

Adding NFTs to an IP Portfolio: Risks and Rewards, Key Considerations

Navigating Ownership, Enforcement, Contract Language, Likelihood of Confusion, Revenue Potential

TUESDAY, SEPTEMBER 27, 2022

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today's faculty features:

Anna B. Naydonov, Partner, **Finnegan Henderson Farabow Garrett & Dunner**, Washington, D.C.

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Adding NFTs to an IP Portfolio: Risks, Rewards

Anna B. Naydonov
Linda J. Thayer

September 27, 2022



FINNEGAN

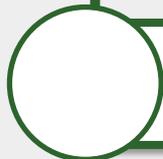
Agenda



NFT, Web3, and Metaverse Basics



Recent Litigations and Legal Challenges

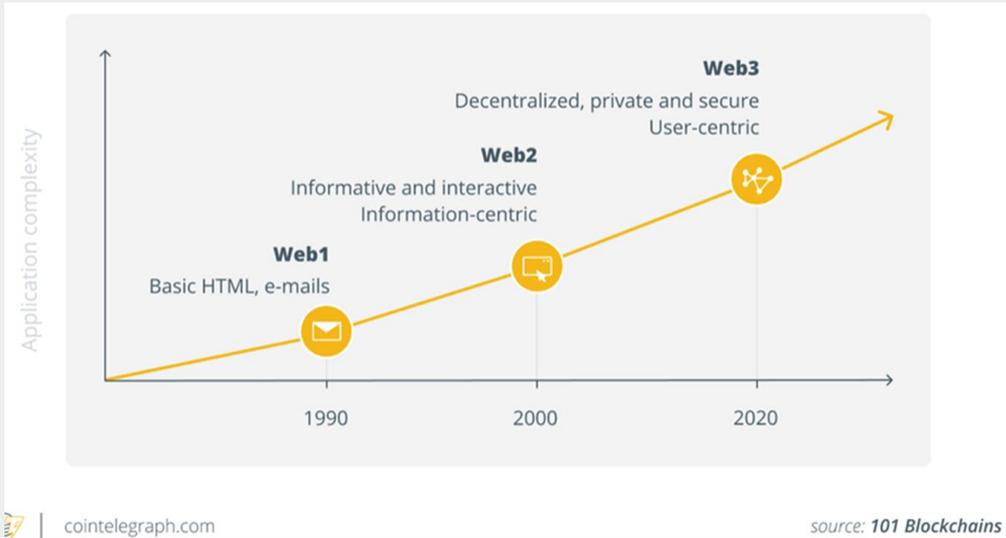


NFT Patents: Can You, Should You?



Key Considerations

Web3: Blockchain-enabled Digital Future



- Data decentralization
- Getting rid of intermediaries for content creators and end users
- Secure and immutable

NFT aka Non-Fungible Token

- **Fungible items:** interchangeable with one another, e.g.:

- Cryptocurrency (Bitcoin, Ethereum)



- Fiat money



- **Non-fungible items:** not interchangeable, unique, e.g.:

- Artwork



- Pokémon trading cards



- Non-fungible tokens



NFTs

- A **ledger of ownership** to an asset recorded on the blockchain
- A token on a blockchain with a **unique identifier**
- **Smart contract** technology records and stores unique information on the blockchain
- **Metadata** includes NFT's key properties: e.g., name, image, video
- Technology allows to easily verify the authenticity of NFTs
 - Ownership
 - Sales and transfer history transparent and traceable
- Copies of underlying work may be reproduced, viewed, and displayed (usually subject to terms of smart contract and/or license), but only one person is the original owner
- Owning NFT generally does **not** mean owning underlying asset or the IP in the underlying asset

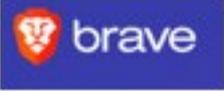
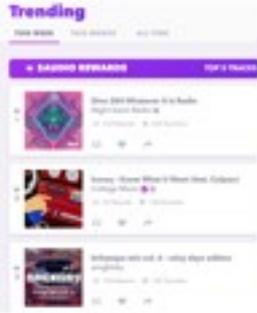
Metaverse

- **Shared virtual environment** that users can access via the Internet
- May be based on or combine **virtual reality**, **augmented reality**, **online gaming**, and use of **cryptocurrencies** to facilitate digital interactions and experiences
- Goldman Sachs: metaverse is a \$8 trillion opportunity
 - Building another parallel universe, with limitless creativity and no laws of physics

Sky Is the Limit

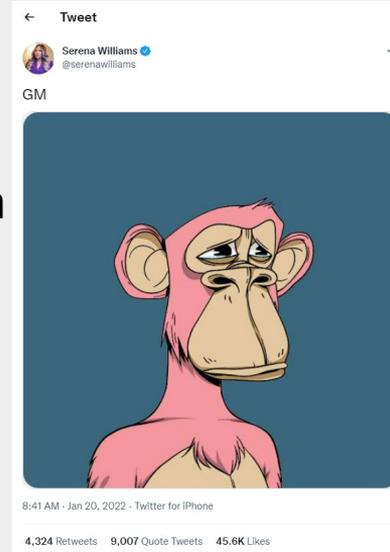
- Digital identity in metaverse (avatar, skins, collectibles, and other digital assets)
- Consumer data (become your own data broker)
- Tickets
- Airline miles
- Club memberships
- Hotel and other reservations
- Real estate and other asset tokenization
- Legal documents (titles, licenses, etc.)

Types of NFTs

PFPs	Gaming	Land/ Digital Assets	Music	POAPs	Data Privacy
			 <p>AUDIUS</p>	<p>POAP - The bookmarks of your life POAPs are digital mementos, created in celebration of shared memorable experiences.</p> 	
	<p>OWN. RACE. EARN.</p> 	 <p>Decentraland</p> <p>\$1.4K 1.0K + 2.5K + 25.2K</p>	<p>Trending</p> <p>SAVING REMIXES</p> 		<p>We should get paid for our data — NFTs can make that happen</p> <p>If data is the new oil, then enterprise NFTs are the tankers. Here's why</p> 

What Defines the Value of an NFT?

- Rarity, *i.e.*, perceived scarcity
- Community and Social Proof
 - Celebrities that own NFTs in collection
 - Additional benefits (access to content, events, venues)
- Utility
 - *e.g.*, tokenized real estate
- Interoperability
 - *e.g.*, weapon in a game – can it be used on a different platform?



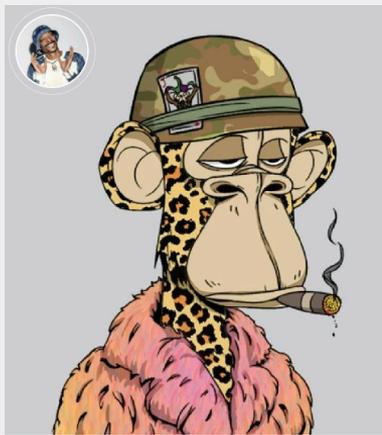
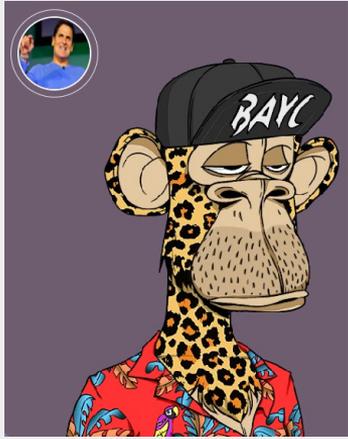
Reese Witherspoon to Adapt World Of Women NFTs Into Movies

The NFT holders will also have a say in the development and production process of the media projects.

BY RENUKA TAHELYANI PUBLISHED ON - FEBRUARY 16, 2022 13:38 UPDATED ON - FEBRUARY 18, 2022 14:35
- 2 MINUTE READ



BAYC: Transparency + Continued Engagement



Bored Ape Kennel Club •
4852
Price
+ 6.87
@ 3 days left



Bored Ape Kennel Club •
8856
Price
+ 6.88
@ 2 days left



Bored Ape Kennel Club •
2101
Price
+ 6.9288
@ 3 days left

airdrop + % royalty from secondary sales to animal shelters

COLLECTIBLES

BAYC's First Annual Ape Fest Kicks Off With a Bang!

By Reethu Ravi - November 1, 2021

The Bored Ape Yacht Club (BAYC) fest began yesterday, October 31, with the world pouring in. The first Gallery alone saw around 700...

...Thanks about 300 people...



TECH

HOW TO SNEAK INTO A BORED APE YACHT CLUB PARTY

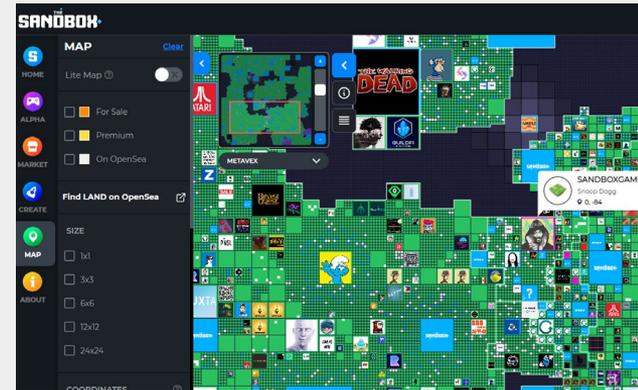
You need to own an NFT that costs hundreds of thousands of dollars. Or do you?

By Adlan Jackson | Dec 13, 2021, 9:30am EST

Illustration by Alex Castro

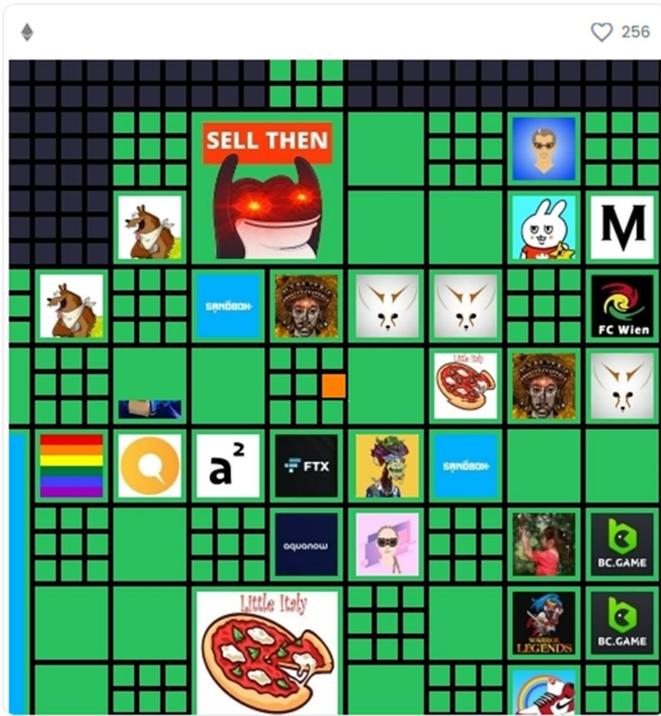
Sandbox

- Decentralized gaming platform
- Acquire land NFTs and monetize them
- Ownership rights to users
- \$SAND token to sell digital items and land
- Currency, governance, staking
- **\$211 million** in land sales (as of the end of 2021)
- Raised \$93 million in a funding round
- Stores, theme parks, concert venues, and corporate offices





	Item	Price	Quantity	From	To	Time
Sale	LAND (150, -94)	2.69 \$7,756.75	1	lowte...	sec9...	21 minutes ago...
Sale	LAND (-196, -112)	2.71 \$7,814.42	1	nfoto	65F0...	an hour ago ↗
Sale	LAND (-93, -197)	2.5 \$7,208.88	1	JMLc...	d4E62	an hour ago ↗
Sale	LAND (-123, -17)	3.08 \$8,881.33	1	3B6E...	GF14	an hour ago ↗



☰ Description

♥ 256

The Sandbox



LAND (23, -47)

Owned by [__HAAN__](#) ♥ 256 favorites

🕒 Sale ends March 31, 2022 at 12:29am EDT

Top bid -- Reserve price not met.

💎 **2.6625** (\$7,677.56) ↗

Place bid

📍 Listings

☰ Offers

Price	USD Price	Floor Difference	Expiration	From
💎 2.6625 WETH	\$7,677.56	1% below	13 days	MOMotothemoon

Sandbox: Notable Partnerships



SNOOPVERSE EARLY ACCESS PASS

The Snoopverse Early Access pass gives you access to the Snoop Dogg Metaverse Experiences in The Sandbox before anyone else. Become a part of the development, give your feedback, enter Snoop's world!

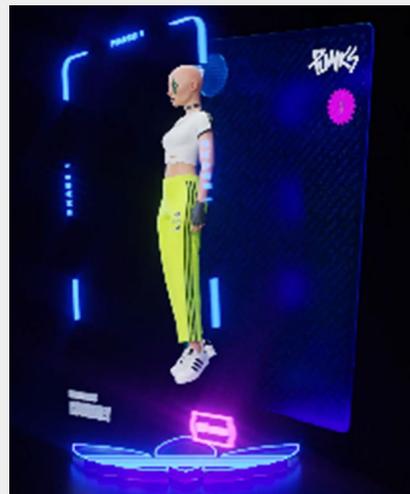
- Early access to **Snoopverse**
- Get involved in the development process of Snoopverse
- **Exclusive NFT drops**
- Whitelist access to **Doggles drop**
- Invitation to the **Cozomo Art gallery opening**
- Future multiplier on **staking**
- SAND Rewards in **Snoopverse play-to-earn**



SNOOP PRIVATE PARTY PASS

The Snoop Private Party Pass token gives you access to step into Snoop Dogg's lifestyle.

- Invitation to **Snoop's Private Party**
- Access to Snoop's first **Metaverse concert**
- Invitation to **Cozomo Art gallery opening**
- Whitelist access to **Doggles drop**
- Future multiplier on **staking**



INTO THE METAVERSE ✕



NFT pioneers gmoney, PUNKS Comic and Bored Ape Yacht Club each help guide adidas Originals *Into the Metaverse*. With the community, for the community. The collaborative NFT project is now sold out.

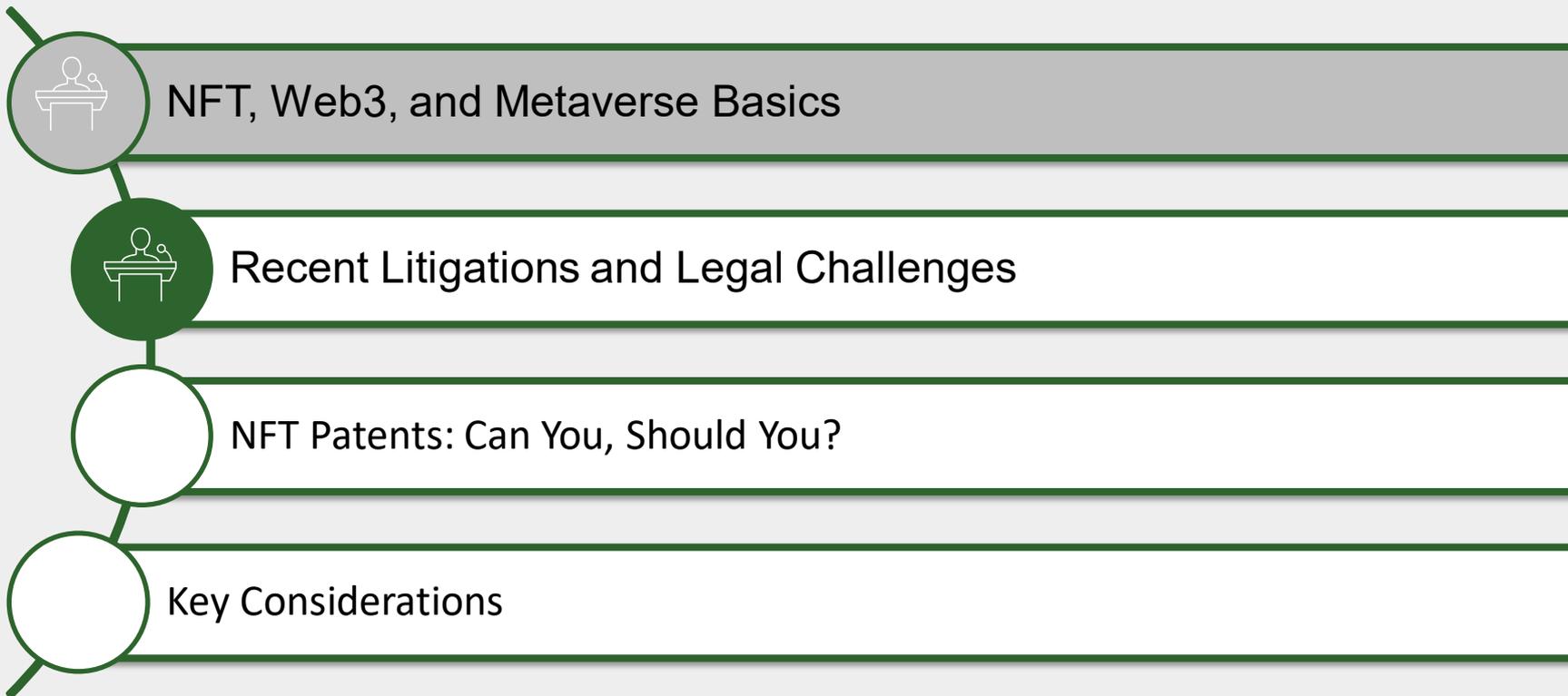
This is just the beginning.

4 FUTURE BENEFITS

Welcome onboard. *Into the Metaverse* NFT holders unlock exclusive access to in-virtual land experiences and free collaborative merchandise throughout 2022, including a graphic hoodie and a co-branded adiColor Firebird tracksuit, as featured in PUNKS Comic.

Stay tuned to [CONFIRMED](#) and [@adidasoriginals](#) for future updates of how to claim.

Agenda



Yuga Labs, Inc. v. Ripps, Case No. 2:22-CV-04355 (C.D. Cal. 2022)

- Yuga Labs is the creator of the Bored Ape Yacht Club (BAYC), one of the world's most-well known NFT collections. An individual named Ryder Ripps started selling his own copycat NFTs using the original BAYC images and trademarks.
- In June 2022 Yuga Labs sued Ripps for trademark infringement, false advertising, cybersquatting, and several common law claims (e.g., unjust enrichment, negligent interference with prospective economic advantage).
- The complaint alleges that Ryder sold fake NFTs to more than 1000 purchasers and earned an estimated \$5 million from these illegal sales.
- Ripps filed anti-SLAPP motion claiming lawsuit seeks to “silence an artist who used his craft to call out a multi-billion dollar company built on racist and neo-Nazi whistles.”



Nike, Inc. v. StockX LLC, Case No. 22-cv-983 (S.D.N.Y. 2022)

- Nike sued StockX, an online sneaker reseller, for minting and selling **NFTs** that use Nike trademarks.
- After purchasing a StockX NFT, customers can either keep the NFT in their portfolio and sell it or they can redeem it for the physical sneakers, at which point StockX destroys or “burns” the NFT.
- Several of Nike’s trademarks (including the Nike “swoosh”) are featured prominently in connection with the NFTs, and the NFTs are sometimes sold at several times the value of the physical sneakers they are allegedly linked to.



How It Works:

- Buy A StockX Vault NFT
- a token for the physical pair in our vault
- All NFTs go to your StockX Portfolio and are tradable immediately
- Sell your NFT on StockX
- Or redeem it for the physical pair stored in our vault

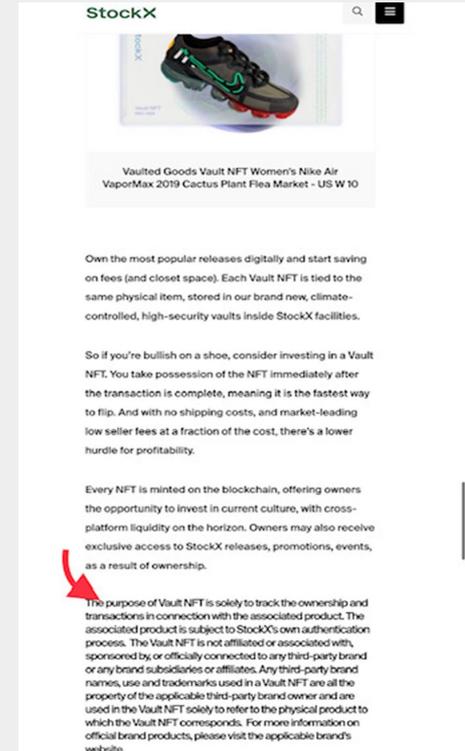
The purpose of the Vault NFT is solely to track the ownership and transactions in connection with the associated product. The associated product is subject to StockX's own authentication process. The Vault NFT is not affiliated or associated with, sponsored by, or officially connected to Nike or any of its subsidiaries or affiliates. Any Nike names, use and trademarks used in a Vault NFT are all the property of Nike and are used in the Vault NFT solely to refer to the physical product to which the Vault NFT corresponds. For more information on official Nike products, please visit www.Nike.com.

Nike, Inc. v. StockX LLC, Case No. 22-cv-983 (S.D.N.Y. 2022)

- Nike brought claims of trademark infringement and dilution under both federal and state law.
- Nike contends consumers are likely to be misled into thinking that the StockX NFTs were **authorized by Nike** or that Nike is earning a commission from the sales (infringement).

Nike, Inc. v. StockX LLC, Case No. 22-cv-983 (S.D.N.Y. 2022)

- **StockX:** NFT backed by a physical product, tracks ownership of a physical sneaker, and serves as traceable digital receipt.
 - Nominative fair use argument
- **Nike:** No, these are “new virtual products that StockX has bundled with additional StockX services and unspecified benefits (‘exclusive access to StockX releases, promotions, events’).”



Nike, Inc. v. StockX LLC, Case No. 22-cv-983 (S.D.N.Y. 2022)

- After discovering that StockX sold counterfeit pairs of Nike shoes, including the well-known Air Jordan 1 shoe, Nike filed an amended complaint to add **counterfeiting** claims.
 - In advertising and marketing, StockX guarantees that every item it sells is “100% Verified Authentic,” but at least one of the four pairs of shoes that Nike obtained from StockX was counterfeit.
- In its answer to the amended complaint, StockX raises several affirmative defenses including:
 - Fair use (descriptive and/or nominative)
 - First sale doctrine
 - Estoppel
 - Acquiescence
- The case is ongoing.

Valiente v. StockX, Inc., Case No. 1:22-cv-22432 (S.D. Fla. 2022)

- A class action arising from the same set of facts has now been filed in Florida against StockX for false and misleading representations, fraud, breach of express warranty, negligent misrepresentation, and unjust enrichment.
- Much like Nike's counterfeiting claim, this litigation relates to StockX's guarantee that the sneakers are "100% Authentic."
- Complaint also alleges that StockX's claims in connection with NFTs are false including that they are redeemable at any time and that "many of the Products [allegedly] corresponding to the NFTs do not presently exist."



Hermès Int’l v. Rothschild, Case No. 22-cv-384 (S.D.N.Y. 2022)

- Hermès brought a lawsuit against Mason Rothschild after he began selling NFTs displaying the Hermès “Birkin Bag” using the designation **METABIRKINS**. “MetaBirkin” NFTs generated around \$800,000 U.S.D. in trading on OpenSea.
- In addition to claiming infringement and dilution of its BIRKIN mark, Hermès alleges that Rothschild infringed its **trade dress** for the Birkin Bag (the overall shape and design of the bag).
- Hermès claims that Rothschild plans to use the METABIRKINS mark to “brand all of his ‘metaverse’ business activities,” which trades on the value and fame of the BIRKIN mark and trade dress in real life.
 - NFTs removed from OpenSea
 - According to complaint, Rothschild “reinvigorated his advertising on Discord” and moved to Rarible platform
 - Rothschild complains of “**counterfeited**” METABIRKIN NFTs on NFT marketplaces



Hermès Int'l v. Rothschild, Case No. 22-cv-384 (S.D.N.Y. 2022)

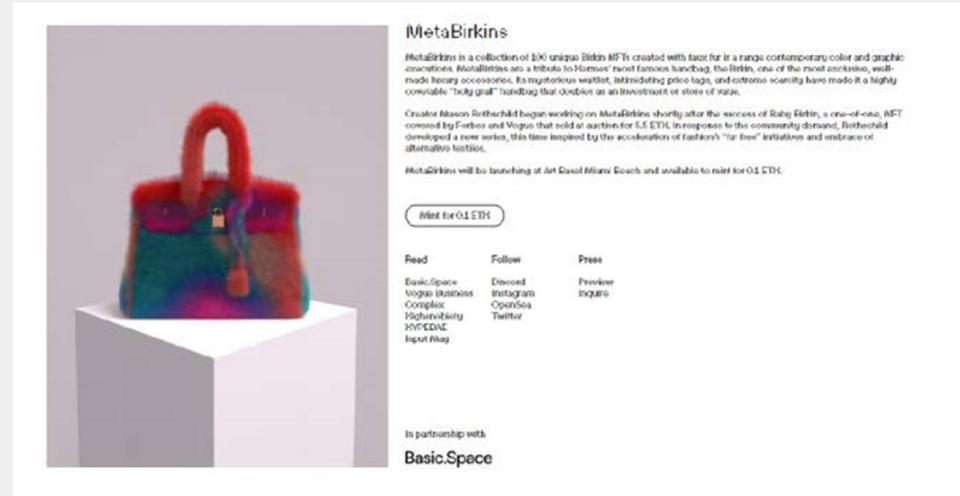
- Rothschild filed a motion to dismiss and raised a **First Amendment defense** to Hermès' trademark infringement and dilution claims.
 - Relies on test from *Rogers v. Grimaldi* (2d Cir. 1989): use of a mark in an expressive work is protected speech and thus non-infringing (even when sold for profit) where (1) the work is **artistically relevant** and (2) the use is **not “explicitly misleading.”**
 - Contends the METABIRKINS NFTs are artistically relevant because by portraying furry handbags they comment on “the fashion industry’s animal cruelty and the movement to find leather alternatives.”
 - Argues that METABIRKINS are not explicitly misleading because they do not expressly suggest an endorsement by Hermès.
- Rothschild also relies on the Supreme Court’s decision in *Dastar* which holds that only misrepresentations of the source of *physical goods* are actionable under the Lanham Act, and here, the METABIRKINS artworks are “communicative goods that *Dastar* places outside the scope of the Lanham Act.”

Hermès Int'l v. Rothschild, Case No. 22-cv-384 (S.D.N.Y. 2022)

- Hermès filed an amended complaint providing more context for its trademark infringement claims:
 - Consumers “would expect that NFTs featuring famous brands are affiliated with those brands, or wonder why the famous brands are permitting such dilutive use of their valuable assets and think less highly of them.”
 - Notes **the growing number of “digital-only fashion brands”** and “ready-to-wear brands testing out virtual versions of their collections” to be made available to consumers building their digital wardrobe
- Rothschild’s second motion to dismiss contains the same arguments as the first one:
 - Doubles down on *Rogers* 1st Amendment defense (artistically relevant; not *explicitly* misleading because no implication of endorsement);
 - Even if *Rogers* does not apply, *Dastar* does: the Lanham Act only protects the origin of *physical goods*, not claims of authorship of creation over the communicative or artistic content of the good.

Hermès Int'l v. Rothschild, Case No. 22-cv-384 (S.D.N.Y. 2022)

- In May, the Court denied Rothschild's motion to dismiss again:
- Held that the *Rogers* test applies to Hermès's trademark infringement claim, but Hermès included sufficient evidence that the uses are explicitly misleading in amended complaint for the claim to stand;
- Whether uses are explicitly misleading is a factual determination that cannot be resolved at the motion to dismiss stage.
- The case is ongoing.



Thayer v. Furie, Case No. 2:22-cv-01640-AB-MRW (C.D. Cal. 2022)

- Halston Thayer, an NFT buyer, sued Matt Furie, a cryptoartist, for misrepresenting the number of NFTs that would be offered in an auction to inflate their value artificially.
- Plaintiff also named two DAOs (decentralized autonomous organizations) as defendants.
- Plaintiff claims to have paid over \$500 000 for one of Furie's NFTs after which its value dropped to less than \$30 000, as a result of the defendants' disbursing 46 of the NFTs for free. Plaintiff is suing for fraudulent inducement, intentional misrepresentation, negligent misrepresentation, violation of unfair competition law, violation of the Consumer Legal Remedies Act, and similar claims.
- Relying on the instructions that were given during the auction, and the fact that NFT prices tend to fluctuate considerably, defendants argue that the allegedly false statements about the number of NFTs for auction were verifiably true at the time of the transaction. Defendants further contend that plaintiff failed to perform due diligence before making the purchase, and that plaintiff's claims are barred by estoppel and/or laches because plaintiff failed to raise any objections for several months beyond the time allowing the DAO to cancel the allocation.
- The case recently settled.



TINA: Alleged Deceptive Marketing in Roblox



TINA: Alleged Deceptive Marketing on Roblox

- In April 2022, Truth in Advertising, an NGO, filed a complaint with the FTC against Roblox, a metaverse gaming company, for allegedly misrepresenting the safety of its platform for children
- On its website Roblox claims to be “a safe and fun space for players”
- The complaint alleges that Roblox surreptitiously pushes advertising on millions of unsuspecting users, most of whom are children, namely by running branded games or “advergames” where the **line between sponsored and unsponsored content is unclear**
- TINA notes many famous marketers that have run advergames on the platform including Forever 21, Hasbro, Mattel, Netflix, and Nike
- The complaint also charges Roblox with including sponsored content in “organic settings” namely by placing promotional content within games and allowing companies to employ human-created and AI-generated influencer avatars, who interact directly with the users

TINA: Alleged Deceptive Marketing on Roblox

- According to the complaint, Roblox is exploiting and harming children through these practices because many of them will never be able to distinguish **commercial content from non-sponsored material**.
- As part of its investigation into Roblox's practices, TINA also filed a Freedom of Information Act (FOIA) request with the FTC to seek all consumer complaints submitted to the FTC regarding Roblox.
- The FTC first provided only 200 of nearly 1,300 consumer complaints regarding Roblox. TINA appealed, and the FTC ultimately agreed to provide all of the consumer complaints.
- The investigation is ongoing.

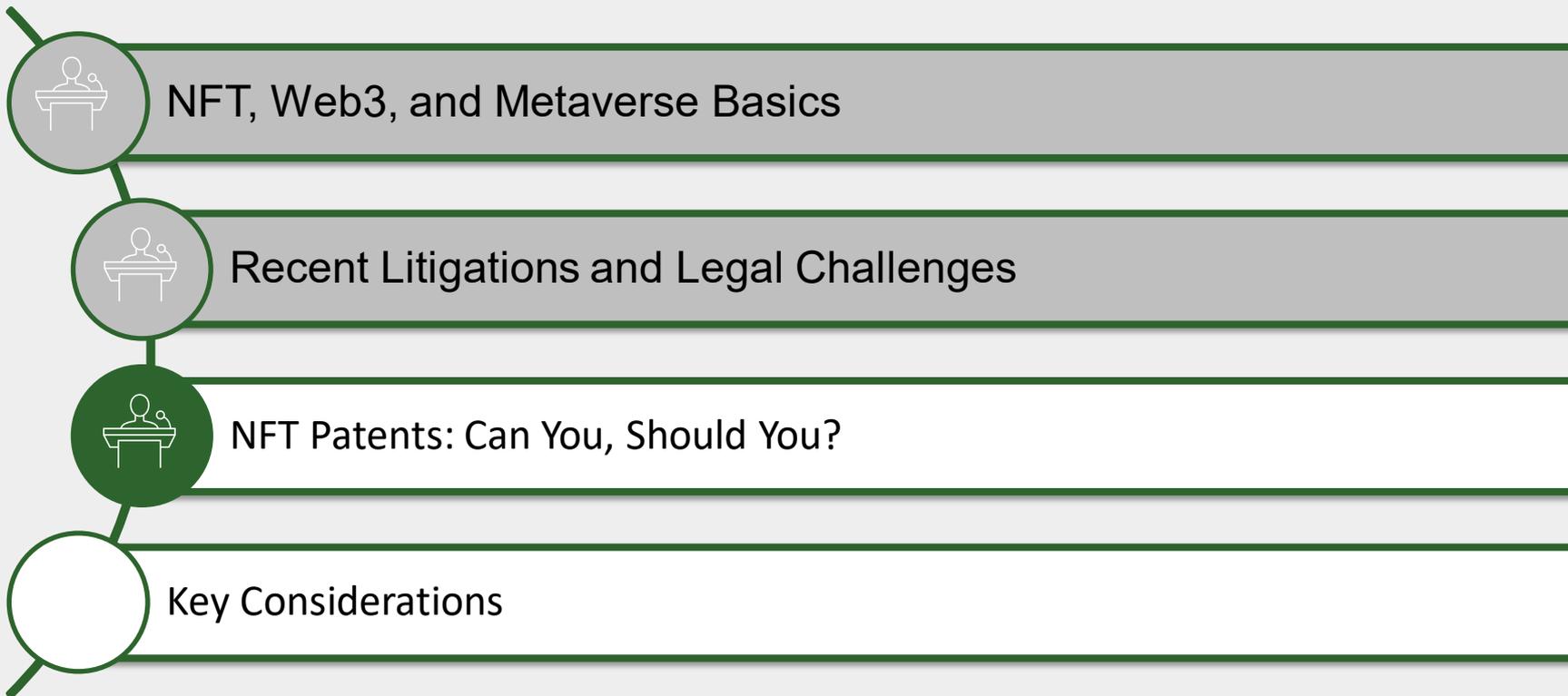
TINA's Recent Letter

- As a growing number of celebrities have begun promoting NFTs on social media, Truth in Advertising issued a letter on August 8, 2022 cautioning consumers and advertisers in connection with celebrity-endorsed NFTs
- The letter raises the following concerns:
 1. Celebrities often fail to disclose their **material connection** to the NFT company in violation of the FTC Endorsement Guides
 2. Celebrities marketing NFTs in which they have a personal stake fail to disclose the **risks associated with investing in speculative digital products** or the financial harm that may ensue
- Quoting the U.S. Government Accountability Office, the letter states:

Despite media attention and celebrity endorsements, [NFTs] are poorly understood, and the current market is subject to speculation and fraud NFTs come with financial risk and have exhibited volatile pricing.



Agenda



NFT Patents: Can You, Should You?

- NFT itself is data
 - ERC 721 is most popular standard, requiring token ID, contract address, and token owner + optional elements
 - No patents, copyrights, TM, or trade secrets on ERC 721
- NFT-related patents
 - Creating and/or using NFTs in particular applications
 - Authenticating or verifying tokens in blockchain network

Examples of “NFT Patents”

Title	Abstract	Issue Date	Patent No.
Non-fungible token systems and methods for storing and accessing healthcare data	Systems and methods for storing and accessing healthcare data in blockchain managed digital filing cabinets. Store patient healthcare data from sources such as wearable devices and implant patient devices and convert the healthcare data into non-fungible tokens on a blockchain to protect the data from nefarious actors.	2022-09-13	US11443838
Security surveillance and entry management system	An artificial intelligence (AI) entry management (EM) security system includes a camera ... wherein the camera ...is operable to read a non-fungible token (NFT) or an image associated with the NFT displayed on at least one electronic device; [and] authenticate the NFT or the image associated with the NFT ; wherein the entry management device is operable to perform an action upon the authentication of the NFT	2022-09-06	US11436882
Pixel streamed nft-based living artwork and queue-based live event viewing	The method includes providing a set of tiered credentials for accessing a live event. The access privileges specify a queued order-based access time and an access duration and evaluating the credentials received from users seeking to access the live event.	2022-08-16	US11418344
Personated reality ecosystem	Enables real-time interactions between Users and Personated Virtual Assistants (PVA) acting on behalf of the User. The PVA is a computer-generated character an animated virtual human combined with artificial intelligence and a unique digital identity that is authenticated and authorized using blockchain technologies.	2020-07-14	US10715329

Dependent Claims

US 11,394,549 (Generating a pepper's ghost artifice in a virtual 3D environment)

11. The method of claim 1 wherein the plurality of virtual screens that are stored in the database of the central site are recorded in session-based Non-Fungible Tokens (NFTs) that are archived in a blockchain.

US 11,392,906 (Custom cryptographic token and smart contract system)

6. The method of claim 5, wherein each of the unique cryptographic tokens is a non-fungible token.

US 11,379,884 (Celebrity-based AR Advertising and Social Network)

13. The method of claim 1 further comprising generating, by the server, a non-fungible token (NFT) in response to determining that the first image matches the likeness of the subject, the NFT being stored in an account associated with the first user device.

NFT Patenting Activity

IP Summary All Time ▾



Non-Fungible Tokens Patent Overview

Dataset Statistics

Total Results - 373

Organizations

- VERONA HOLDINGS SEZC
- TGXC.CO.,LTD
- Securrency, Inc
- EYGS LLP
- BACOR DAPPS INC.
- Plus 134 more

Applications Filed

Filed Date - All Time

293



Patents Granted

Filed Date - All Time

79



Patents Expired

Expiration Date - All Time

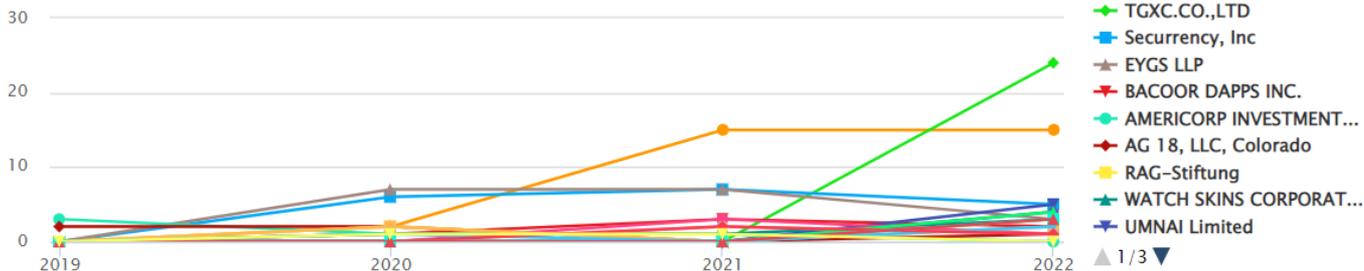
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Trendline All Time ▾ All Patents ▾

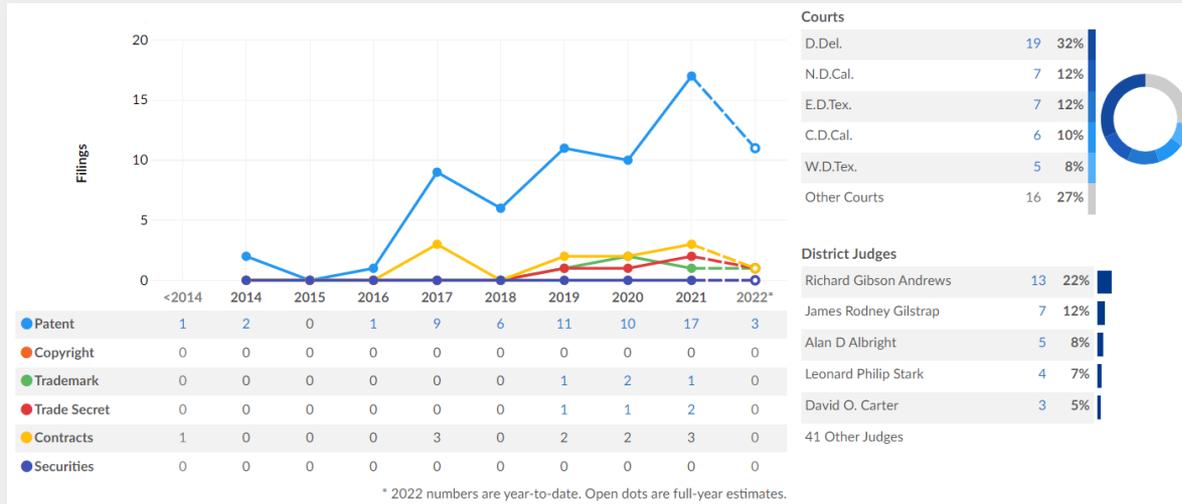


Top 20 Assignees



Litigation Risk – Blockchain and NFTs

- According to Lex Machina's Legal Analytics:
 - Only 60 patent litigations include filings referencing the term “blockchain”
 - Until last week, 0 patent litigations involving or referencing NFTs
- But litigation is increasing ...



Veritaseum Capital, LLC v. Coinbase Global, Inc.

- Filed in Delaware on September 22, 2022

(12) **United States Patent**
Middleton et al.

(10) **Patent No.:** US 11,196,566 B2

(45) **Date of Patent:** Dec. 7, 2021

(54) **DEVICES, SYSTEMS, AND METHODS FOR
FACILITATING LOW TRUST AND ZERO
TRUST VALUE TRANSFERS**

(52) **U.S. CL.**
CPC *H04L 9/3247* (2013.01); *G06Q 20/02*
(2013.01); *G06Q 20/065* (2013.01); *G06Q*
20/10 (2013.01);

- Complaint alleges that validators using Coinbase and “a distributed ledger (i.e. the Bitcoin, Bitcoin Cash, Litecoin, Ethereum and Solana)” infringe the Middleton patent

NEW PTAB Proceeding

Trial	Filed On	Institution Decision	Patent	Application	Petitioners	Patent Owners
PGR2022-00058	2022-08-30	—	11189131	17195732	Forte Labs, Inc.	Pocketful of Quarters, Inc.

(12) **United States Patent**
Weiksner et al.

(10) **Patent No.:** US 11,189,131 B1
(45) **Date of Patent:** Nov. 30, 2021

(54) **SYSTEM AND METHOD FOR BLOCKCHAIN
TOKENS FOR GAMING**

(52) **U.S. CI.**
CPC *G07F 17/3251* (2013.01); *A63F 13/35*
(2014.09); *A63F 13/792* (2014.09); *G06F*
21/10 (2013.01); *G06Q 20/3672* (2013.01);
G06Q 20/3674 (2013.01); *G06Q 20/383*
(2013.01); *G06Q 20/4016* (2013.01); *H04L*
9/0637 (2013.01); *G06Q 30/0271* (2013.01);
H04L 2209/38 (2013.01)

(71) Applicant: **Pocketful of Quarters, Inc.**, Riverside,
CT (US)

(72) Inventors: **George Michael Weiksner**, Riverside,
CT (US); **George Bolden Weiksner**,
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Tello, Trail Manor, TX (US)

(58) **Field of Classification Search**
None
See application file for complete search history.

(73) Assignee: **Pocketful of Quarters, Inc.**, Riverside,
CT (US)

(56) **References Cited**

Due Diligence Difficulty

- As described herein, the term “token” may also include tokens, coins or NFTs (non-fungible tokens), or any digital asset for which at least title, and preferably provenance and chain of title, may be written to a blockchain. US 11,189,131
- Asserted 11,196,566 does not contain “NFT” or “non-fungible token”
 - “digital currency that ... enables processing the transaction between the first client device and second client device without the need for a trusted central authority” equated with Solana’s native token
- Search for “digital asset” or “token” yields too many results

Patent Drafting – Anticipation for Litigation

- **Avoiding Section 101 Issues**

- Focus on technical solutions or improvements to blockchain technology or use of NFTs, the functionality of the computer itself, and/or existing technological processes
 - For example, improvements in encryption or security methods, decentralized computing, transaction speed that build upon basic blockchain concepts
- Claims should not just recite an algorithm or abstract idea for conducting well-known practices (*e.g.*, business practices) using a computer
 - Fundamental economic practices alone are not patentable when implementing using generic software or computer hardware or incorporating conventional blockchain concepts without more
- Where appropriate, incorporate mathematical calculations that cannot practically be performed in the human mind (*e.g.*, novel security/encryption measures)
- The claims should include specific components or steps corresponding to the improvement to technology

Patent Drafting – Anticipation for Litigation

- **Avoiding Section 112 Issues**

- Given the quickly evolving pace of blockchain, cryptocurrency, and NFT technologies, it behooves patent practitioners to provide a full description of the relevant terminology to ensure compliance with both written description and definiteness requirements
 - The specification must include sufficient detail explaining how the improvement is achieved to comply with the written description requirement
 - The specification must also describe the invention in such a way that enables one of skill (*e.g.*, a computer programmer) to make or use the cryptocurrency innovation from the disclosure

Potential Hurdles to Identifying Infringement

- **Difficulty Detecting Infringement**

- Blockchain technologies are typically decentralized, distributed across many network nodes, and used or influenced by many parties
- Some innovations are public-facing, while others will remain buried in backend servers
- Hard to tell how NFT was created

- **Difficulty Identifying the Infringing Actors**

- It may be difficult to identify the parties legally responsible for infringement
 - For example, the liability of members to a decentralized autonomous organization (DAO) remains uncertain for infringing acts of the DOA
 - Components, such as computing nodes, may also be partially located abroad

Agenda



NFT, Web3, and Metaverse Basics



Recent Litigations and Legal Challenges



NFT Patents: Can You, Should You?



Key Considerations

3 Key Patent Takeaways

- **Key Point 1**

- Given the increasing rate of patents and patent applications getting filed in the blockchain/NFT space, litigation will likely pick up significantly

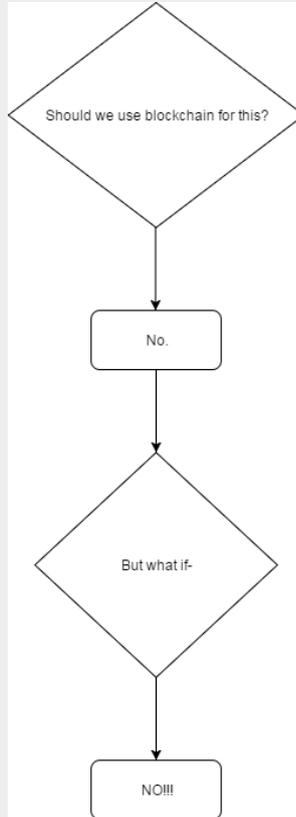
- **Key Point 2**

- To best avoid § 101 hurdles, patent claims directed toward blockchain & NFT technologies must identify a technical problem in the field and a specific technical solution that aims to solve that problem (*i.e.*, **focus on improvements to technology and avoid mere applications of established blockchain and cryptocurrency concepts**)

- **Key Point 3**

- When claim drafting, careful consideration should be given to **where** infringement can be **detected**, which **actors** are most appropriate to target with infringement, and **where** the claims are likely to be **practiced**

Do We Need an NFT?



Do We Need an NFT?

- What are we trying to accomplish?
- Who is our target audience for NFTs?
- How do we want consumers to use NFTs?
- How does the brand benefit?
- How large is the drop (e.g., 10,000)?
- Are we creating a community that will involve continuous consumer engagement?
- Who will manage that community?
- Which additional benefits for the community are we unlocking?
- If it is a one-time drop, what is the point? Is there a charitable purpose?

Rights in Underlying Work

- Is the work preexisting or newly-created?
- Who owns rights in the underlying work?
- Does it require a work-made-for-hire agreement? Copyright assignment? License?
- Preexisting work – is it subject to any agreement from pre-Web3 era? What are the terms?
- Have we cleared all rights?
 - Artwork?
 - Music?
 - Right-of-publicity?
 - Use of any third-party marks?

Which Blockchain Are We Using?

- Ethereum? Flow? Solana?
- Liquidity: Do main marketplaces support it?
- Level of centralization?
- Gas fees?
- Sustainability claims?
- Bridging capabilities?
- Security concerns?

⚡ NFT Collection Rankings by Sales Volume (All-time) [🔗](#) [📄](#)

	Collection	Sales	Buyers	Txns	Owners
1	 Axie Infinity	 \$4,057,261,100 	1,706,422	15,601,331	2,603,863
2	 CryptoPunks	 \$2,190,796,265 	5,431	20,761	3,564
3	 Bored Ape Yacht Club	 \$1,781,953,260 	10,701	27,896	
4	 Art Blocks	 \$1,227,125,866 	28,536	151,712	33,742
5	 Mutant Ape Yacht Club	 \$1,190,047,695 	18,880	34,479	
6	 NBA Top Shot	 \$980,247,238 	425,530	19,014,975	676,285
7	 Azuki	 \$586,189,209 	11,855	25,121	
8	 CloneX	 \$582,989,327 	8,208	15,660	
9	 VeeFriends	 \$530,297,736 	6,065	13,319	
10	 Meebits	 \$448,801,942 	10,143	29,037	

Who Is Developer?

- What is their reputation?
- Have we done our diligence?
 - General reputation in Web3 community
 - Past projects
 - Cybersecurity issues (hacking incidents, flaws in the code)
 - Who is their auditor?
- Developer brand (e.g., Yuga Labs) will often dictate value and success of the drop
- Insurance and indemnity

THE TEAM

BAYC was created by four friends who set out to make some dope apes, test our skills, and try to build something (ridiculous).

GARGAMEL, STARCRAFT OBSESSED. EATS SMURFS.

GORDON GONER, REFORMED LEVERAGE ADDICT.

EMPEROR TOMATO KETCHUP, SPENT ALL THEIR MONEY ON FIRST PRESSES AND PET-NAT.

NO SASS, HERE FOR THE APES. NOT FOR THE SASS.



VERIFIED SMART CONTRACT ADDRESS: [0xBc4CA0EdA7647A8aB7C2061c2E118A18a936f13D](#)

23 March 2022 · 0 min read

Yuga Labs Buys Out CryptoPunks: Bullish or Bearish?



STATE OF THE NATION

Andy8052

Watch later Share

Bankless

APES BUY PUNKS

Scott Lewis

Zeneca_33

Watch on YouTube

What IP Rights, If Any, Is Buyer Getting?

- Default = NFT does not convey IP rights in underlying work
- Which rights do we want to confer to NFT purchaser?
 - Personal use
 - Commercial use
 - Derivative works
 - restrictions on third-party IP incorporated into NFTs
- How do we ensure these license terms travel with NFT?

OWNERSHIP

i. You Own the NFT. Each Bored Ape is an NFT on the Ethereum blockchain. When you purchase an NFT, you own the underlying Bored Ape, the Art, completely. Ownership of the NFT is mediated entirely by the Smart Contract and the Ethereum Network; at no point may we seize, freeze, or otherwise modify the ownership of any Bored Ape.

iii. Commercial Use. Subject to your continued compliance with these Terms, Yuga Labs LLC grants you an unlimited, worldwide license to use, copy, and display the purchased Art for the purpose of creating derivative works based upon the Art ("Commercial Use"). Examples of such Commercial Use would e.g. be the use of the Art to produce and sell merchandise products (T-Shirts etc.) displaying copies of the Art. For the sake of clarity, nothing in this Section will be deemed to restrict you from (i) owning or operating a marketplace that permits the use and sale of Bored Apes generally, provided that the marketplace cryptographically verifies each Bored Ape owner's rights to display the Art for their Bored Ape to ensure that only the actual owner can display the Art; (ii) owning or operating a third party website or application that permits the inclusion, involvement, or participation of Bored Apes generally, provided that the third party website or application cryptographically verifies each Bored Ape owner's rights to display the Art for their Bored Ape to ensure that only the actual owner can display the Art, and provided that the Art is no longer visible once the owner of the Purchased Bored Ape leaves the website/application; or (iii) earning revenue from any of the foregoing.

BAYC

Bored Ape Yacht Club Owner Uses IP Ownership Rights to Open Restaurant

Dubbed "Bored & Hungry."



NEWS

Meet the Bored Ape Yacht Club Band at Universal Music Group

BY ANNA CHAN • NOVEMBER 12, 2021

The **Bored Ape Yacht Club** is about to rock the metaverse. Universal Music Group announced on Thursday, Nov. 11, that four characters from the influential NFT project are now a band called Kingship.

The group — which consists of a Mutant Ape and three Bored Apes — is part of UMG's imprint **10:22PM**, a web3 label. The Apes are from the collection of influential collector Jimmy McNeils.

04-13-22 | FINANCING THE FUTURE

Why Coinbase is making a crowdsourced film trilogy with Bored Ape Yacht Club

The crypto exchange is asking Bored Ape Yacht Club members to submit their apes and ideas for a film series to be made over the next year.



EGAN

NBA Top Shot



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(vii) *Third Party IP.* If the Art associated with your Purchased Moment contains Third Party IP (e.g., licensed intellectual property from the NBA or an NBA player), you understand and agree as follows: (a) that you will not have the right to use such Third Party IP in any way except as incorporated in the Art, and subject to the license and restrictions contained herein; (b) that, depending on the nature of the license granted from the owner of the Third Party IP, we may need to (and reserve every right to) pass through additional restrictions on your ability to use the Art; and (c) to the extent that we inform you of such additional restrictions in writing, you will be responsible for complying with all such restrictions from the date that you receive the notice, and that failure to do so will be deemed a breach of the license contained in this Section 4.

(viii) *Other Terms of License.* The license granted in Section 4(v) above applies only to the extent that you continue to Own the applicable Purchased Moment. If at any time you sell, swap, donate, give away, transfer, or otherwise dispose of your Purchased Moment for any reason, the license granted in Section 4(v) will immediately expire with respect to that Moment without the requirement of notice, and you will have no further rights in or to the Art for that Moment. The restrictions in Sections 4(vii) and 4(viii) will survive the expiration or termination of these Terms.

What Will the Smart Contract Say?

- Royalty payments (including % reverting back to originator)
- Block transfer (e.g., limit to original wallet)?
- Immutability: Can the contract be changed in the future (multi-sig (e.g., 50% owners to approve amendment to contract))?
- Who can burn the NFT (owner, originator)?
- Can include in Solidity comments whether IP rights transfer with NFTs
- Are we using auditor to ensure accuracy and security?

The screenshot shows the Etherscan website interface. At the top, it displays the Etherscan logo and navigation links. Below that, there's a search bar and a filter dropdown. The main content area shows the contract details for "Contract 0xBc4cA0EdA7647A8aB7C2061c2E118A18a936f13D". The contract is identified as "Bored Ape Yacht Club: BAYC Token". There are buttons for "Buy", "Exchange", "Earn", and "Gaming". Below this, there's a "Contract Overview" section with fields for "Balance" (0 Ether), "Ether Value" (\$0.00), and "Token" (\$764.00). To the right, there's a "More Info" section with fields for "My Name Tag" (Not Available), "Contract Creator" (0xaba7161a7fb69c88e1...), and "Token Tracker" (BoredApeYachtClub (BAYC)).

```
Contract Source Code (Solidity)
1- /**
2-  *Submitted for verification at Etherscan.io on 2021-04-22
3-  */
4-
5- // File: @openzeppelin/contracts/utils/Context.sol
6-
7- // SPDX-License-Identifier: MIT
8-
9- pragma solidity >=0.6.0 <0.8.0;
10-
11- /*
12-  * @dev Provides information about the current execution context, including the
13-  * sender of the transaction and its data. While these are generally available
14-  * via msg.sender and msg.data, they should not be accessed in such a direct
15-  * manner, since when dealing with GSN meta-transactions the account sending and
16-  * paying for execution may not be the actual sender (as far as an application
17-  * is concerned).
18-  *
19-  * This contract is only required for intermediate, library-like contracts.
20-  */
21- abstract contract Context {
22-     function _msgSender() internal view virtual returns (address payable) {
23-     }
24-     return msg.sender;
25- }
```

Other Terms and Conditions

- Users responsible for safety of crypto wallets and private keys
- Crypto is volatile so are gas fees
- Consumer solely responsible for gas fees and any taxes
- Value is subjective
- No guarantee NFT will increase in value
- Smart contract runs on blockchain: likely no ability to undo, reverse, or restore any transactions
- Do you include arbitration provision?
- Are minors involved who can easily disaffirm?
- Can terms and conditions [travel with resale](#) of NFT?

Other Considerations

- Are we collecting any data (e.g., crypto wallet information; device information; location data; usage patterns)? Who is storing it, where, and for how long?
 - Compliance with CCPA, CPRA, GDPR, and other laws
 - Data ethics risk assessment
- Promotions on other platforms?
- Has the brand been warned that the nature of technology likely precludes takedowns/reversing of drop or any transactions?
- Are we using influencers?
 - Have they received NFTs for free via airdrop or other means?
 - Do we have permissions to use their name and likeness in all media?
 - Will they participate in metaverse activities and are there sufficient disclosures of material connection to the brand?

Consumer Warnings

FREQUENTLY ASKED QUESTIONS

⚠ Stay safe

1. **Never** share your private key or seed phrase with anybody.
2. **Never** click links sent to you via direct messages on Discord, Twitter, or other channels.
3. **Never** connect your wallet/Metamask to websites sent to you directly.
4. adidas, gmoney, Pixel Vault, Bored Ape Yacht Club, or any other partner will **never** contact you directly to offer support.
5. **Never** buy NFTs that appear to be in the adidasOriginals OpenSea collection, except for the official NFT.
6. **Only** trust official information published on this website or in the #announcements channel on the official Discord server.
7. **Only** buy or sell *Into the Metaverse* NFTs on the official OpenSea collection.

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Questions?

Your Presenters



Anna Naydonov is a partner in our D.C. office

Anna, co-leader of the firm's litigation section, focuses on trademark and false advertising litigation. She routinely litigates high-stakes cases for some of the world's most renowned brands before federal trial and appellate courts and the Trademark Trial and Appeal Board (TTAB) of the U.S. Patent and Trademark Office (USPTO). Anna has worked on winning appellate briefs, requests for injunctive relief, class certification briefs, and she has represented clients in jury and TTAB trials.

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Linda Thayer is a partner in our Boston office

Linda Thayer is a unicorn among intellectual property attorneys, a blend of experienced litigator and patent portfolio strategist, with deep knowledge in both patent law and multiple complex technologies. She excels at guiding high tech clients in developing strong intellectual property portfolios and defending their patent assets before the Patent Trial and Appeal Board (PTAB) and in federal courts.

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