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Meta Bags: NFT Complications and Considerations for Traditional Brand Owners

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In yet another example of the law trying to keep up with technology, the U.S. District Court for the Southern District of New York issued a decision in *Hermès International, et al. v. Mason Rothschild* that examines traditional trademark concepts in connection with non-fungible tokens, or "NFTs." This helped to provide a glimpse of how courts will treat the sale of NFTs and other digital assets in the future.

Artist, self-proclaimed marketing strategist, and entrepreneur, Mason Rothschild created a collection of digital images of faux-fur-covered Hermès Birkin bags he called "MetaBirkins." Rothschild then began selling the MetaBirkins as a series of NFTs at prices similar to the elusive and coveted physical bags themselves. To promote the NFTs, Rothschild created social media accounts and websites using the MetaBirkin name. Rothschild even went so far as to describe his creative inspiration as an experiment to see if he could "create that same kind of illusion that [the Hermès Birkin bag] has in real life as a digital commodity."

Provoked by these actions, Hermès, the owner of the Birkin trademark for luxury handbags, filed a claim for trademark infringement and dilution of the Birkin mark. Hermès appeared to have a strong case, considering the amount of actual confusion expressed by consumers on social media, as well as in the traditional media, with major magazines and newspapers mistakenly reporting a partnership between Rothschild and Hermès. However, Rothschild threw a wrinkle into Hermès' position when he brought a motion to dismiss for failure to state a claim. He argued that Second Circuit precedent required dismissal of Hermès' trademark claims on First Amendment grounds because his digital images were protected artistic expressions and not actual handbags. Thus, the key issue before the court was whether Rothschild was selling commercial products under the Birkin mark or creative works of art that were titled "MetaBirkin."

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While the court sided with Rothschild and went with the latter interpretation–because the digital images "could constitute a form of artistic expression"—they summarily denied Rothschild's motion to dismiss because of the unresolved factual disputes. Under *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), use of a trademark in a work of art is not an infringement as long as (i) the name is artistically relevant to the work and (ii) the use of the trademark does not explicitly mislead as to the source or content of the work. In this case, the court found that the MetaBirkin name might not be artistically relevant and, even if it were, Rothschild's use of it might still be explicitly misleading and point to allegations of Rothschild's intent to exploit the popularity and goodwill of the Birkin mark and might be used as evidence of actual confusion.

This case is certainly one to watch as it brings up many interesting questions about the future of trademark law in the digital age. Will brand owners be able to enforce their trademark rights against new forms of digital art? How much confusion will the NFT marketplace introduce for traditional brand owners? Notably, the use of NFTs did not affect the court's decision in the MetaBirkins case. However, the court did note that Rogers might not apply if the NFTs were attached to a virtually-wearable handbag—a non-speech commercial product.

The court's balancing act between trademark protection and First Amendment concerns will likely influence both brand owners and artists, at least in the near future. For example, many brand owners have already been racing to file trademark applications for the anticipated use of their marks with NFTs and/or virtual goods in the metaverse. With consumers becoming increasingly interested in digital experiences, it is critical to understand the metes and bounds of our intellectual property and actively police both the physical and digital world in order to keep up with any changes in technology and the law.

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