Trademark Law Update – Jury Finds MetaBirkins NFT Branding Infringes the BIRKIN Trademark

03.01.2023 By Eric J. Shimanoff and Rajan Kambo

A jury has spoken in a case brought in the U.S. District Court for the Southern District of New York by Hermès against the digital artist Mason Rothschild, who had created and sold "MetaBirkins" non-fungible tokens (NFTs) depicting digital images of faux-fur-covered versions of the luxury BIRKIN leather handbag.

Examples of MetaBirkins NFTs

Jury Verdict

We previously reported that New York federal judge Jed S. Rakoff had ruled in this case that the NFTs qualified as artistic works, and thus were subject to the Second Circuit's test for balancing free speech against trademark rights where trademark references to the depicted material are more likely to be deemed fair use if not explicitly misleading**.** Therefore, Rothchild's use of the name "MetaBirkins" might have been entitled to First Amendment protection.

Nevertheless, the nine-person jury found Rothschild liable for trademark infringement and for diluting the distinctiveness of the BIRKIN trademark, and explicitly found that the First Amendment did not bar liability. The jury also found Rothschild guilty of unlawful cybersquatting by using the MetaBirkins.com domain name.

The verdict was unclear whether the jury thought the use of “MetaBirkins” was explicitly misleading, or because the jury thought that the NFTs were more akin to commodities than artwork.

The jury awarded Hermès $110,000 in profits and resale commissions received by Rothschild for selling the NFTs using a version of the Hermès trademark, and an additional $23,000 in damages for cybersquatting on the Hermès domain name.

***Hermès International v. Rothschild,* No. 22-cv-384 (S.D.N.Y. Verdict February 8, 2023).**

Significance

This is one of the first decisions applying real world trademark rights to the virtual world of NFTs. Rothschild’s defeat may serve as a setback to the marketing of NFTs, viewed by many as digital artistic works of creative expression. First Amendment protection in naming these NFTs may now be limited.

Essentially, the more participants in the NFT market continue to trade, sell, and promote NFTs using the trademarks of the items depicted in the NFTs, the more these digital assets could be viewed as commodities with diminished trademark rights. Evolution of the metaverse may exacerbate this view, as digital assets, such as “MetaBirkins,” become perceived as virtual wearable goods for avatars as distinguished from being works of decorative art.

Possible Future Steps

Subsequent to this verdict, Rothschild took to Twitter to express his disapproval with the jury’s decision by tweeting “[w]hat happened today was wrong. What happened today will continue to happen if we don’t continue to fight. This is far from over.”

Procedurally, this could signal that Rothschild will appeal the verdict to the Second Circuit, possibly to argue that this case should not have gone to the jury in the first place.

For more information, please contact Eric J. Shimanoff, Rajan Kambo or your CLL attorney.

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