated with Hermes, Hermes claimed that the disclaimer actually unnecessarily links the website with Hermes, leading to more confusion among consumers.



# ROTHSCHILD RESPONDS TO COMPLAINT ON TWITTER

Dear Community,

So, Hermes filed a trademark lawsuit against me on Friday—although they didn't send me or my lawyers a copy. My lawyers and I have reviewed Hermes' complaint. Hermes' claims are groundless and we look forward to defeating those claims in court and helping to set a precedent.

I am not creating or selling fake Birkin bags. I've made art works that depict imaginary, fur-covered Birkin bags.

My lawyers at Lex Lumina PLLC put it well when they said that the First Amendment gives me the right to make and sell art that depicts Birkin bags, just as it gave Andy Warhol the right to make and sell art depicting Campbell's soup cans.

I have the right also to use the term "MetaBirkins" to describe truthfully what that art depicts, and to comment artistically on those bags and on the Birkin brand.

The fact that I sell the art using NFTs doesn't change the fact that it's art. It's quite clear from reading Hermes' complaint that they don't understand what an NFT is, or what NFTs do.

We have tried to be reasonable. Hermes first sent me a letter threatening a lawsuit if I didn't knuckle under and stop doing MetaBirkins altogether. We wrote to them and explained that we were doing nothing we didn't have a right to do. We told them that we believed that the dispute could be resolved through an informal conversation between me and an Hermes representative. Hermes chose instead to break off negotiations and sue me.

I hope Hermes understands that I won't be intimidated.

# ROTHSCHILD'S MOTION TO DISMISS

- Rothschild counter-argued that under the Second Circuit's holding in *Rogers v. Grimaldi*, the claim must be dismissed because he is exercising his First Amendment Rights by expressing his art.
  - In *Rogers*, the court held that to find infringement, the public interest in avoiding consumer confusion must outweigh the public interest in free expression.
  - Infringement will only be found if the use of the trademark has no artistic value or if there is artistic value but the use of the trademark explicitly misleads consumers.



# ROTHSCHILD'S MOTION TO DISMISS

- Rothschild also argued that the Lanham Act does not apply where there is confusion over the origin of “creative content” but not a physical good.



# NFTS, METaverse: QUO VADIS TRADEMARK LAW?

- Infringement standard: likelihood of confusion
- Dilution standard: likelihood of association
- Defense: freedom of expression



# NFTS, METaverse: QUO VADIS TRADEMARK LAW?

- Run to trademark registration in the metaverse (for digital goods/services)

## Staying Trendy: Popular Fashion Brands Are Jumping On The Metaverse Train With Trademark Filing

 Cindy Tan  
January 12, 2022

Fashion brands are filing for trademarks in the metaverse in a bid to

## BRANDS THAT HAVE FILED METaverse TRADEMARKS—AND WHAT IT ALL MEANS

Following Meta's and Nike's lead, several food, entertainment and retail companies have filed trademarks to sell virtual goods

By [Yadira Gonzalez](#), Published on April 11, 2022.



### Most Popular



See KFC's first campaign since its marketing overhaul



Snickers shuts down 'dick vein' rumors in response to viral tweet about candy bar



Ad spending is decreasing—and more cuts may be coming

# NFTS, METaverse: QUO VADIS TRADEMARK LAW?



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NEWS ARTICLE | 29 March 2022 | European Innovation Council and SMEs Executive Agency

## Intellectual Property in the Metaverse. Episode II: Trade Marks.

**What happens to the existing trade marks that only include goods and services focused on the real world? Will the same protection be applicable to the Metaverse?**

Actually, the products existing in the Metaverse, like clothing or objects, are just the virtual appearance of the real product. They are represented by means of an NFT which, as explained in the [previous episode](#), is an essential technology for the virtual assets to be purchased. Following the example mentioned above, if a popular brand commercialises shoes, which are registered under class 25 as footwear, and wants to expand its commerce to the Metaverse, could this protection be extended to an NFT of those shoes? In other words, is the protection given by class 25 to “normal” footwear also applicable to an NFT? If not, how could companies obtain protection for their products and prevent the infringement of their rights in the Metaverse?

Apparently, these virtual representations should be considered for classification purposes as computer software, capable of representing those products in a digital environment.

For this reason, big companies are filing new trade mark applications in an attempt to adapt their rights to this new digital environment. In order to secure their assets or to enforce their rights against very similar or identical representations of their products in the Metaverse, they cannot simply rely on their existing registered trade marks, if they do not own rights in classes covering computer software.

As a consequence, there has been an increasing trend to designate new classes including the mention of “virtual” for the goods and services at stake. Companies are resorting to classes 9, 35 and 41 - for goods and services respectively - to extend the protection to the Metaverse.

Therefore, it seems that generally speaking, the current trade mark law and the goods and services classification system are applicable to the Metaverse, as long as the goods and services are correctly classified as virtual products.

Indeed, it might be useful to adapt the trade mark legislation and to include specific references to the Metaverse in the law and in the classification system. In a near future, some companies will only have their commercial interests in the digital world and therefore they might seek protection for their goods/ services only there.

Besides that, right holders should check their trade mark portfolios to make sure that the goods and services designated in their trade mark applications are classified correctly, namely as virtual products.

# ARE NFTS JUST ANOTHER BUBBLE?

THE CONVERSATION

Academic rigour, journalistic flair

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# THANK YOU

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