

# Trademark Law and the Metaverse

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# Disputes Concerning Use of Visual Depictions of Trademarks in the Metaverse

- *AM General LLC v. Activision Blizzard, et al.*
- *Coral Castle, Inc. v. Epic Games*

## But first... *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989)

- The *Rogers* test is a two-prong inquiry. Under the first prong, the Court determines whether the use of the trademark has any “artistic relevance to the underlying work whatsoever.” If “the contested use has any artistic relevance, the court must proceed to the second prong of the test.” The second prong considers whether the use “explicitly misleads as to the source or the content of the work.”
- A “finding of likelihood of confusion must be particularly compelling to outweigh the First Amendment interest.”
- The evaluation of whether the use of the mark is misleading is subject to the evaluation under the applicable likelihood of confusion factors, which assess consumer confusion (at least in the Second Circuit).

## ***AM General LLC v. Activision Blizzard, et al., No. 17 Civ. 8644 (GBD) (S.D.N.Y. March 31, 2020)***

- AM General sued Activision Blizzard in 2017 claiming trademark infringement for including a replica of the Humvee truck in Activision's Call of Duty video game.
- AM General claimed that consumers would be confused into believing that it was involved in the creation of the video game or had approved it.

## *AM General LLC v. Activision Blizzard, et al., (Cont.)*

- The Court dismissed the suit on First Amendment grounds.
- Applying the *Rogers* test, the Court found the use of Humvees easily met the artistic relevance requirement because it gave players “a sense of a particularized reality of being part of an actual elite special forces operation and serving as a means to increase the specific realism of the game.”
- Relying on the Polaroid factors (*Polaroid Corp v. Polarad Electronics Corp.*, 287 F.2d 492 (2<sup>nd</sup> Cir. 1961), the court found that use of Humvees was not explicitly misleading and did not give rise to a likelihood of consumer confusion as to the source of the game (no one would think Call of Duty was made or sponsored by the maker of Humvees)

# ***Coral Castle, Inc. v. Epic Games, Inc., Case No. 1:20-cv-23381 (S.D.FI. 2020)***

- The owners of Coral Castle sued Epic Games over the use of its name as a location in Fortnite: Battle Royale
- The complaint alleged, “Coral Castle is noted for legends surrounding its creation. Some claim it was built single-handedly by Leedskalnin using magnetism or supernatural abilities to move and carve numerous stones, each weighing many tons.”
- The virtual Coral Castle was described as a beach area with castles, stone objects and statues

## *Coral Castle, Inc. v. Epic Games, Inc. (cont.)*

Coral Castle's complaint against Epic Games was dismissed with prejudice. The Court would likely have analyzed the allegations with reference to the First Amendment via Rogers: Does it contain relevant artistic expression? The Rogers test allows artistic or expressive works to make use of trademarks under most circumstances without liability under the Lanham Act, utilizing a two-prong test where the court must determine "artistic relevance" and, if present, whether the use "explicitly misleads as to the source" of the content.

# NFT Disputes

- *Nike, Inc. v. StockX LLC*, Case No. 22-cv-983 (S.D. NY. 2022)
- *Hermes International and Hermes of Paris, Inc. v. Mason Rothschild*, Case No. 1:22-cv-00384 (S.D. NY. 2022)
- *Miramax, LLC v. Quentin Tarantino, et al.*, Case No. 2:21-cv-08979 (C.D. Cal. 2022)



# What is an NFT?

- NFT is a non-fungible token.
- Built using programming similar to cryptocurrency, like BITCOIN
- Each is unique; not fungible.
- It's a digital asset that represents a real-world asset, like art, music, video, even tweets.

## NFTs, continued

- Usually, one of a kind or of a limited edition, with unique identifying code.
- They are not in infinite supply.

## NFTs, continued

- They can be insanely valuable.
- Mike Winklemann, also Beeple, crafted 5,000 daily digital images entitled “Everydays: The First 5,000 Days” that sold for a mere \$69.3 million!!

## NFTs, continued

- The NFT allows the buyer to own the original item. It contained proof of authenticity which is used as proof of ownership.
- Because each NFT has a digital signature it is unique. Being unique, it is not fungible.

## NFTs, continued

- NFTs exist on blockchain; typically on Ethereum blockchain.
- This creates a public record of ownership/title.

## NFTs, continued

- A collectable, in digital form; like a painting. Just does not hang on the wall.
- A way to monetize creative works and reach many consumers.

## NFTs, continued

- You buy NFTs using cryptocurrency.
- You will need a digital wallet
- Are they “investments”?
- You can sell them.
- What is the tax treatment? Are they “capital assets” for which capital gains are available? Something else?

## *Nike, Inc. v. StockX LLC*

- StockX users can buy NFTs of corresponding physical shoes. Instead of receiving the actual item, the purchaser gets the NFT, which certifies ownership of the item. NFTs provide a certificate of ownership and authenticity which helps mitigate the steps of shipping and authentication for people using StockX with the intent of reselling shoes. If a buyer wants to wear the shoes, the NFT is sent to a wallet that can only receive them and the buyer can request the shoes be shipped.
- StockX defends on the grounds its NFTs are not virtual products/digital sneakers and are tied to authenticated Nike shoes in its warehouse.



## *Nike, Inc. v. StockX LLC (cont.)*

- Nike sued StockX, LLC for trademark infringement and dilution for selling NFTs of Nike sneakers.
- StockX defended that it was only using NFTs to market the physical shoes that it sold. StockX responded that Nike's lawsuit is, "a baseless and misleading attempt to interfere with the application of a new technology to the increasingly popular and lawful secondary market for the sale of its sneakers and other goods."

## *Hermes International and Hermes of Paris, Inc. v. Mason Rothschild*

- Rothschild created digital images of faux-fur covered versions of Plaintiff's luxury Birkin handbags; called them "MetaBirkins" and sold them as NFTs.
- Hermes sued Rothschild claiming trademark infringement, dilution and cybersquatting.
- Rothschild defended on the grounds that his works comment on the "cruelty inherent in Hermes' manufacture of its ultra-expensive leather handbags" and that the uses are protected under the First Amendment.

# *Hermes International and Hermes of Paris, Inc. v. Mason Rothschild (cont.)*

Rothschild claimed that creation of the digital images of the Birkin bags were art, protected under the First Amendment, and that his use of the “MetaBirkins” mark was for purposes of naming the artwork and not as a source identifier. See *Rogers v. Grimaldi*, 875 F.2d 994 (2<sup>nd</sup> Cir. 1989) (“...the Lanham 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. In the context of allegedly misleading titles . . . that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.”).

## *Hermes International and Hermes of Paris, Inc. v. Mason Rothschild (cont.)*

- Hermes contended that Rothschild used the "MetaBirkins" mark, in commerce, to brand a product line, and to attract public attention and signify source.
- Classic trademark characteristics.

## *Hermes International and Hermes of Paris, Inc. v. Mason Rothschild (cont.)*

- The Court held that “the Rogers test applies, at least in part, to the trademark infringement analysis of Rothschild's uses of "MetaBirkins." However, the Court refused to resolve this dispute at the motion to dismiss stage because the complaint contained sufficient factual allegations that the use of the trademark is not artistically relevant and is explicitly misleading as to the source or content of the work.

# ***Miramax, LLC v. Quentin Tarantino, et al., Case No. 2:21-cv-08979 (C.D. Cal. 2022)***

Copyright and trademark case involving NFTs

Quentin Tarantino announced that he would auction off uncut scenes from Pulp Fiction as “Secret NFTs” and the sale would take place over one of the NFT platforms and would contain never before scene footage

# *Miramax, LLC v. Quentin Tarantino, et al.,* Case No. 2:21-cv-08979 (C.D. Cal. 2022)

- Miramax's position is that the creation of the NFTs constitute copyright infringement because they are unauthorized derivative works of Pulp Fiction and that the use of the Pulp Fiction mark is trademark infringement and likely to deceive consumers as to the origin of the NFTs.
- Tarantino defended the suit by claiming that the NFTs fall under the fair use exception to the Copyright Act and that Tarantino can create the NFTs pursuant to the Reservation of Rights agreement entered into between the parties in 1993.