Tucker Ellis LLP

Luxury Brand Hermès Wins in First NFT Trademark Decision: Artist's "MetaBirkins" NFTs Infringe and Dilute Hermès Trademarks

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On February 8, a jury ruled for the Paris fashion house Hermès, holding 28-year-old entrepreneur Mason Rothschild, whose legal name is Sonny Estival, liable for trademark infringement and trademark dilution in connection with his "MetaBirkins" collection of non-fungible tokens (NFTs). This verdict sheds some much-awaited light on the scope of trademark rights in the metaverse.

The MetaBirkins NFTs, created on the Ethereum blockchain, are linked to digital images of the iconic Hermès Birkin bag. Authentic Birkin bags are sold for upwards of $10,000 and in some instances over $100,000 in the reseller market. Rothschild rendered his digital versions of the Birkin bag in bright colors and with a faux-fur look. Hermès alleged that under the "smart contract" associated with the NFTs on various sales platforms, Rothschild earns fees on all sales and subsequent resales of the NFTs in the MetaBirkins collection. Hermès owns trademark registrations for both the BIRKIN word mark and the Birkin bag trade dress, which protects the look of the Birkin bag. After the launch of the collection, several publications erroneously reported that Hermès was behind the launch, and many consumers took to social media to ask questions or express confusion about the connection.

As a threshold question, the New York district judge ruled on whether the MetaBirkins collection could be considered a creative expression that would fall within the protection of the First Amendment under the *Rogers* test, which balances trademark rights with constitutional protections for free speech, or whether it is merely a commercial product for which the ordinary legal standard for trademark infringement and dilution would apply. Ruling on cross-motions for summary judgment, the court concluded that the *Rogers* test is implicated.

Under the *Rogers* test, an otherwise artistic work is not entitled to First Amendment protection if (1) the use of its trademark in an expressive work is not "artistically relevant" to the underlying work or (2) the trademark is used to "explicitly mislead" the public as to the source or content of the underlying work. Evidence supporting the view of the collection as an artistic work included Rothschild's statements in a media interview that the NFT collection is "an experiment to see if [he] could create that same kind of illusion that [the Birkin bag] has in real life as a digital commodity," and the furry look was an attempt to introduce "a little bit of

irony" into the efforts of some fashion companies to "go fur-free." *Hermès International et al. v. Rothschild*, Case No. 1:22-cv-00384-JSR, ECF No. 140, at 17. The judge also noted that there was evidence that could lead a reasonable juror to conclude that Rothschild's claim of an artistic endeavor is a fabrication, including his statements to investors that "he doesn't think people realize how much you can get away with in art by saying 'in the style of,'" and that he was "in the rare position to bully a multi-billion dollar corp[oration]." *Id*. The judge concluded that there was a genuine question of fact on both factors, sending the case to a jury trial.

The Manhattan jury found Rothschild liable for both trademark infringement and trademark dilution and that First Amendment protection did not bar liability, awarding Hermès $110,000 on the trademark claims and $23,000 on the cybersquatting claim arising from Rothchild's use of the domain name "metabirkins.com." Although Hermès alleged in its complaint that as of January 2022, the total volume of sales for the MetaBirkins collection surpassed $1.1 million, Hermès estimated at trial that Rothschild made a profit of $231,055.76. Notably, the judge excluded testimony from art expert Blake Gopnik, who compared Rothschild's works to Andy Warhol's "business art," ruling that art history isn't based on reliable data or a clear methodology.

Rothschild has indicated that he intends to appeal, while the Supreme Court's upcoming rulings in the *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith* and *Jack Daniel's Properties, Inc. v. VIP Products LLC* cases, as well as other ongoing NFT litigation battles, are likely to provide more clarity on how the First Amendment relates to intellectual property rights.

Takeaways:

- **Protect your brand with layers of IP**: For brand owners, obtaining protection for key trademarks and designs, including trade dress or design patents, is key. Enforcement of trademark rights in the metaverse is an evolving challenge, including the question of what can be done with NFTs that have already been created and sold and can be resold again.
- **Search thoroughly**: Before adopting new trademarks to be used in the metaverse, including NFTs, perform a thorough search including the good or service offered as an NFT and the underlying good and service itself. Also, check periphery services to be offered to ensure that branding and business goals are aligned.
- **Be original and then some**: For artists, be creative. Do not rely too heavily on others' works, and always exercise caution with well-known brands.
- **The benefit of fame:** For artists, know that famous trademarks enjoy additional protection under anti-dilution provisions of the Lanham Act.
- **Don't confuse copyrights and trademarks:** A brand owner has separate and distinct rights under trademark law, which protects source identifiers, and under copyright law,

which protects creative expression.

Additional Information

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