Verdict Reached in MetaBirkin NFT Case

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A much-anticipated ruling was handed down this week concerning trademark infringement in the non-fungible token (NFT) market. Hermès International SA took digital artist Mason Rothschild to trial alleging trademark infringement of its popular Birkin brand in Rothschild's popular "MetaBirkin" NFT collection. In a victory for brands, the jury decided that the MetaBirkins did, in fact, infringe on Hermès's trademarks.

As a refresher, NFTs are unique digital identifiers that cannot be copied, substituted, or subdivided. NFTs are recorded in a type of digital ledger called a blockchain, and they can be sold and traded. While NFTs have varied uses and characteristics, they are popularly used as digital works of art and auctioned as collectibles. For more information on what NFTs are and why we should care about them, click here to listen to the latest episode of the Vorys IP Podcast.

In the present case, Rothschild minted a collection of NFTs titled MetaBirkins. The NFTs each featured a unique image of a Birkin bag (one of Hermès' most popular products) made of faux fur in a range of colors and graphics. Some MetaBirkins featured images on the faux fur, including the Mona Lisa and a Bob Ross painting. You can view the MetaBirkins on Rothschild's website: www.metabirkins.com

Hermès sued Rothschild in the U.S. District Court for the Southern District of New York, alleging unlawful use of its HERMÈS trademark, BIRKIN trademark, and BIRKIN trade dress. The brand argued that Rothschild's unauthorized use of its intellectual property would undoubtedly lead to consumer confusion. Recently, many fashion houses have been releasing officially licensed NFTs, including Louis Vuitton, Gucci, Givenchy, and Burberry. Hermès argued that consumers were therefore likely to believe that Rothschild's project was sanctioned by or otherwise associated with the Hermès brand.

Rothschild argued that the NFT collection was a work of art, and therefore, under the test established in *Rogers v. Grimaldi*, his use of the BIRKIN name was protected by the First Amendment and did not qualify as trademark infringement. The Rogers test dictates that artists

may use trademarks in the titles of works of art so long as (1) the title has some artistic relevance to the underlying work, and (2) the title is not explicitly misleading as to the source of the content of the work.

On February 8, 2023, a verdict was released by the Manhattan federal jury, finding Rothschild liable for trademark infringement and ordering him to pay Hermès $110,000 of revenue generated by the NFT sales as well as $23,000 for cybersquatting. The case was a first for trial verdicts concerning trademarks in NFTs, as previous cases have largely been settled out of court. Many brand owners and artists alike have been closely watching the outcome of the case for precedential guidance.

One question this case has seemingly answered is whether NFTs as goods are legally related to their real-world counterparts. Trademark infringement occurs when the same or a confusingly similar trademark is used in commerce in connection with the same or legally related goods or services, such that consumers may be confused as to the source of the goods. For example, consumers encountering a clothing store and a shoe store operating under the same name may mistakenly assume that the businesses are owned by the same company because the goods being sold are legally related. Things get a little murkier when dealing with "famous" brands like Hermès or Nike, for which the burden of proving the relatedness of goods is diminished with a trademark dilution claim. However, the question still stands for non-famous brands. Many brands are now filing trademark applications that anticipate the future use of or claim current use of NFTs.

When Rothschild minted his MetaBirkins, the BIRKIN registration only covered *leather or imitation leather goods, namely, handbags*. So, are digital handbags legally related to physical handbags? In other words, are consumers likely to associates the digital goods with the same source that produces the physical goods? According to this court, they are, at least insofar as the brand is famous. To avoid future doubt, Hermès filed a trademark application in August 2022 that claims a long list of digital virtual goods, including digital collectibles and NFTs. The application has yet to undergo examination by the USPTO.

While this case is a win for brand owners, many issues surrounding trademarks and the metaverse remain to be decided. Additionally, it is highly likely that the case will be appealed. We hope to see further clarification regarding the intellectual property implications arising from the continued minting and selling of NFTs from both the courts and the ongoing discussions at the USPTO and Copyright Office.

If you have questions about your brand's intellectual property rights, including as related to NFTs, contact a Vorys intellectual property attorney.