Blogs
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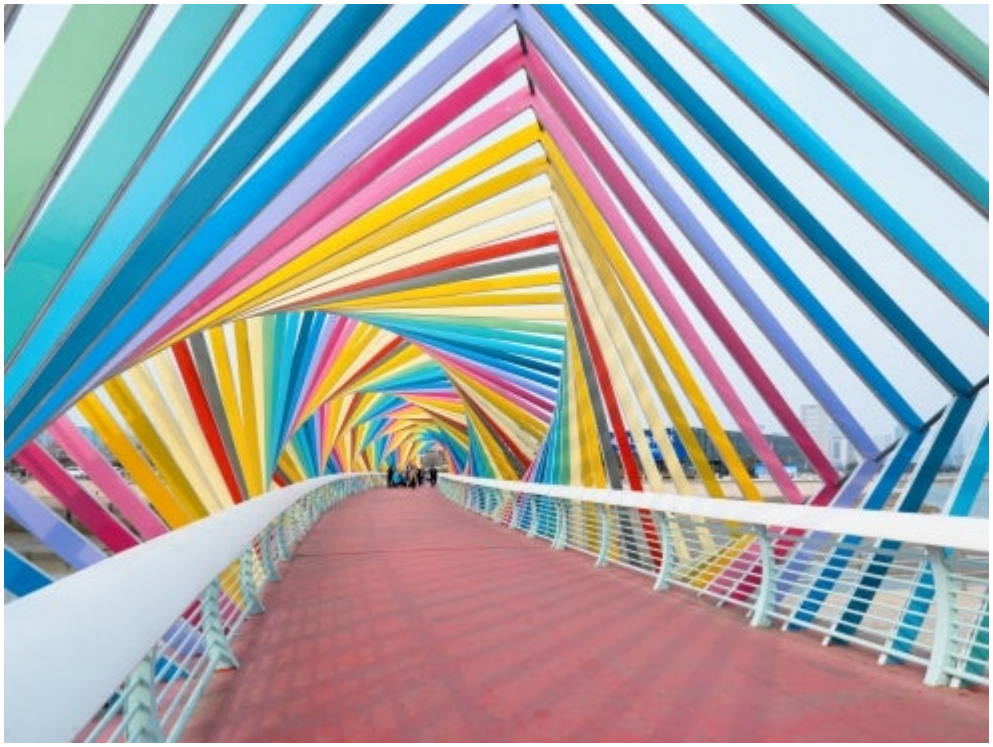
Hermès Wins Trademark Lawsuit Over “MetaBirkins” NFTs



In early February, following a six-day trial, a jury in the U.S. District Court for the Southern District of New York found in favor of Hermès in its claims of trademark infringement, trademark dilution, and cybersquatting against artist Mason Rothschild, the creator of the "MetaBirkins" non-fungible tokens (NFTs). Even with the First Amendment-like deference afforded to artistic works under trademark law, the jury held Rothschild liable because his "MetaBirkins" NFTs were "intentionally designed to mislead potential consumers." As a result, the jury awarded the luxury fashion brand a total of $133,000, consisting of $110,000 for Rothschild's net profits and $23,000 in statutory damages for cybersquatting.

The fashion industry has closely watched this landmark case (see our previous Update), which has real-world implications for all brands seeking to protect their intellectual property (IP) against unauthorized use as NFTs or in the metaverse.

"METABIRKINS" NFTS

In November 2021, Mason Rothschild, a Los Angeles-based "interdisciplinary artist and designer" whose real name is Sonny Estival, created and sold 100 NFTs tied to a digital image depicting a Hermès Birkin bag covered in colorful and hyperrealistic faux fur. Rothschild marketed the NFTs as "MetaBirkins," registered and used the domain name, www.metabirkins.com, and promoted the NFTs through social media handles such as @metabirkins. Rothschild priced each NFT at $450 and received a 7.5% royalty on downstream sales. Hermès' complaint claimed that MetaBirkins reached about $1.1 million in total sales, while Rothschild estimated that he made about $125,000, including both initial sales and royalties.

Hermès sued Rothschild in the Southern District of New York in January 2022, asserting that the Birkin-like images and associated NFTs infringed and diluted Hermès's Birkin trademark, falsely designated the origin of the NFTs, and injured and diluted Hermès's business reputation. Hermès also asserted a claim for cybersquatting based on Rothschild's use of the domain name www.metabirkins.com. In contrast, Rothschild claimed that the NFTs were an artistic commentary on animal cruelty and fashion companies' efforts to "go fur-free," thus meriting a level of First Amendment-like protection reserved for works with "artistic relevance."

CRITICAL RULINGS

Judge Jed S. Rakoff made three critical rulings in this case.

First, in originally denying Rothschild's motion to dismiss, Judge Rakoff held that the "MetaBirkins" NFT met the minimum threshold to be an "artistic work" under the *Rogers* test (and thus entitled to heightened protection against trademark infringement claims) and that "MetaBirkins" should be understood to refer to both the NFTs and the associated digital images underlying the NFT. Judge Rakoff reasoned that the mere fact that NFTs are code pointing to a digital image's location and authenticating the image "does not make the image a commodity without First Amendment protection any more than selling numbered copies of physical paintings would make the paintings commodities."

Second, in denying the parties' cross-motions for summary judgment, Judge Rakoff reaffirmed his position that the "MetaBirkins" NFTs could be a form of artistic expression and that the NFTs should be evaluated under the speech-protective *Rogers* test for artistic expression.

Judge Rakoff explained that summary judgment was inappropriate in this case because there were factual disputes centered around two issues. The first was Rothschild's purpose behind designing his work around the Hermès Birkin bag; in other words, was Rothchild's intent behind the "MetaBirkins" NFTs a genuine artistic expression or an unlawful effort to "cash in on a highly exclusive and uniquely valuable brand name"? The second was whether, after considering eight highly fact-specific factors, the "MetaBirkins" NFTs were explicitly misleading. The following factors carried over to the trial for consideration:

- The degree to which Rothschild's use of the Birkin mark is similar to Hermès' use of the Birkin mark.
- The strength of the Birkin mark.
- The degree to which the Birkin mark is widely recognized.
- Whether Rothschild intended to create an association with the Birkin mark.
- Any actual association by consumers of the "MetaBirkins" NFTs with the Birkin mark.

The third critical ruling by Judge Rakoff was his exclusion of art critic and Warhol expert Blake Gopnik as an expert witness for Rothschild. Gopnik would have testified that "MetaBirkins" NFTs are like Andy Warhol's "business art," centering the NFTs at the intersection of art and commerce. As a result of this ruling, the jury did not hear the comparison between "MetaBirkins" and Warhol's Campbell's Soup cans, which could have affected its decision.

AFTERMATH

Rothschild's attorney, Rhett Millsaps, has bitterly criticized the jury's verdict, stating to a reporter that "Hermès had incredibly weak evidence of confusion" and noting that, while Hermès "can stop someone from selling NFTs that compete with their actual products in the metaverse . . . they cannot stop artists from selling artwork that depicts their products, just like they couldn't in the real world."

Hermès, on the other hand, issued a post-verdict statement noting that it felt compelled to act to protect consumers and the integrity of its brand, and observing that, as a creative enterprise itself, Hermès has "supported artists and freedom of expression" throughout the company's history. Rothschild has announced that he plans to appeal to the U.S. Court of Appeals for the Second Circuit.

CONCLUDING THOUGHTS

Where to draw the line between art and commerce has always been a challenge and may be particularly difficult when it comes to NFTs, which represent a convergence of the creative community with the fintech community. But the tension between art and commerce inherent in NFTs is likely to be heightened in the metaverse, where there is a need to develop endlessly explorable, content-rich virtual worlds that mirror the real world; the sheer volume of in-world content and virtual objects that will be needed to populate multiple metaverses will require that content creators be allowed to monetize their creative works within such metaverses, resulting in the same blurring of art and commerce that gave rise to the Metabirkins dispute. We await to see if the Second Circuit will bring greater clarity to this murky area of the law.

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