

Bird & Bird

Emerging trade mark issues: the Metaverse, NFTs and beyond

Nick Aries, Partner, Bird & Bird LLP

Topics

What we will cover

1. Defining our terms
2. Trade Mark protection
3. Jurisdiction and targeting
4. Remedies
5. Example dispute



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Defining our terms

What are NFTs?

- Non-fungible token
- Token created ("minted") on a blockchain
- NFT is identifiable via unique data included within it (hash values)
- Contains unique code (including smart contracts) and other metadata
- Digital certificate of authenticity
- New way for brands to engage with consumers
- New way for consumers to acquire unique digital assets
- New way to infringe trade marks

What are NFTs?

- Links to a physical or digital asset
 - Physical assets (e.g. luxury handbag)
 - ❖ NFT linked to physical items via offline contract
 - ❖ parties agree that proof of ownership and authenticity of physical item is a certificate embedded within the NFT
 - Digital assets (e.g. digital art or media clip)
 - ❖ NFT linked to a right to do something with a digital asset hosted off the chain
 - ❖ unique data in token includes unique URL, taking you to server hosting digital asset
- Examples
 - Digital images (cryptokitties), sports clips (NBA top shot), music downloads (Kings of Leon), digital art auctioned at Christie's

What is the Metaverse?

- The future of the internet?
- Digital world facilitated by virtual and/or augmented reality



Metaverse Fashion Week 2022

INSTAGRAM / https://www.instagram.com/republique_clothing/

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Trade Mark protection

Reminder: test for infringement

A person will infringe a registered trade mark if:

- (i) The use of an identical/similar sign is in the course of trade **in the relevant territory**.
- (ii) The use of the sign is in relation to goods and services (**which, for 10(1) or 10(2) TMA 1994, are identical or similar to the goods and services in the TM spec**).
- (iii) There is no consent from the trade mark proprietor to use the sign concerned.
- (iv) **The use of the sign affects, or is liable to affect, the functions of the trade mark.**

Reminder: Identical or similar goods/services?

- Identical goods?
- Identical services?
- Similar goods?
 - (1) the **uses** of the respective goods;
 - (2) the **users** of the respective goods;
 - (3) the **physical nature** of the goods;
 - (4) the **trade channels** through which the goods reach the market;
 - (5) the extent to which the respective goods are **in competition** with each other or **complementary**.

Filing strategy

- Class 9 (downloadable virtual goods), 35 (retail store services featuring virtual goods) and 41 (entertainment services, namely, providing on-line non-downloadable virtual goods)
- *"Downloadable virtual goods, namely, computer programs featuring avatars, clothing, pets, vehicles, weapons, tools, toys, and emotes for use in virtual environments created for entertainment purposes; Recorded virtual goods, namely, computer programs featuring avatars, clothing, pets, vehicles, weapons, tools, toys, and emotes for use in virtual environments created for entertainment purposes; Downloadable virtual goods, namely, computer programs featuring avatars, clothing, pets, vehicles, weapons, tools, toys, and emotes for use in online virtual worlds; Recorded virtual goods, namely, computer programs featuring avatars, clothing, pets, vehicles, weapons, tools, toys, and emotes for use in online virtual worlds; software for use in creating, manipulating and participating in 3D virtual environments; Downloadable virtual reality software for multi-user access to an online virtual environment; Recorded virtual reality software for multi-user access to an online virtual environment; Software for providing multi-user access to an online multimedia virtual environment; Computer software for use in creating, manipulating and participating in virtual environments; Computer software for providing multi-user access to an online virtual environment"*
- *"Virtual sunglasses; virtual jewellery; virtual handbags; virtual wallets; virtual luggage; virtual clothing, footwear and headgear; ...computer games software; computer games programmes; augmented reality software; augmented reality games software; virtual reality software; virtual reality games software; ... skins for use in virtual reality games..."*



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Jurisdiction and targeting

Targeting

- "Targeting" means taking deliberate aim at the consumers in another country
- The mere fact that a website or platform is available in a territory is not sufficient
- Criteria taken into account:
 - Use of language or currency
 - Reference to telephone numbers
 - Use of a country or region specific top-level domain name
 - Reference to clientele/testimonials from that territory
 - Delivery options/terms – including the relevant country in a list or a map
 - Outlay of expenditure to search engine's local business for that territory
 - International nature of the activity
 - Site traffic/transactions from IP addresses in different territories
- Includes circumstances beyond the website itself (Kitchin LJ in *Merck v MSD*)



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Remedies

Relevance of intermediaries

- For NFTs: creator/owner/platform – anonymity
- For metaverses: UGC – anonymity
- Notice and take-down
 - OpenSea froze \$2.2m worth of illicitly acquired Bored Ape NFTs
- If not possible, or repeatedly circumvented, then *Norwich Pharmacal*?
- In most heinous situations, site-blocking injunction? (*Cartier*)

How must remedies be adapted?

- Injunctions
- Delivery-up/destruction of NFTs/in-game items?
 - Crypto assets are property
 - Yes: UK Jurisdiction Taskforce, Nov 2019; *AA v Persons Unknown*
 - NFTs exist on the blockchain and cannot be destroyed.
 - "Burning" the NFTs is an alternative remedy.
 - Alternatively, for NFTs linked to digital content, break the link by removing digital asset from relevant URL?
Might not work in future iterations where hosted on P2P networks/IPFS
- Virtual TM offices, courts and law firms?

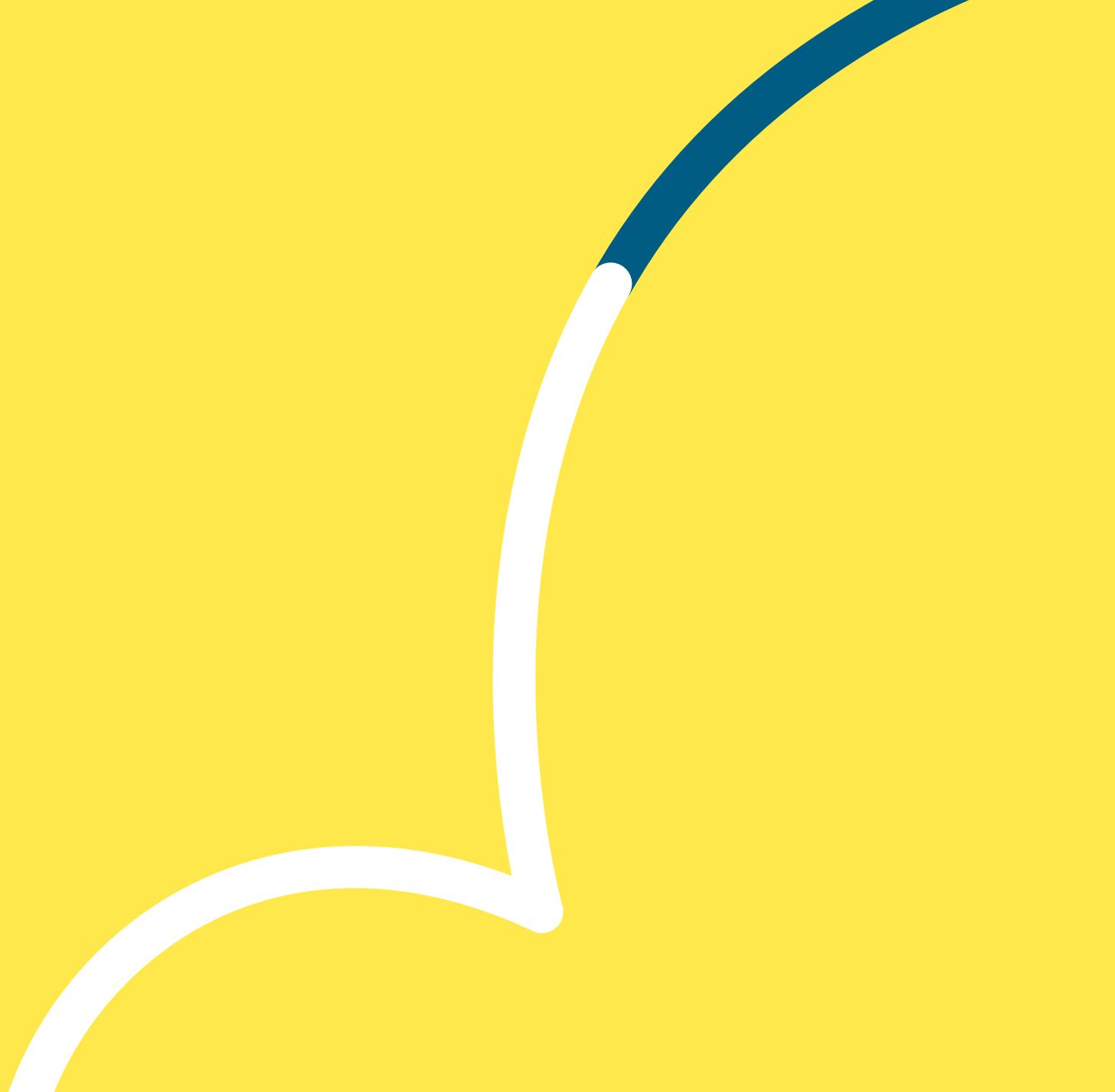
"... for the purpose of granting an interim injunction, cryptocurrency such as Bitcoin is a form of property capable of being the subject of a proprietary injunction".

AA v Persons Unknown, Re Bitcoin
[2019] EWHC 3556

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Examples



Hermès v Rothschild

- Luxury brand bringing legal proceedings for trade mark infringement in relation to the creation and sale of NFTs.
- Series of 100 NFTs of Hermès' BIRKIN bag, dubbed the *MetaBirkin*.
- Initially sold for \$700,000 on OpenSea.
- Hermès argue that Rothschild's NFTs are analogous to physical counterfeit goods, and Rothschild used the BIRKIN trade mark to inflate the value of the *MetaBirkins*.



Freedom of Expression?

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.

- Using trade mark in artistic content itself or in product name and/or marketing/promo activities relating to the sale of digital good?

- Article 10 of the European Convention of Human Rights
 - (1) *"Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers..."*
 - (2) *The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, **for the protection of the reputation or rights of others**, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary."*



Thank you

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● *Hamburg* ● *Helsinki* ● *Hong Kong* ● *London* ● *Luxembourg* ● *Lyon* ● *Madrid* ● *Milan* ● *Munich* ● *Paris* ● *Prague* ● *Rome* ● *San Francisco* ● *Shanghai*
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