



Hermès' MetaBirkin NFT dispute and the future of metaverse IP

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The luxury brand's lawsuit over non-fungible tokens heralds important questions for brand owners and artists over their IP rights in the metaverse, Joseph Barber of Howard & Howard Attorneys explains.

In January luxury French fashion house Hermès sued a digital artist for copying its Birkin handbag through the issuance of MetaBirkin non-fungible tokens (NFTs).



For those not aware of the filing or related media attention, the artist, Mason Rothschild, created fuzzy images of the Hermès Birkin handbag and minted them as NFTs.

NFTs are digital records of data stored on a blockchain and uniquely identifiable. NFTs are associated with a larger digital file that is itself too large to store in a blockchain. The digital record can then be traded or sold as an asset identifying the NFT owner as the true owner of the original digital file.

Using NFTs has, in part, allowed digital artists to associate ownership in an original version of their art through the NFT that can be monetised, much like physical paintings or sculptures created by artists in the three-dimensional world.

The artist named in the lawsuit branded his images 'MetaBirkins' and is attempting to sell them on various internet sites using MetaBirkin as a brand name. Hermès is suing him for trademark infringement, trademark dilution and cybersquatting. The fashion house based its allegations of trademark infringement and dilution on the artist's use of MetaBirkin as a trademark to promote his NFTs and at his metabirkin.com website.

Success not guaranteed

A review of the complaint leads to the conclusion that the artist may expect a rebuke, but under established trademark law Hermès' success is not a given.

The lawsuit raises all sorts of questions for brand owners, artists, and almost any business owner relating to their IP rights when it comes emerging technology, whether it is the metaverse, NFTs, or other expressive media that have not yet been conceived.

Fundamentally, the images and related NFTs are expressive works and are given a large latitude to avoid rulings of trademark infringement under the Second Circuit's test in *Rogers v Grimaldi* (1989).

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Under this precedent, use of a trademark in the title of an artistic expression is trademark infringement only if the title has no artistic relevance to the underlying work or explicitly misleads consumers as to the source or content of the work. The underlying work itself is largely protected under the First Amendment as expressive art.

Even if *Rogers* does not apply, Hermès' trademarks are for leather goods, specifically, handbags. The NFTs being sold are decidedly not leather goods. Generally, trademarks apply only to the goods or services listed on the registrations and those that are reasonably related to the listed goods or services. Hermès will need to prove that its trademark for leather goods extends to expressive images based on the leather goods, which is what the MetaBirkin trademark is selling to consumers.

To succeed on a claim for trademark infringement, the alleged infringer's conduct must lead to a likelihood of consumer confusion. Whether Hermès can demonstrate that consumers will confuse Hermès and its handbags with digital images of altered handbags using MetaBirkin is an open question—and it will be interesting to see how the court resolves the issue.

First Amendment rights defence

According to Rothschild, he is exercising his First Amendment rights—just as Andy Warhol did when he created his Campbell's soup can images in the early 1960s.

But what does all this NFT discussion mean for a business owner?

First, if your business has an interest in joining the NFT marketplace, it would be wise to update any trademarks currently used to include NFTs as a good. This can be done by filing an intent-to-use application if you are not immediately ready to enter the digital realm.

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Second, be on the lookout for competitors and opportunists knocking off your design patents, goods and services, or causing consumer confusion.

Third, be careful when creating NFTs. Copyright and right of publicity rules apply to the use of third-party works. As noted in the Hermès lawsuit, trademark rules may apply depending on the circumstances. Design patents can also apply depending on the goods and circumstances.

Brave new world

Properly protecting your NFTs requires contracts with specific terms as to minting, royalty rights, and IP ownership. Ownership fights over who owns the NFT and/or the underlying work are only going to increase soon, as entertainment company Miramax's ongoing litigation against director Quentin Tarantino over "Pulp Fiction" NFTs demonstrates.



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NFTs allow brands the ability to directly connect with consumers using new technology. Consumers and brands can interact with each other in brand-specific environments through the decentralised metaverse. Artists and creators can monetise ownership of their digital creations.

This emerging technology is a powerful tool that if used properly can strengthen the ties between brands/artists and consumers, but the technology and the decentralised nature of NFTs have placed the extent and scope of existing IP rights in flux.

Before venturing into this new world, it is best to fully understand what you are stepping into, so you don't become lost in the void.

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