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# TRADEMARKS, NFTS, AND THE LAW OF THE METAVERSE

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## TRADEMARKS, NFTs, AND THE LAW OF THE METAVERSE

*Michael D. Murray, Associate Professor*



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# TRADEMARKS, NFTs, AND THE LAW OF THE METAVERSE

Michael D. Murray\*

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## I. NFTs and the Metaverse Economy

The metaverse is a concept for a cyberspace realm that will be built on the existing infrastructure of the internet using the emerging technologies of blockchains, cryptocurrency, and non-fungible tokens (NFTs).<sup>1</sup> In the metaverse, people and entities and various forms of algorithms and artificial intelligence will interact in extended reality, engage in education, business, games, sports, and entertainment, buy and sell “real world” and “in the metaverse” goods and services, and otherwise get into legal disputes just like IRL (“In Real Life”) persons and entities.<sup>2</sup> It is anticipated that the future metaverse could accommodate virtually every kind of legitimate or criminal human activity, and so legal problems could arise from the metaverse relating to a huge variety of activities.<sup>3</sup> Short of crimes that involve actual bodily harm, the list of legal concerns might be endless.

The crypto community of blockchains, cryptocurrency, and non-fungible tokens (NFTs) appears in all ways to be contributing to the development of the metaverse.<sup>4</sup> Right now, the metaverse is an omniverse economy where physical goods and digital items are traded in the same marketplaces, sometimes with a physical “real world” good having a digital twin in the metaverse, and both fiat and crypto currencies flow into and out of the commerce of these marketplaces.<sup>5</sup> Brands are becoming as active in the development of the metaverse economy as they are in the physical world.<sup>6</sup>

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<sup>1</sup> Janna Anderson & Lee Rainie, *The Metaverse Will Fully Emerge as Its Advocates Predict*, Pew Research Center - The Metaverse in 2040 (Jun. 30, 2022), <https://www.pewresearch.org/internet/2022/06/30/the-metaverse-will-fully-emerge-as-its-advocates-predict/> [https://perma.cc/X94L-ER7A] (the metaverse will be an evolutionary development from the current cyberspace and crypto community).

<sup>2</sup> Michael D. Murray, *Ready Lawyer One: Lawyering in the Metaverse*, 86(3) KBA BENCH & BAR 40, 40 (2022).

<sup>3</sup> *Id.*

<sup>4</sup> Anderson & Rainie, *supra* note 1.

<sup>5</sup> See Beth Kindig, *Nvidia on How the Metaverse Can Overtake the Current Economy*, FORBES (Feb. 18, 2022, 12:57 PM), <https://www.forbes.com/sites/bethkindig/2022/02/18/nvidia-on-how-the-metaverse-can-overtake-the-current-economy/> [https://perma.cc/Y6F4-9ZKE]; Boson Protocol, *Open Metaverse Commerce: Why Is the Metaverse Economy Different from the Real World?*, MEDIUM (Sep. 28, 2021), <https://medium.com/bosonprotocol/open-metaverse-commerce-why-is-the-metaverse-economy-different-from-the-real-world-88dde353bcf2> [https://perma.cc/JQ8P-BBMS].

<sup>6</sup> See Janet Balis, *How Brands Can Enter the Metaverse*, HARV. BUS. REV. (Jan. 3, 2022), <https://hbr.org/2022/01/how-brands-can-enter-the-metaverse> [https://perma.cc/546X-NM9W].

NFTs are currently used in the metaverse as collectibles, access keys, investments, deeds of ownership, voting and governance tokens for decentralized autonomous organizations (DAOs), and facilitators of services or experiences.<sup>7</sup> In these robust applications, NFTs have exposed gaps in the crypto community's knowledge of trademarks and other unfair competition laws regulating the commerce of the metaverse.

The law of the metaverse is not a futurist vision or an oxymoron. The subjects of this Article are very real and very much in the here and now. At present many NFT creators have moved at full speed to mint projects that launched them into controversies over the use of trademarks, service marks, and trade dress, and triggered exposure to liability under the related unfair competition concepts of false endorsement and false designation of origin. To sort out this situation, the crypto community will need to look to the law that governs the metaverse. While at certain times the cyberspace and proto-metaverse community appears to be lawless—the Wild West, a prelaw society<sup>8</sup>—these observations run aground on the legal system of the United States, which is ready, willing, and well-prepared to adjudicate civil and criminal actions arising from fraud, infringement, and other personal and intellectual property injuries.

This Article discusses the early encounters of NFTs, trademarks, and the legal system.<sup>9</sup> This work will examine the areas where NFT creators are getting into or are likely to get into trouble with the law and policy of trademark infringement, trademark dilution, and the related legal causes of action of false endorsement and false designation of origin. United States law is being applied in lawsuits that already are being adjudicated in the real world concerning subject matter that exists only in cyberspace, the pre-cursor to the metaverse.

## II. Basic Background on Trademark Law

Property in a legal context encompasses the right to possess, control, and exclude others from using and controlling a certain thing or item.<sup>10</sup> This right often is expressed as a complete monopoly for the owner of the property to control the use and exploitation of the item.<sup>11</sup> When the item examined is a non-tangible thing that is the product of some kind of intellectual activity, then the law defining and protecting ownership rights is referred to as intellectual property law.<sup>12</sup> Intellectual property law covers several non-tangible concepts and rights such as a trademark, copyright, patent, right of publicity, moral rights, economic rights, or trade secrets, that have

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<sup>7</sup> Georgia Weston, *NFTs and Their Role in the "Metaverse,"* 101 BLOCKCHAINS (Dec. 24, 2021), <https://101blockchains.com/nfts-and-metaverse> [https://perma.cc/5VMS-P327].

<sup>8</sup> E.g., Laurie Clarke, *Can We Create a Moral Metaverse?*, THE GUARDIAN (May 14, 2022, 10:00 AM), <https://www.theguardian.com/technology/2022/may/14/can-we-create-a-moral-metaverse> [https://perma.cc/7MH4-FSTC].

<sup>9</sup> In addition to trademark law, NFTs and their use in the metaverse have raised significant issues in copyright law. See Michael D. Murray, *NFT Ownership and Copyrights*, 56 IND. L. REV. (forthcoming, 2022); Michael D. Murray, *Transfers and Licensing of Copyrights to NFT Purchasers*, 6 STAN. J. BLOCKCHAIN L. & POL'Y (forthcoming, 2022); Michael D. Murray, *Generative and AI Authored Artworks and Copyright Law*, 45 HASTINGS COMM'N. & ENT L. J. (forthcoming, 2022).

<sup>10</sup> See, e.g., *Byrd v. United States*, 138 S. Ct. 1518, 1527 (2018).

<sup>11</sup> E.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

<sup>12</sup> See *Hepp v. Facebook*, 14 F.4th 204, 215 (3d Cir. 2021).

been conceived, developed, or invented by an individual or organization, and that are recognized by the law as having value.<sup>13</sup>

Crypto- and blockchain-minded people sometimes limit the discussion of intellectual property to copyrights,<sup>14</sup> while technological and scientific natives might limit the discussion of IP to patent law.<sup>15</sup> But NFTs also implicate trademark law, and these rights and protections must be distinguished from copyrights, patents, right of publicity, moral rights, economic rights, and trade secrets.<sup>16</sup>

### a. The Public Policy Behind Trademarks

Trademarks exist to prevent consumer confusion about the origin and quality of the goods and services in commerce.<sup>17</sup> The rationale for the existence and protection of trademark law is not specifically tied to the protection of an intellectual creation, as in copyright or patent law, but rather it is specifically tied to the protection of consumers from confusion when purchasing and consuming goods and services in commerce.<sup>18</sup> The federal government's trademark power is not directly supported by the United States Constitution's Intellectual Property Clause, U.S. Const. art. I, § 8, cl. 8<sup>19</sup> (supporting copyright and patent law), but rather by the more general powers of the Commerce Clause, U.S. Const. art. I, § 8, cl. 3,<sup>20</sup> to regulate interstate commerce. Because trademarks are an intangible form of property and have been interpreted and enforced like an intellectual property right, trademarks are traditionally listed and discussed among the other intellectual property rights.<sup>21</sup>

The form of trademarks is a mark (a logo, a word or a set of words, or a small picture or image), or a certain style, shape, or appearance of a product or its packaging (trade dress), that is used as a signifier of the source of the product or services in a marketplace.<sup>22</sup> There is no such thing as a mark that has nothing to do with producing, advertising, or selling goods or providing services in a marketplace.

<sup>13</sup> See, e.g., *Bilski v. Kappos*, 561 U.S. 593, 598-612 (2010); *Hepp*, 14 F.4th at 215 (defining IP as including trademark, copyright, patent, trade-secret rights, publicity rights, moral rights, and rights against unfair competition).

<sup>14</sup> The discussion of "intellectual property" rights associated with NFTs sometimes is limited to copyrights. E.g., *What IP Rights Are Present in NFTs?*, HARRIS BRICKEN (Mar. 15, 2022), <https://harrisbricken.com/blog/what-ip-rights-are-present-in-nfts/#page=1> [<https://perma.cc/37MZ-ESEW>].

<sup>15</sup> E.g., Richard Jefferson, *The Intellectual Property System is an Impenetrable Maze*, SCIENTIFIC AMERICAN (Nov. 15, 2013), <https://www.scientificamerican.com/article/the-intellectual-property-system-impenetrable-maze/> (limiting the discussion of "IP" to patents); *Inventiv.org: Supporting Inventors World-wide*, INVENTIV.ORG, <https://www.inventiv.org/> [<https://perma.cc/NCB4-QEZ5>] (last visited Jan. 3, 2023) (same).

<sup>16</sup> Sharon Urias, *Trademark and copyright considerations for NFTs*, Reuters (May 2, 2022, 10:15 am), <https://www.reuters.com/legal/legalindustry/trademark-copyright-considerations-nfts-2022-05-02/>; *Hepp*, 14 F.4th at 215.

<sup>17</sup> See *Int'l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 161 (2d Cir. 2016).

<sup>18</sup> *Radiance Found., Inc. v. NAACP*, 786 F.3d 316, 321 (4th Cir. 2015).

<sup>19</sup> U.S. CONST. art. I, § 8, cl. 8 reads: "[The Congress shall have Power] To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries[.]"

<sup>20</sup> U.S. CONST. art. I, § 8, cl. 3 reads: "[The Congress shall have Power] To regulate Commerce with foreign Nations, and among the several States[.]"

<sup>21</sup> *Hepp*, 14 F.4th at 215.

<sup>22</sup> See *United States Pat. & Trademark Off. v. Booking.com B. V.*, 140 S. Ct. 2298, 2302 (2020).

Commerce is key to the concept of trademarks, and one cannot receive protection for a mark unless steps are taken to show the mark's continuing or imminent use in commerce.<sup>23</sup> In contrast to other intellectual property rights, commerce is the key to understanding trademarks.

Use in commerce also is a factor in whether a person's accidental or intentional use of a mark infringes that mark. In theory, it should not be actionable if the use of a mark is completely non-commercial and does not threaten confusion (or blurring, or tarnishment) of the mark in the commerce of the marketplace.<sup>24</sup> But as with other words used in the law, "use in commerce" is a term of art—it does not always mean what the average lay person thinks it means. A commercial use only means a use where the person could receive some benefit or advantage from the use,<sup>25</sup> including recognition of artistic skills or creative abilities observable in the use. A large or obvious profit motive is not required. Thus, meme creators, jokesters, visual commentators, and NFT creators may find that their uses of trademarks are actionable even when they were just having fun with it.

## **b. Obtaining a Protectable Mark**

The steps to obtaining a protectable trademark or service mark are: (1) Adopt a mark (the logo, picture, words, etc.), (2) use it consistently in commerce, (3) on goods or their packaging, or in the advertising and displays at the point of purchase of the goods or services.<sup>26</sup> Trademark protects words, text, letters, symbols, slogans, designs, shapes, or packaging as long as they are "distinctive," which in the law means they must have the ability to distinguish one's own goods and services from goods and services of other sources.<sup>27</sup> Distinctive identifiers that are arbitrary (*e.g.*, Camel cigarettes) or fanciful (*e.g.*, Kodak film) are the best sort to reveal goods of a certain quality coming from a specific manufacturer.<sup>28</sup> Words or terms can be held to be less distinctive or even non-distinctive. Less distinctive terms may be suggestive (*e.g.*, Turtle Wax) or descriptive (*e.g.*, Baby Oil) of the type of product or its qualities, and non-distinctive terms are called generic (*e.g.*, elevator or escalator).<sup>29</sup> Less distinctive descriptive terms may grow into strong trademarks if the public comes to accept and associate the terms as a mark of specific goods from a specific producer, a process called gaining "secondary meaning."<sup>30</sup>

If a potential mark owner only seeks protection in the explicit stores and marketplaces where the owner places the marked goods, the owner can receive common law protection by showing the three steps outlined above in conjunction with the specific stores and locations in which it is operating.<sup>31</sup> To get statewide protection, the potential mark owner needs to show the same three steps, and step 2 requires a showing that the potential mark owner is actively engaging in

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<sup>23</sup> Underwood v. Bank of Am. Corp., 996 F.3d 1038, 1053–54 (10<sup>th</sup> Cir. 2021).

<sup>24</sup> Romag Fasteners, Inc. v. Fossil, Inc., 140 S. Ct. 1492, 1494 (2020); KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 117-21 (2004).

<sup>25</sup> See Rearden LLC v. Rearden Com., Inc., 683 F.3d 1190, 1206–07 (9<sup>th</sup> Cir. 2012).

<sup>26</sup> Lanham Act 43(a), 15 U.S.C. § 1125(a); See also Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992).

<sup>27</sup> *Id.* at 768-69.

<sup>28</sup> United States Pat. & Trademark Off. v. Booking.com B. V., 140 S. Ct. 2298, 2301-02 (2020).

<sup>29</sup> See *id.* at 2302-03.

<sup>30</sup> *Id.*; *Two-Pesos*, 505 U.S. at 771.

<sup>31</sup> See *Tana v. Dantanna's*, 611 F.3d 767, 780-82 (11<sup>th</sup> Cir. 2010).



commerce using the mark in that state.<sup>32</sup> To get federal or nationwide protection, in step 2 the potential owner must show active engagement in commerce by using the mark in more than one state of the United States—thus implicating the interstate commerce interests of the federal government.<sup>33</sup>

### c. The Protections and Relief Provided by Trademark Law

The trademark law of the United States, which largely traces its source to the Lanham Act of 1946, 15 U.S.C. §§ 1051 et seq., provides the mark owner with relief against others who attempt to use confusingly similar marks in commerce. “Use,” as noted above, is a relatively broad term to mean any use of a name, image, logo, etc., that might give the user some benefit or advantage in the marketplace, or might confuse, or tarnish, or blur the existing mark in some way. Allegedly competing marks draw attention when they are similar in name, sound, appearance, or translation from a foreign language, especially if they are used on similar kinds of goods or goods with similar channels of commerce.<sup>34</sup> The mark of infringement is where one mark is found to be confusingly similar to an earlier mark or where the newer mark tarnishes, blurs, or dilutes the power of the earlier mark. When the mark is used intentionally and neither accidentally nor innocently (*e.g.*, “I didn’t know and had no reason to know this was a mark”), then infringement has occurred. No defense to trademark infringement or dilution includes the sentiment “I knew it was someone’s trademark, but I was only kidding around.”

Section 43(a) of the Lanham Act<sup>35</sup> provides protections against false designations of origin, false or misleading representations regarding goods in commerce, and claims relating to false endorsement,<sup>36</sup> which is a claim that the user perpetuated a false impression that there is a direct association (sponsorship or endorsement) or a false secondary association (one is connected with the other) of a certain person or a certain senior mark (words or images) with some unrelated, non-endorsed products. For example, the false endorsement provisions would apply if the use of a mark falsely suggested that a famous crypto whale supports or endorses an NFT drop or falsely asserting that a famous “In Real Life” brand sponsors an NFT project.

Section 43(c) of the Lanham Act<sup>37</sup> provides protection to famous marks from dilution, which is defined in the law as the use of a mark or trade name that is likely to blur or tarnish the distinctive power of a famous mark to identify goods. Although the Lanham Act defines the claims using vivid terms, namely dilution, blurring, tarnishment, in practice the law allows the owner of famous marks to move against anyone who threatens the power of the mark to continue to distinguish goods in the market, and those three terms are defined broadly. Anyone who uses a mark in an attempt to parody or criticize a trademark is inviting a claim that the critical treatment of the famous mark will hurt the mark by tarnishing it or making it less distinctive by blurring it or confusing its meaning in the marketplace. Though there is a fair-use doctrine for trademarks,<sup>38</sup>

<sup>32</sup> *E.g.*, *Advance Stores Co. v. Refinishing Specialties, Inc.*, 188 F.3d 408, 411-13 (6th Cir. 1999)

<sup>33</sup> Lanham Act 43(a), 15 U.S.C. § 1125(a); *See also* *Tana*, 611 F.3d at 780-82.

<sup>34</sup> U.S. Pat. & Trademark Off., TRADEMARK MANUAL OF EXAMINING PROCEDURE 1207.01(b) (2022).

<sup>35</sup> 15 U.S.C. § 1125(a).

<sup>36</sup> All three of these theories, false description of origin, false representation, and false endorsement, come from the Lanham Act § 43(a), 15 U.S.C. § 1125(a).

<sup>37</sup> 15 U.S.C. § 1125(c).

<sup>38</sup> *Hensley Mfg. v. ProPride, Inc.*, 579 F.3d 603, 611–12 (6th Cir. 2009).

it is carefully defined in relation to consumer confusion rather than in line with the general principles of copyright fair-use that seek to encourage new expression, with new content, meaning, and message as public goods under the First Amendment. In trademark, a mark that is squeaky clean untarnished, unblurred, and powerfully distinctive is the public good the law seeks to protect—not more speech, more criticism of marks, or more humor regarding famous brands and their marks.

### III. NFTs Under the Law of Trademarks

NFTs that are linked to expressive content—words, images, video, animations, and the like—are capable of infringing on or diluting an existing trademark by displaying or otherwise incorporating the mark into the expression linked to the NFT. The following examples illustrate the problems with trademarks and NFT projects that can lead to trademark litigation.

#### a. *Yuga Labs v. Ryder Ripps*

Sometimes an NFT creator’s inclusion and display of famous marks is obvious, and Yuga Labs/Bored Ape Yacht Club’s trademark lawsuit against Ryder Ripps<sup>39</sup> is just such a case. Ryder Ripps is a persistent critic and protester against Bored Ape Yacht Club (BAYC), the popular profile-picture, generative art NFT brand.<sup>40</sup> Ripps has taken the unusual posture of attempting to “criticize” and “protest against” Yuga Labs, the creator of the Bored Ape Yacht Club franchise, by copying every aspect of the Bored Ape brand—its logos, tradenames, trade dress, and even the artwork down to the actual registered number of each ape—and proceeding to sell his own Bored Apes in the same form (NFTs) as the original Bored Apes, but this time under Ryder Ripps’ own identifier, RR/BAYC:

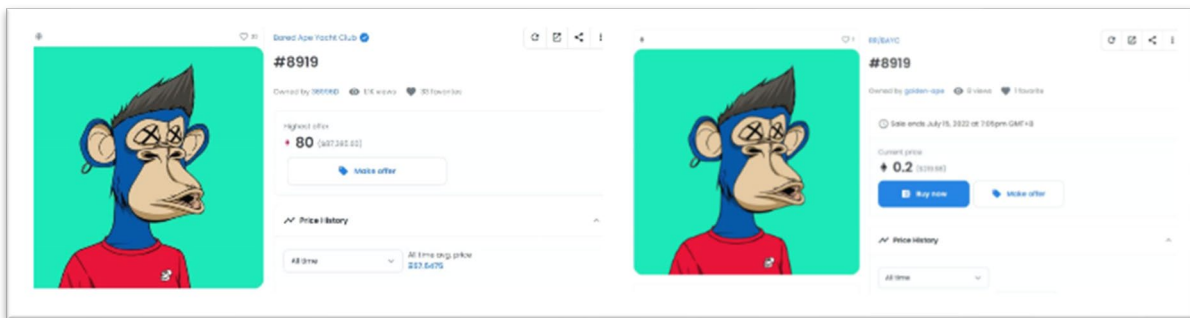


Fig. 1: Bored Ape Yacht Club #8919 listing on Open Sea

Figure 1<sup>41</sup> shows the original Yuga Labs’ Bored Ape Yacht Club #8919 listing on OpenSea (at left) shown side-by-side with Ryder Ripps’ RR/BAYC #8919 listing on OpenSea (at right).

<sup>39</sup> Yuga Labs, Inc. v. Ripps, 2:2022cv04355, 2022 WL 2482268 (C.D. Cal. 2022) (asserting federal trademark claims of false designation of origin, false advertising, and cybersquatting; common law trademark and unfair competition claims; and California claims of unfair competition, false advertising, unjust enrichment, conversion, and intentional and negligent interference with prospective economic advantage).

<sup>40</sup> See BAYC, <https://boredapeyachtclub.com/> [<https://perma.cc/DA86-YGRM>].

<sup>41</sup> Cropped and revised thumbnail-sized image of the OpenSea listing for Bored Ape Yacht Club #8919 and the OpenSea listing for RR/BAYC #8919, in Elliot Wong, *Ryder Ripps’ Bored Apes Raise Existential Questions for NFTs*, BLOCKHEAD (June 22, 2022, 9:44 AM), <https://blockhead.co/2022/06/22/ryder-ripps-bored-apes-raise-a-legal-challenge-to-the-biggest-name-in-nfts/> [<https://perma.cc/3R8E-URNU>].

Although Ripps changes nothing about the content, meaning, and expression of the properties he copies, and does nothing in the listing of his works to change, distort, comment on or criticize the BAYC brand and its logos and marks (the names Bored Ape Yacht Club, Bored Apes, Ape; the mark BAYC, the “BA YC ape skull” logo, and more), Ripps claims that because he has wholesale copied the trademarks and trade dress of the BAYC apes but listed them in a new NFT listing for a different NFT, that he has “recontextualized” the works. And somehow Ripps believes that the act of relisting the apes criticizes or comments on Yuga Labs. Outside of the actual NFT listings, Ripps has cast aspersions on Yuga Labs and its founders for their alleged use of words and imagery in the Bored Apes project that has been associated with WWII-era German Nazis, Neo-Nazis, and alt-right/4chan groups.<sup>42</sup>

Ripps quite obviously has copied the creative expression owned by Yuga Labs in order to offer his own NFTs for minting and sale. An analysis of his arguments under copyright law would include with an evaluation of Ripps’ claims of fair use because he calls himself an appropriationist artist and because he calls his works a satire or parody, and “recontextualizes” the works by copying them and selling them under a new NFT listing. But Yuga Labs has denied the legal community of a conversation about these claims because none of Yuga Labs’s claims were brought under copyright law. One plausible explanation for the absence of copyright claims is that Yuga Labs has not registered all of the affected works for copyright<sup>43</sup> and, so cannot yet bring a copyright infringement lawsuit for all of the affected works because prior registration, not just an application for registration, would be required under 17 U.S.C. § 411.<sup>44</sup>

Under trademark’s fair use doctrine, speech concerns often take a back seat to preventing consumer confusion and dilution of famous marks.<sup>45</sup> The two established trademark fair uses are the Nominative Fair Use and the Classic Fair Use. A “nominative” use means a use of a trademark to identify a product or service of the trademark owner in circumstances that will not cause consumer confusion. An example is a newspaper using a musical group’s trademarked name in a polling survey to measure the group’s popularity; the use of the mark was only to identify what group was being researched.<sup>46</sup> A “classic” fair use employs descriptive words for an item (or rather, its class) that happen to look or sound like an actual trademark name, but this use is fair because the owner of the mark that is implicated used descriptive words relating to the class of its product in its own mark.<sup>47</sup> An example of a classic fair use case is the Sunmark trademark “SweeTarts” for candy that tastes sweet and tart; “sweet” and “tart” are descriptive terms that could refer to many products of the class of sweet and tart foods and beverages.

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<sup>42</sup> Dorian Batycka, *Artist Ryder Ripps Called the Bored Ape Yacht Club NFTs Racist. Now, Yuga Labs Is Suing Him for Trademark Infringement and Harassment*, ARTNET NEWS (June 29, 2022), <https://news.artnet.com/art-world/yuga-labs-v-ryder-ripps-bayc-2137737> [https://perma.cc/55DM-LAGA].

<sup>43</sup> According to the information on the Library of Congress’s public registry database, there are only nine registrations under the name of Yuga Labs and seven registrations under the name of “Bored Ape Yacht Club” or “Bored Ape.” See <https://cocatalog.loc.gov/cgi-bin/Pwebrecon.cgi?DB=local&PAGE=First> (Title or Keyword: Yuga Labs, Bored Ape, Bored Ape Yacht Club) (search performed July 5, 2022).

<sup>44</sup> See *Fourth Est. Pub. Benefit Corp. v. Wall-Street.com*, 139 S. Ct. 881 (2019).

<sup>45</sup> See generally *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989); *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1099 (9th Cir. 2008).

<sup>46</sup> *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 307–08 (9th Cir. 1992).

<sup>47</sup> See 15 U.S.C. § 1115(b)(4); Gideon Parchomovsky & Alex Stein, *Intellectual Property Defenses*, 113 COLUM. L. REV. 1483, 1505–06 (2013).

Because of this, Ocean Spray could later describe its cranberry juice in advertising as “sweet-tart” without infringing the SweeTarts brand because its juice is a member of this same class of products.<sup>48</sup> But Ocean Spray could not, however, come out with a line of candy and call it by the product name “Sweet-Tart” to compete one-on-one with the existing candy product “SweeTart.”<sup>49</sup>

From time to time, trademark cases do accept a parody or comment and criticism defense to infringement or dilution, but the examples of failed parodies exceed the examples of successful parodies,<sup>50</sup> and this accounts only for lawsuits that go the duration to an actual judicial decision. The majority of attempted fair uses are quashed by cease and desist letters or early settlement of lawsuits.<sup>51</sup> When the cases go the duration, the courts are willing to find actual or potential consumer confusion about the source or sponsorship of goods or services in some fairly outrageous situations. A parody t-shirt featuring artwork captioned “Mutant of Omaha” and displaying a mutant wearing a Native American headdress failed the fair use test and was held to infringe Mutual of Omaha’s trademark and Native American logo.<sup>52</sup> The producers of the adult film, “Debbie Does Dallas,” were held to have created impermissible confusion over the source of the film when the main star of the film wore the trademarked uniform of the Dallas Cowboy Cheerleaders.<sup>53</sup> And the promoters of a “candyland.com” porn site were held to have generated consumer confusion about the source or sponsorship of the site when one remembers the 1950’s children’s game, “Candy Land” by Hasbro.<sup>54</sup> It risks too much consumer confusion and trademark dilution through tarnishment to let someone make an obvious use of the mark just to spoof or criticize it, to drag it into undesirable territory, or just to have a bit of fun.

Yuga Labs’ lawsuit does not arise from an attempt by Ripps to comment on or criticize the Bored Ape logos or marks. Ripps did not attempt to alter the logos or marks or trade dress of Yuga Labs to parody or criticize this brand.<sup>55</sup> Ripps has taken Yuga Lab’s own product, copied it, and sold it using Yuga Labs’ own trademarks and trade dress, and he drew on all of the good will that goes with this successful NFT brand. By copying as many of Yuga Labs’ Bored Ape marks and logos as he possibly could and selling the same product, NFT profile pictures, and even the same pictures, in the same exact marketplaces (e.g., OpenSea), Ripps is intentionally

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<sup>48</sup> Sunmark, Inc. v. Ocean Spray Cranberries, Inc., 64 F.3d 1055, 1058-59 (7th Cir. 1995).

<sup>49</sup> *Id.* at 1059-60.

<sup>50</sup> See examples discussed in LEONARD D. DUBOFF & MICHAEL D. MURRAY, ART LAW 219-21 (2d ed. 2017); 1 LEONARD D. DUBOFF, MICHAEL D. MURRAY, ET AL., ART LAW DESKBOOK: ARTISTS’ RIGHTS IN INTELLECTUAL PROPERTY, MORAL RIGHTS, AND FREEDOM OF EXPRESSION 2-64–2-73 (3d ed. 2016); Leslie J. Lott, *Trademark Parody*, LOTT & FISCHER (Nov. 28, 2018), <https://www.lottfischer.com/blog/trademark-parody/> [https://perma.cc/V8HV-FSK4].

<sup>51</sup> See Abe Cohn, *Trademark Cease and Desist Letters—The Complete Guide*, COHN LEGAL, PLLC (2020), <https://www.cohnlg.com/trademark-cease-and-desist-letters/> [https://perma.cc/44FX-Y8VK]; Nikki Siesel, *Settlement Options for Trademark Disputes*, NY-TRADEMARK-LAWYER.COM, <https://www.ny-trademark-lawyer.com/settlement-options-for-trademark-disputes.html> [https://perma.cc/VTR9-DDGW] (last visited Jan. 6, 2023).

<sup>52</sup> *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 399–400 (8th Cir. 1987).

<sup>53</sup> *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979).

<sup>54</sup> *Hasbro, Inc. v. Internet Ent. Group, Ltd.*, No. C96-130WD, 1996 WL 84853, at \*1 (W.D. Wash. Feb. 9, 1996).

<sup>55</sup> *Compare Kraft Foods Holdings, Inc. v. Helm*, 205 F. Supp. 2d 942, 948 (N.D. Ill. 2002) (failed parody of Kraft Foods and Philip Morris products), *with Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007) (successful parody of Louis Vuitton handbags).

creating about as much consumer confusion as he can. Ripps even jokes that he can hardly believe it when consumers have not seen or heard enough to connect his works to the Bored Ape Yacht Club franchise: “I am glad to say SOME people will never know what RR/BAYC stands for no matter how hard we try.”<sup>56</sup>

Ryder Ripps and co-defendant Jeremy Cahen have fought back in the suit by filing a motion to strike Yuga Lab’s complaint based on California’s Anti-SLAPP law.<sup>57</sup> The applicability of the Anti-SLAPP statute to federal question claims filed in federal court is unclear, although the Ninth Circuit has allowed the application of the California Anti-SLAPP statute in claims brought in federal court under diversity jurisdiction, which would most likely apply to claims brought under supplemental jurisdiction. It is not clear whether the District Court for the Central District of California would allow this motion to strike to apply to the entire complaint filed by Yuga Labs. This lawsuit still is in its early stages and awaits future resolution.

### b. *Nike v. StockX*

Nike, surely one of the most famous brands in existence, is challenging a similarly obvious use of its mark, sneaker designs, and trade dress, in a trademark action against StockX<sup>58</sup> for StockX’s creation and display of images featuring Nike branded sneakers in the course of advertising and selling StockX Vault NFTs. See Figure 2 below:<sup>59</sup>

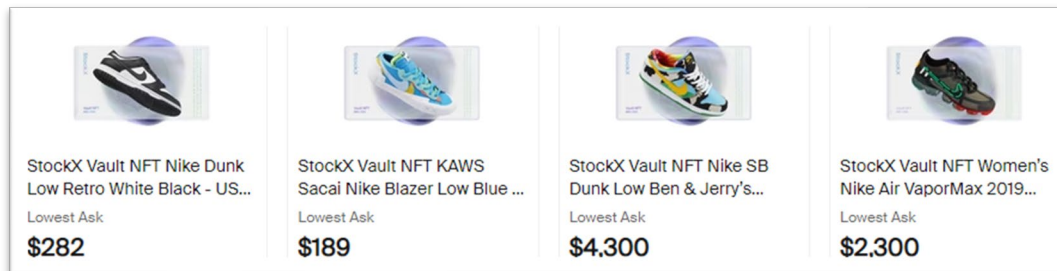


Fig. 2: NFT listings on StockX.com of Nike sneaker

Nike’s theory is fairly simple: StockX is selling NFTs and making money on the NFTs using Nike’s brand, Nike’s designs, Nike’s trade dress, and especially Nike’s multi-billion-dollar swoosh logo.<sup>60</sup> The NFT is not the same as the sneakers—that fact is quite apparent from anyone who has tried to lace up an NFT. But all puns aside, NFTs are separate from the items that are

<sup>56</sup> See Ryder Ripps (@RR\_BAYC), TWITTER (May 28, 2022, 1:53 PM), [https://twitter.com/RR\\_BAYC/status/1530608272906063876](https://twitter.com/RR_BAYC/status/1530608272906063876) (suspended account).

<sup>57</sup> Def.’s Motion Strike Complaint, Yuga Labs, Inc. v. Ripps, No. 2:22-cv-04355-JFW-JEM (C.D. Cal. Aug. 15, 2022), <https://ryder-ripps.com/legal/2022-08-15-Anti-SLAPP-Motion-to-Strike.pdf> (Anti-SLAPP Motion to Strike Complaint, or in the Alternative, Motion to Dismiss).

<sup>58</sup> Compl. at ¶4-7, Nike, Inc. v. StockX LLC, No. 22-cv-983 (S.D.N.Y. Feb. 3, 2022).

<sup>59</sup> Cropped and revised thumbnail-sized images of StockX Nike sneaker NFT listings, in STOCKX (2022), <https://stockx.com>.

<sup>60</sup> See Katie Dupere, *Here’s How Much the Nike Logo Is Actually Worth After It Was Purchased for \$35 Nearly 50 Years Ago*, FOOTWEAR NEWS (Jan. 20, 2022, 11:20AM EST), <https://footwearnews.com/feature/how-much-is-nike-logo-worth-1203226247/> [https://perma.cc/65SC-3KZF].



“tokenized” by the NFT (i.e., linked to the NFT by the process of minting the NFT).<sup>61</sup> An NFT records the existence and ownership of an asset that could be a pair of sneakers.<sup>62</sup> The NFT and the record it creates is separately sold and independently valuable in terms of the bragging rights and clout that goes along with NFT ownership.<sup>63</sup> Whether or not the NFT purchaser ever lays eyes or hands on the actual physical sneakers after purchasing the NFT for \$4,300, that NFT purchaser can tweet or chat that they are the blockchain registered owner of a StockX Vault NFT Nike Dunk Low Ben & Jerry’s Chunky Dunky pair of sneakers.<sup>64</sup> The NFT has value beyond the actual physical pair of sneakers because one can buy the actual sneakers—*minus* the NFT—on StockX’s own site for \$1,550.<sup>65</sup>

What should be clear from the above discussion is that, with the Vault NFTs, StockX is not selling or reselling actual sneakers in the usual purchase and sale sense—something it certainly could do under trademark law’s “first sale” doctrine<sup>66</sup> and something it does in other areas of its marketplace site.<sup>67</sup> With the Vault NFTs, StockX is attempting to sell a blockchain encryption device that registers the NFT purchaser as “the registered owner” of an actual physical pair of sneakers held in a vault.<sup>68</sup> The purchaser will not get possession of the sneakers unless the purchaser gives up the NFT (StockX calls this “redeeming” the NFT).<sup>69</sup> Upon redemption of the NFT, the purchaser won’t have the NFT anymore, which presumably means the NFT will be “burnt”—sent to an inaccessible blockchain address—and the NFT purchaser will no longer have that blockchain-registered status as the registered owner of the sneakers, or at least it will no

<sup>61</sup> Mitchell Clark, *NFTs, Explained*, THE VERGE (updated June 6, 2022, 5:30 AM MST), <https://www.theverge.com/22310188/nft-explainer-what-is-blockchain-crypto-art-faq> [https://perma.cc/YPD9-SFQH].

<sup>62</sup> See Michael D. Murray, *NFTs and the Art World – What’s Real and What’s Not*, 29 UCLA ENT. L. REV. 25, 28 (2022).

<sup>63</sup> See Scott Galloway, *Scarcity Cred*, NO MERCY / NO MALICE (Apr. 9, 2021), <https://www.profgalloway.com/scarcity-cred/>. My Kentucky colleague, Brian Frye, has opined on this topic in several articles and papers: Brian L. Frye, *After Copyright: Pwning NFTs in a Clout Economy*, 45 COLUM. J. L. & ARTS 341 (2022); Brian L. Frye, *How to Sell NFTs Without Really Trying*, 13 HARV. J. SPORTS & ENT. L. 113 (2022); Brian L. Frye, *Pwnership in the NFT Art Market*, Talk Given at Vik Kanwar’s Colloquium on Art Law at Boston College Law School (Mar. 18, 2022) (transcript available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4060481](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4060481)).

<sup>64</sup> Listing for “StockX Vault NFT Nike SB Dunk Low Ben & Jerry’s Chunky Dunky, STOCKX,” <https://stockx.com/chunky-dunky-vault-nft> (last visited Jul. 6, 2022). \$4,300 was the buy-it-now price for the NFT on the day I viewed the listing.

<sup>65</sup> Listing for “Nike SB Dunk Low: Ben & Jerry’s Chunky Dunky,” STOCKX, <https://stockx.com/nike-sb-dunk-low-ben-jerrys-chunky-dunky> (last visited Jul. 6, 2022). \$1,550 was the buy it now price for the physical pair of chunky dunky sneakers on the day I viewed the listing.

<sup>66</sup> The trademark first sale doctrine holds that “resale by the first purchaser of the original article under the producer’s trademark is generally neither trademark infringement nor unfair competition” unless the reseller’s behavior or sales practices with the article itself creates a risk of consumer confusion or dilution of the original mark. *Compare* Bluetooth SIG Inc. v. FCA US LLC, 30 F.4th 870, 871 (9th Cir. 2022) (First Sale Doctrine protected incorporation of authorized trademarked item into new item), *with* Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc., 603 F.3d 1133, 1135–36 (9th Cir. 2010) (resale not protected by First Sale Doctrine because of post-purchase confusion from reseller’s practices). If the reseller’s marketing, or repackaging, or quality control with the handling of a product degrades the product or the mark it is associated with, this behavior will not be excused under the first sale doctrine. *See* Trader Joe’s Co. v. Hallatt, 835 F.3d 960, 970–71 (9th Cir. 2016).

<sup>67</sup> See *Sneakers*, STOCKX, <https://stockx.com/sneakers>.

<sup>68</sup> See *NFTs*, STOCKX, <https://stockx.com/lp/nfts/>.

<sup>69</sup> *Id.*

longer matter because the registration information will be inaccessible. But upon “redemption,” the purchaser might have a legally enforceable promise (*i.e.*, a contract) that StockX will send it the actual pair of sneakers depicted in the listing for the Vault NFT.<sup>70</sup> In this respect, StockX’s Vault NFT is like an extremely costly claim check for a pair of sneakers that the crypto community is willing to honor as a deed of ownership and certificate of authenticity for an actual pair of sneakers.<sup>71</sup>

StockX most likely will rely on the argument that it actually is reselling Nike-branded sneakers under the trademark first sale doctrine and relying on the trademark nominative fair use defense for its listing references to Nike—verbal and visual—regarding the items it is reselling. In this argument, the NFT is a mere appendage to the sneakers, amounting to no more than a tag on the sneakers that serves only as a certificate of authenticity and a deed of ownership of the sneakers themselves. Nike is expected to argue that the NFT is the actual thing being purchased, and it is the valuable item in an ownership and “pwnership” sense.<sup>72</sup> The NFT obviously is separate in value as indicated by the pricing of the sneakers alone vs. the pricing of the Vault NFT, and the NFT is a different item because one cannot possess both the NFT and the sneakers. As with the example in subsection A above, this lawsuit still is pending.

### c. *Hermès Int’l v. Rothschild*

Sometimes the use of a mark or product design and trade dress is more subtle or at least indirect, as in Mason Rothschild’s use of the famous Hermès marks and trade dress for Birkin handbags.<sup>73</sup> Rothschild’s use was to create NFTs linked to images of handbags marketed with a similar sounding name, “MetaBirkin,” and similar appearance (if furrier) to the famous Hermès handbags, Figures 3<sup>74</sup> and 4<sup>75</sup> respectively.



Fig. 3: MetaBirkins Bags

<sup>70</sup> Remember the Carbollic smoke ball case—a unilateral offer that anyone receiving it could perform and claim the benefits is an enforceable contract. See *Carlill v. Carbollic Smoke Ball Co.* [1893] 1 QB 256.

<sup>71</sup> Evelyse Carvalho Ribas, *NFTs – Digital Certificate, License of Use, Ownership*, ARTLAW.CLUB (Oct. 18, 2021), <https://artlaw.club/en/artlaw/nfts-digital-certificate-license-of-use-ownership-1> [https://perma.cc/WU4F-J7QH]. The record of ownership can be used to establish provenance of the NFT and its linked item at least from the date of creation of the NFT. See *How do NFTs Work*, ETHEREUM (Jan. 5, 2023), <https://ethereum.org/en/nft/#how-nfts-work> [https://perma.cc/E8JG-TFQT]; Murray, *supra* note 62, at 40-41.

<sup>72</sup> See generally Murray, *supra* note 62.

<sup>73</sup> *Hermès Int’l v. Rothschild*, No. 22-cv-00384 (S.D.N.Y.).

<sup>74</sup> Cropped and revised thumbnail-sized images of Mason Rothschild’s NFT MetaBirkins listings, *in* LOOKSRARE.ORG (2022).

<sup>75</sup> Cropped and revised thumbnail-sized images of Hermès Birkins bags listings, *in* GOOGLE SHOPPING (2022).

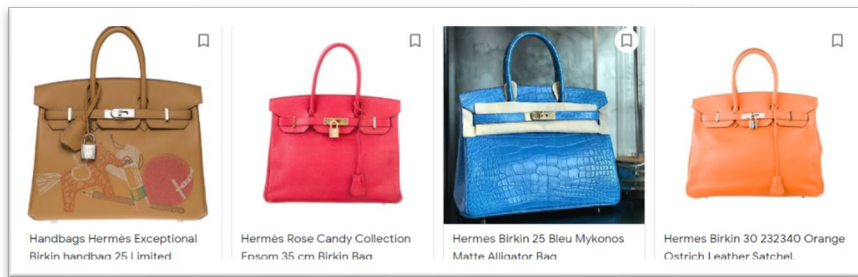


Fig. 4: Hermès Birkins Bags

The “furry” appearance is intentional, as the NFTs are supposed to be criticizing Birkin bags, and one of Rothschild’s beefs with Hermès is its use of real animal skins and pelts in the making of leather bags.<sup>76</sup> Rothschild also claims a full fair use defense to all charges under the First Amendment because his renderings of the MetaBirkins bags are artistic and are not actual handbags or even images of actual handbags.<sup>77</sup>

The artistic fair use defense in trademark law has a similarly mixed history as the parody and comment and criticism fair use defense discussed in sub-section A above. Artistic uses of marks still can cause consumer confusion,<sup>78</sup> but when a mark is used in the context of artistic expression and the mark is relevant to the meaning of the expression of the work *and* does not cause a significant risk of consumer confusion as to the source or sponsorship of the artistic work, then the use can be considered fair and not infringing.<sup>79</sup> The United States Courts of Appeals for the Second Circuit, Third Circuit, Fifth Circuit, Sixth Circuit, and Ninth Circuit have applied the test in *Rogers v. Grimaldi*,<sup>80</sup> which states:

[T]he [Trademark] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. . . . [T]hat balance will normally not support application of the Act unless [the use of the mark] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the [use] explicitly misleads as to the source or the content of the work.<sup>81</sup>

The trial court in *Hermès v. Rothschild* has indicated that it will apply the *Rogers* test in determining both whether Rothschild’s expressive use of the marks and trade dress of the Birkins bags line is relevant to his criticism of the Hermès products and whether Rothschild’s overall project runs the risk of consumer confusion over the source or sponsorship of his NFTs.<sup>82</sup> The trial court has already denied Mr. Rothschild a quick dismissal of the suit because it found that the *Rogers* test does not make it obvious that Hermès cannot state a claim of trademark

<sup>76</sup> Tora Northman, *The Metabirkin vs. Hermès Saga Continues*, HIGHSNOBIETY (Feb. 10, 2022), <https://www.highsnobiety.com/p/hermes-metabirkin-nft/> [https://perma.cc/2CJZ-6GXC].

<sup>77</sup> See *id.* Fair use defenses will be discussed *infra* part IV.

<sup>78</sup> *Chrysler Corp. v. Newfield Publ’ns, Inc.*, 880 F. Supp. 504, 512 (E.D. Mich. 1995).

<sup>79</sup> *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1099 (9th Cir. 2008); *Mattel, Inc. v. MCA Recs., Inc.*, 296 F.3d 894, 902 (9th Cir.2002); *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 809 (9th Cir. 2003).

<sup>80</sup> *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989).

<sup>81</sup> *Id.* See also *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ’g Grp., Inc.*, 886 F.2d 490, 495 (2d Cir. 1989) (*Rogers* test applies to artistic expression generally, not just to the titles of expressive works).

<sup>82</sup> *Hermès Int’l v. Rothschild*, No. 22-CV-384 (JSR), 2022 WL 1564597, at \*4-6 (S.D.N.Y. May 18, 2022).



infringement against Rothschild.<sup>83</sup> In other words, Rothschild’s use of the marks and trade dress in creating and marketing his NFTs might arguably be relevant to his critical portrayal of Hermès’ bags; but this argument does not arise from the four corners of Hermès’ complaint and, thus, does not support a conclusive finding in favor of either party on this prong of the test at the motion to dismiss stage.<sup>84</sup> On the second prong, the court allowed that Rothschild’s use of the Birkin marks and trade dress still runs the risk of consumer confusion.<sup>85</sup> The confusion poses additional concerns in the context of the omniverse economy in which “in real life” products and their metaverse twins are sold in the same marketplaces.

In spite of the traditional “Goliath vs. David” look and feel of this lawsuit, which is entirely common with trademark lawsuits involving established brands, Hermès really has a lot to lose with this lawsuit. First, no one is likely to miss the connection of Birkins and MetaBirkins. Those who miss the wording clues might still see the connection with the arched loop hand straps of a certain size and length on a rectangular handbag of a certain size and shape and think “Birkins” with both bags. Many brands evolve their wares to target different audiences and demographics, so it is hardly inconceivable that Hermès would expand the Birkins line to include faux fur offerings.

Mark owners are obligated by trademark law to act vigorously to stamp out infringers, even those at the level of Rothschild.<sup>86</sup> If they don’t, the marketplace will become filled with Jirkin bags, and Mirkin bags, and quasi-Birkins, and near-Birkins, and Birkin-lookalikes, and suddenly the Hermès and Birkin names would not stand for anything in the marketplace—and certainly not for the distinctive, high-quality, high-priced items that they currently stand for. At that point their mark would be dead.

But the biggest risk is that MetaBirkins by name (Meta-) and design (NFT) is intended to be a product of the metaverse, and Hermès has not publicized moves to inhabit the growing metaverse fashion scene.<sup>87</sup> Forecasters believe that high fashion items represented by NFTs will be a key component of commerce in the metaverse.<sup>88</sup> NFTs are intimately associated with true “ownership” of digital and virtual items in the metaverse, and some metaverse denizens are sure

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<sup>83</sup> *Id.* at \*6.

<sup>84</sup> *Id.* at \*5.

<sup>85</sup> *Id.* at \*5-6.

<sup>86</sup> The trademark concepts are called “laches” or “acquiescence” and serve as defenses to infringement actions. *See* 15 U.S.C. § 1115; *Eat Right Foods Ltd. v. Whole Foods Mkt., Inc.*, 880 F.3d 1109, 1115, 1121 (9th Cir. 2018).

<sup>87</sup> Privé Porter, a retailer and reseller of Hermès Birkin bags and other luxury brands, has made NFTs to serve as deeds of ownership and certificates of authenticity for the bags, *see* Sharon Edelson, *Privé Porter to Mint NFTs at Upcoming Decentraland Metaverse Fashion Week*, FORBES (Mar. 22, 2022, 9:00 EDT), <https://www.forbes.com/sites/sharonedelson/2022/03/22/priv-porter-to-mint-nfts-at-upcoming-decentraland-metaverse-fashion-week/?sh=77390a1e7f8c> [https://perma.cc/UD63-DPHV]. Thus, Privé Porter’s business model with Hermès’ bags appears to be identical to that used by StockX with its Vault NFTs of Nike sneakers that drew a lawsuit from the brand owner, Nike as discussed above.

<sup>88</sup> *E.g.*, Shiraz Jagati, *How the Metaverse can revolutionize the fashion industry*, COINTELEGRAPH (Jul. 7, 2022), <https://cointelegraph.com/news/how-the-metaverse-can-revolutionize-the-fashion-industry> [https://perma.cc/MCT5-HNJ5]; Janet Balis, *How Brands Can Enter the Metaverse*, HARV. BUS. REV. (Jan. 03, 2022), <https://hbr.org/2022/01/how-brands-can-enter-the-metaverse>.

to want attractive and fashion-forward accessories for their metaverse avatars to carry around.<sup>89</sup> If Hermès were to sit on its rights and let Rothschild carry out his MetaBirkins NFT project, then when Hermès decides to move into the metaverse space to sell genuine Birkin handbag NFTs, it is arguable that Mason Rothschild would have a viable claim that Hermès was infringing on *his* metaverse brand.

#### d. *Miramax v. Tarantino*



In 2021, two high-profile names in the movie and entertainment business—film producer Miramax LLC and Quentin Tarantino,<sup>90</sup> the director of some of Miramax’s most famous movies—clashed in a dispute over the right to create and publicize NFTs that tokenized scenes from Tarantino’s personal handwritten drafts of his screenplay of the 1994 film, *Pulp Fiction*.<sup>91</sup> Miramax filed a lawsuit that raised both trademark and copyright claims.<sup>92</sup> The copyright issues revolved around the interpretation of the assignment of the rights to the movie and screenplay from Tarantino to Miramax when the movie was produced, and the rights regarding the screenplay reserved by Tarantino, and whether Tarantino’s production of the NFTs exceeded Tarantino’s reserved rights to further publish the screenplay in audio and electronic formats.<sup>93</sup> The suit also was to consider whether Tarantino’s scans of his handwritten drafts that led to the screenplay actually are an act of copying of the final screenplay of the movie—the copyrighted work itself.<sup>94</sup> Miramax’s trademark claims pertained to Tarantino’s use of the mark “Pulp Fiction.”<sup>95</sup> Tarantino made several references to *Pulp Fiction* in the marketing of his NFTs.<sup>96</sup> Nevertheless, this paragraph is written in the past tense because Miramax and Tarantino appear (as of September 8, 2022) to have settled this lawsuit.<sup>97</sup>

<sup>89</sup> A virtual bee-embroidered Gucci Dionysus bag made headlines after it recently commanded a resale price of 350,000 Robux – or roughly \$4,115, so that the purchaser could walk around with the handbag in the proto-metaverse world of Roblox. See Dylan Kelly, *A Virtual Gucci Bag Sold For More Money on Roblox Than The Actual Bag*, HYPEBEAST, (May 26, 2021), <https://hypebeast.com/2021/5/virtual-gucci-bag-roblox-resale> [https://perma.cc/3Y68-9HYS]. The virtual bag cost more than the \$3,400 retail price of the “In Real Life” bag sold by the Kering-owned fashion brand. *Id.* Note, too, that this virtual bag was not linked to an NFT and it will not be usable outside the Roblox virtual world. *Id.*

<sup>90</sup> Image at left: Cropped and modified thumbnail-sized image of Tarantino NFT home page, in TARANTINO NFT COLLECTION (2023), <https://tarantinonfts.com/>.

<sup>91</sup> *Miramax, LLC v. Tarantino*, No. 2:21-cv-08979-FMO-JC, 2021 WL 5359414 (C.D. Cal. Nov. 16, 2021).

<sup>92</sup> See Complaint at ¶ 21, *Miramax, LLC v. Tarantino*, 2:21-cv-08979-FMO-JC, 2021 WL 5359414 (C.D. Cal. Nov. 16, 2021), <https://www.thetmca.com/files/2021/12/miramax-v.-tarantino.pdf>.

<sup>93</sup> See Michael D. Murray, *NFT Ownership and Copyrights* 14, 15-16 (July 2, 2022), <https://ssrn.com/abstract=4152468>.

<sup>94</sup> See *id.*; Emily Behzadi, *The Fiction of NFTs and Copyright Infringement*, 170 U. PENN. L. REV. ONLINE, <https://www.pennlawreview.com/2022/04/12/the-fiction-of-nfts-and-copyright-infringement/> [https://perma.cc/2526-R42H].

<sup>95</sup> Murray, *supra* note 93.

<sup>96</sup> *Id.* at ¶¶ 61-72.

<sup>97</sup> See Jack Queen, *Tarantino, Miramax Settle Copyright Suit over 'Pulp Fiction' NFTs*, REUTERS (Sep. 9, 2022, 11:19 AM MST), <https://www.reuters.com/legal/tarantino-miramax-settle-copyright-suit-over-pulp-fiction-nfts-2022-09-09/> [https://perma.cc/RD92-Y3EK].

If the suit had gone forward, the trademark claims would largely have been secondary to the copyright claims, but the copyright claims are not dispositive of the trademark claims. Even if Miramax turned out to be correct that Tarantino cannot sell NFTs linked to Tarantino’s handwritten pages from the draft of what became the script for *Pulp Fiction* under copyright law, Tarantino’s attempt to market and promote this effort would appear to have had a good chance of success under the nominative fair use defense: the NFTs are linked to scans of a handwritten draft of a motion picture screenplay; the screenplay led to the motion picture *Pulp Fiction*. Tarantino most likely can say “*Pulp Fiction*” to identify the title of the draft screenplay was that was scanned to make the NFTs.<sup>98</sup> Miramax, however, would be expected to argue that use of the valuable mark, *Pulp Fiction*, draws attention to Tarantino’s whole NFT enterprise, that the name of the film is used in a marketing and advertising sense for a product (NFTs) in commerce, and that Tarantino competes against Miramax for future business when and if Miramax decides to sell actual scenes—video clips—of portions of *Pulp Fiction* the movie as NFTs in the future, something that Miramax has suggested it would be interested in doing.<sup>99</sup> But for now, these remain hypothetical “might have been” issues because the suit appears to be settled.

#### IV. Conclusion

A brand means business—or commerce, to be exact. NFTs are also used in business and commerce. It is of little matter that the commerce of NFTs has loftier ambitions to open up opportunities in the present omniverse of cyberspace or future metaverse-only marketplaces. When NFTs are created and sold by United States citizens or are used to infringe on or injure the rights of United States citizens in projects that were offered for sale or participation in by United States citizens, then the courts of the United States will exercise jurisdiction over these parties and their activities.

NFTs do not warp the rules of trademark and unfair competition laws, but they do provide a whole new platform in which to use and potentially infringe on or dilute existing marks. Although occasionally and famously linked to artwork, particularly digital artwork,<sup>100</sup> NFTs are

<sup>98</sup> See, e.g., *Applied Underwriters, Inc. v. Lichtenegger*, 913 F.3d 884, 893 (9th Cir. 2019) (identifying the subject of a communication by its trademark name is a nominative fair use); *New Kids on the Block*, 971 F.2d at 308. I am assuming that the draft that Tarantino scanned did use the title, *Pulp Fiction* and that it did not have a different working title pre-production.

<sup>99</sup> David James, *Miramax Is Furious About Quentin Tarantino’s ‘Pulp Fiction’ NFT Plans*, WE GOT THIS COVERED (Nov. 17, 2021 7:39 AM), <https://wegotthiscovered.com/movies/miramax-is-furious-about-quentin-tarantinos-pulp-fiction-nft-plans/> [https://perma.cc/E69P-GM4X].

<sup>100</sup> NFTs became a well-known item in the crypto community in 2017 with the introduction of the CryptoPunk generative art NFT collection and the CryptoKitties NFT collection. Andrew Steinwold, *The History of Non-Fungible Tokens (NFTs)*, MEDIUM (Oct. 7, 2019), <https://medium.com/@Andrew.Steinwold/the-history-of-non-fungible-tokens-nfts-f362ca57ae10> [https://perma.cc/H2N3-45RU]. Later still, NFTs became commonly known and widely recognized outside of the crypto community in 2021 with the famous sale of Beeple’s EVERYDAYS work. Robyn Conti & John Schmidt, *What Is An NFT? Non-Fungible Tokens Explained*, FORBES (Apr. 8, 2022, 8:36 AM), <https://www.forbes.com/advisor/investing/nft-non-fungible-token/> [https://perma.cc/D6SU-W5TJ]; Kelly Crow & Caitlin Ostroff, *Beeple NFT Fetches Record-Breaking \$69 Million in Christie’s Sale*, WALL ST. J. (Mar. 11, 2021, 10:48 AM EST), <https://www.wsj.com/articles/beeple-nft-fetches-record-breaking-69-million-in-christies-sale-11615477732>.

a separate thing from the items they tokenize.<sup>101</sup> Thus, NFTs cannot automatically be characterized as artistic expression or any kind of expression. The NFT itself is a blockchain recording device operated by a smart contract that updates the blockchain ledger when the NFT is traded or sold.<sup>102</sup> Transferring ownership of an NFT means transferring the private keys to allow access and control of the smart contract of the NFT.<sup>103</sup> There is nothing inherently expressive about NFTs, except that the crypto community reads the marketing in the listing of certain NFTs as conveying a promise that the ownership of the NFT *is* ownership of the item linked to the NFT. Some schemes stretch this conception, as when StockX requires the purchaser of a Vault NFT to give up (“redeem”) the NFT in order to obtain possession of the sneakers of which the NFT purchaser supposedly was the owner. Damien Hirst famously created a “Do you own the tokenized item, or not?” conundrum when created an NFT art series, “The Currency,” linked to physical works of art (sheets of paper with painted dots on them) and asked each NFT purchaser after one year’s time to make an election to either keep the NFT and order Hirst to destroy the original artwork, or to “burn” the NFT (*i.e.*, send it to an address on the blockchain where no one has access to the smart contract of the NFT) and receive and keep the physical artwork.<sup>104</sup> This is not ownership in a traditional sense, and yet the money flows into the NFT marketplace where the bragging rights and “ownership” value of being recorded on the blockchain as the registered owner of a digital or physical item exceeds the value of the uninhibited right to possession and use of the item.

The cases discussed above are in progress and do not provide ready examples or lessons on how to conduct NFT commerce now or in the future. It is likely that some, like the Miramax-Tarantino dispute, will settle, but others may give us a clue as to how existing law will be applied in this new and developing metaverse economy.

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<sup>101</sup> See Rakesh Sharma, *Non-Fungible Token (NFT) Definition*, INVESTOPEDIA (June 22, 2022), <https://www.investopedia.com/non-fungible-tokens-nft-5115211> [https://perma.cc/342S-NRX6].

<sup>102</sup> *Why do I Need a Crypto Wallet for NFTs?*, ELECTRIC ARTEFACTS (June 4, 2021), <https://www.electricartefacts.art/news/why-do-i-need-a-crypto-wallet-for-nfts> [https://perma.cc/7FHQ-NJ5Q].

<sup>103</sup> *A Look Into Public Keys, Private Keys, and Wallet Addresses*, PAXFUL (Apr. 21, 2020), <https://paxful.com/blog/what-are-public-keys-private-keys-wallet-address/> [https://perma.cc/4QTR-MAAB]; *supra* note 100.

<sup>104</sup> Caroline Goldstein, *Damien Hirst’s NFT Initiative, Which Asks Buyers to Choose Between a Digital Token and IRL Art, Has Already Generated \$25 Million*, ARTNET NEWS (Aug. 25, 2021), <https://news.artnet.com/market/damien-hirst-nft-update-2002582> [https://perma.cc/3WT7-DALT].