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Digital Fashion and Brand Protection: Leveraging Copyright, Trademark, and Trade Dress; NFTs; Ownership Challenges

TUESDAY, JUNE 21, 2022

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

Today's faculty features:

Brian W. Brokate, Partner, **Gibney Anthony & Flaherty**, New York

James G. Gatto, Blockchain & Fintech Team Leader, **Sheppard Mullin**, Washington, D.C.

Carolyn W. Martin, Senior Counsel, **Lutzker & Lutzker LLP**, Washington, D.C.

Theodore C. Max, Partner, **Sheppard Mullin**, New York

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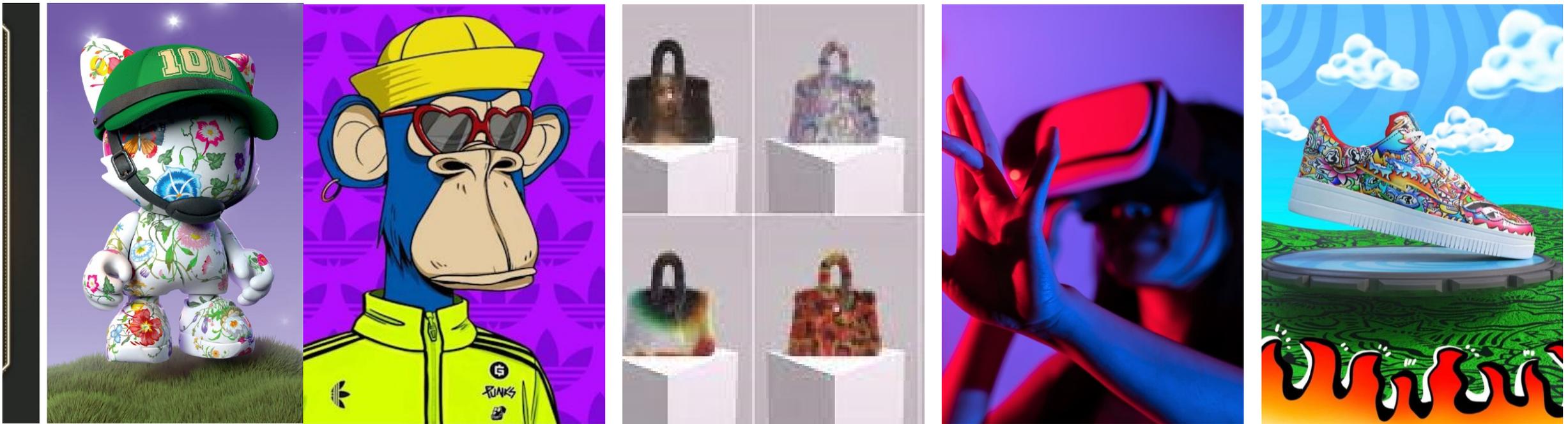
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Digital Fashion and Brand Protection: Leveraging Copyright, Trademark, and Trade Dress; NFTs and Protecting IP in the Metaverse

Speakers:

Brian W. Brokate, James G. Gatto, Carolyn W. Martin and Theodore C. Max

Your Panel of Experts:

Brian W. Brokate
Gibney Anthony & Flaherty
bwbrokate@gibney.com

James G. Gatto
Sheppard Mullin
jgatto@sheppardmullin.com

Carolyn W. Martin
Lutzker & Lutzker
carolyn@lutzker.com

Theodore C. Max
Sheppard Mullin Richter & Hampton
tmax@sheppardmullin.com



Background

Brian Brokate is the head of Gibney's Intellectual Property Practice Group. He guides emerging businesses and leading global brands in developing comprehensive intellectual property protection programs. He designs proactive brand protection strategies to secure their intellectual property in the United States and abroad and help advance their business goals. His work includes enforcement procedures to combat trademark and copyright infringement, civil anti-counterfeiting and infringement litigation and state and federal criminal actions.

He has helped brands to address the rise of counterfeiting during the pandemic, including establishing enforcement priorities, recommending cost-effective protection strategies and working closely with US Customs and Border Protection.

Brian is increasingly partnering with brands to develop enforcement strategies with respect to NFTs and intellectual property in the metaverse and creating proactive legal strategies to assist clients' with business goals in this growing area. Brian has been recognized as an industry leader in publications including *World Trademark Review* and *IP Stars*, and he is frequently quoted on trends in intellectual property law. He is a frequent speaker and author, focusing on intellectual property rights and anticounterfeiting enforcement, as well as trade dress trends and protection best practices.

Background



James Gatto

J.D., Georgetown University
Law Center, 1988

B.E., Electrical Engineering
(Physics minor), Manhattan
College, 1984

Former U.S. Patent Examiner

[bio](#)

Blockchain & Fintech Team Leader Games Team Leader Open Source Team leader

- **35 years** of experience focused on all aspects of intellectual property, open source, internet and technology law especially ones driven by **new business models and/or disruptive technology**
- Heavy focus on **interactive entertainment** (games, AR, VR, fantasy sports, esports) **blockchain, blockchain games, cryptocurrency/NFTs, digital art and online gambling**
- Advises clients on IP strategies, game development and publishing agreements, licensing and technology transaction agreements, regulatory issues (securities, gambling, AML) and technology litigation

Recent Honors

[Cryptocurrency, Blockchain and Fintech Trailblazer](#), The National Law Journal
[Go-To Thought Leadership Award for Blockchain Technology Law](#), National Law Review
Top Rated Lawyer, Martindale-Hubbell AV Preeminent®

Best Lawyers (2021) Patent Law
Super Lawyers



Background

Carolyn Wimbley Martin is Senior Counsel at Lutzker & Lutzker, LLP in Washington, D.C. She has over 40 years of experience as an attorney, beginning at Dow, Lohnes & Albertson and then as in-house counsel for Gannett Co., Inc., focusing on intellectual property, communications, venture capital and mergers and acquisitions. She then transitioned to corporate roles where she helped build the USA TODAY brand and introduced over 50 new market-driven products in education, print, electronic publishing and merchandising. For approximately 30 years, Ms. Martin has been an Adjunct Professor of Intellectual Property, Media and Internet Law, as well as Intellectual Property Management and Strategic Planning. Ms. Martin also co-founded Giving Tree Group, LLC, a brand-building and intellectual property development consulting firm. She has served on the boards of numerous technology startups, arts and educational organizations. Ms. Martin has spoken internationally and authored numerous articles, primarily on the intersection of IP law and emerging technologies.

Harvard Law School, J.D. (1981)

Duke University, B.A. Public Policy and Psychology (1977, cum laude, Angier B. Duke Scholar)

For more details, see [Carolyn Wimbley Martin Senior Counsel Lutzker & Lutzker Washington DC](#).



Background

Theodore C. Max

J.D., New York University
School of Law, 1983

B.A., Hobart College, 1980,
summa cum laude, high honors

Mr. Max is a member of the Entertainment, Technology and Advertising and Intellectual Property practice groups in the New York office, where he focuses on counseling clients on intellectual property issues and litigation. He is an AV Preeminent[®] Martindale-Hubbell[®]-rated attorney and leader of Sheppard Mullin's Fashion, Apparel and Beauty team and has been recognized by *World Trademark Review*, *IP Stars* and as a Super Lawyer. Mr. Max combines his skill and experience as a trial attorney with his extensive knowledge of and experience with copyright, trademark and intellectual property law in servicing the firm's diverse clientele in a wide variety of industries, including fashion, retail, consumer goods, advertising, entertainment, hospitality, food and beverage, sports and technology. A former Editor-in-Chief of the INTA's *Trademark Reporter*[®], Mr. Max counsels and has litigated numerous cases on cutting edge copyright and trademark issues. He also assists clients in identifying, protecting and preserving their intellectual property assets, including seeking registration of rights in the United States and internationally and taking action against infringements of copyrights, trademarks and trade dress, and monetizing such rights through licensing, co-branding and the sale and disposition of such assets. He also has experience developing and implementing anti-counterfeiting programs and pursuing civil and criminal enforcement remedies.

What Is An Non-Fungible Token (“NFT”)?

- **What is an NFT?** An NFT is a unique digital identifier that uses blockchain technology to authenticate and track ownership of an associated digital asset. The digital asset, which may be a digital work of art or a short video clip might be freely available online at an Internet platform, but because NFTs are by definition non-fungible, the ownership of the asset can lie with only one person at a time, creating value based upon exclusivity. They can be transferred on a blockchain.
- **What is the impact of NFTs?** Non-fungible tokens have become a major economic and cultural force with total sales exceeding \$24.9 billion in 2021.
- **How are NFTs used in the fashion industry?** With NFTs, fashion brands can give customers tokens for early access to new products, discounts, admission to exclusive events and private communities, and much more. Dolce & Gabbana debuted its NFT collection in 2021, Collezione Genesi, which has physical, digital, and experiential value.



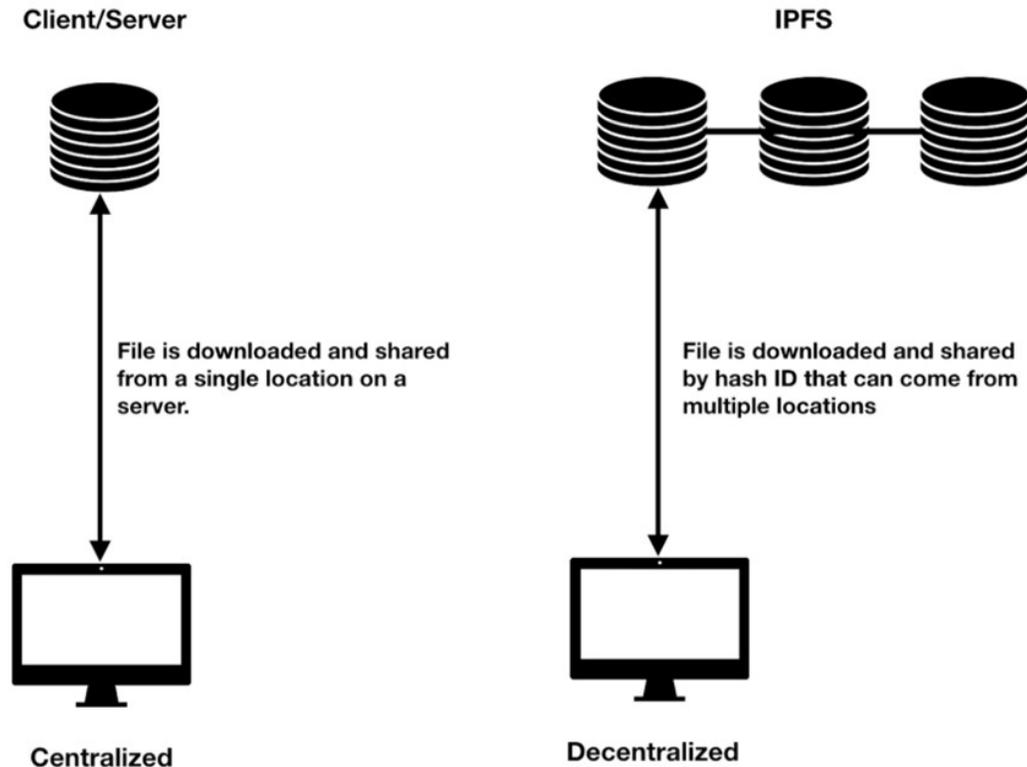
NFT Basic Concepts

- **Token:** A Token is “minted” by a “smart contract” and has: (i) Token ID and contract address and (ii) “metadata” including image, description, royalty, reference to an asset or entitlement, the location of or other reference to a file, if it is a digital asset;
- **Token Ownership:** Token ID associated with a wallet ID recorded on a blockchain; and
- **Smart Contract:** This is a computer code (not a legal contract) that creates the token and manages resale. A smart contract can be programmed to pay a royalty to IP owner with each resale of the NFT.



NFT File Storage

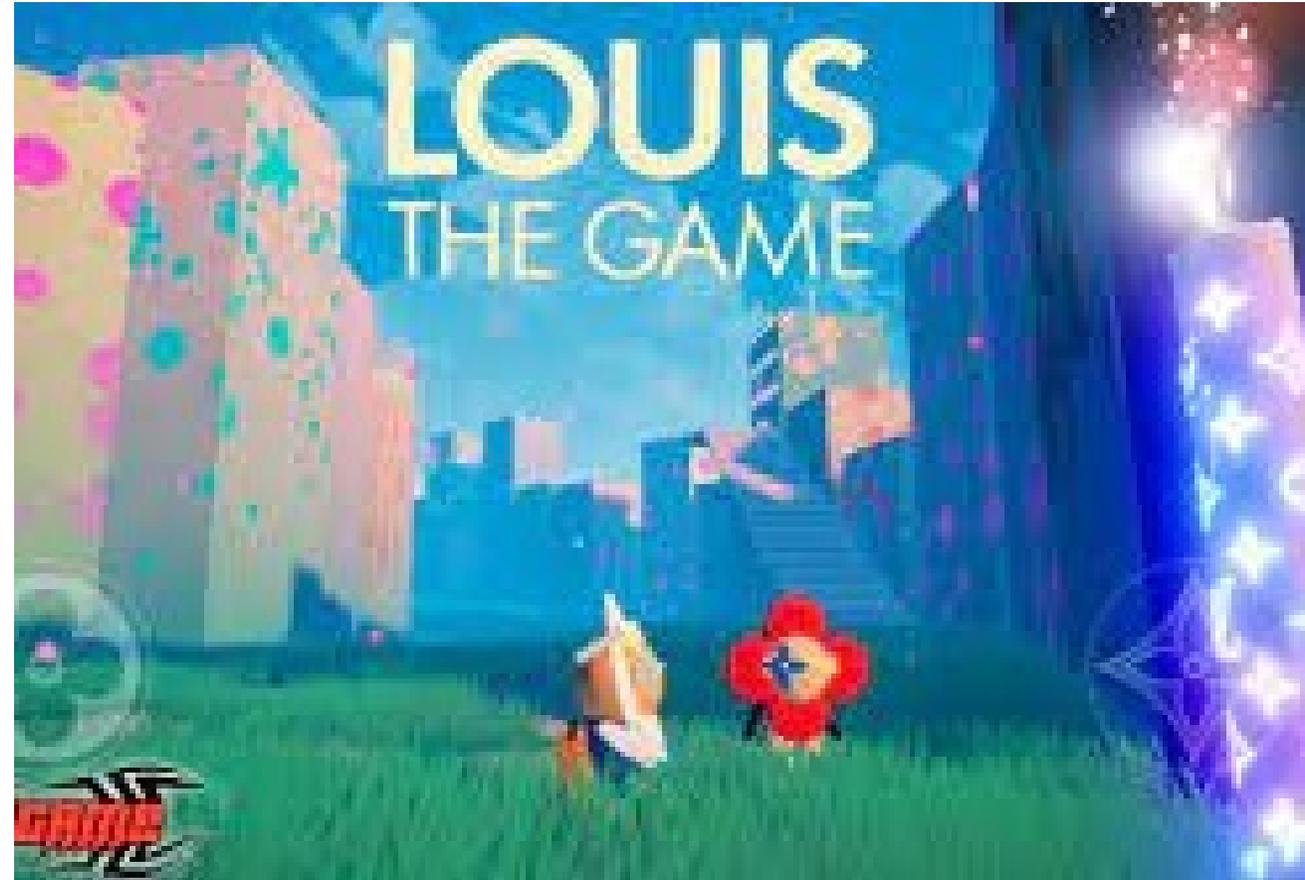
Creator needs to store file somewhere



- Digital Asset typically not Stored on blockchain
 - Central server
 - Decentralized storage (e..g, IPFS)
- NFT Metadata includes reference to file storage
 - URI – uniform resource identifier
 - URL – file location
 - CID – content identifier
 - Other

What types of NFTs Are Being Mined?

- Art, Music and Movies;
- Virtual items in the metaverse, including avatars, fashion accessories and designs, gaming art and components;
- Collectibles such as exclusive digital trading items, music and video recordings, gaming and highlights, etc.;
- Entitlements to something of value such as exclusive access to games, events or content or subscriptions; and
- Physical objects such as real estate, artwork or collectibles.



Under Armour Steph Curry 3 Point Record NFT



Purchase of an NFT collectable, entitled owners to additional versions useable in different metaverses



Under Armour Steph Curry 3 Point Record NFT Replicas



Gala Games

Will you play the game or will you change the game in your Gala Genesis Curry Flow shoes?



The Sandbox

Play in the Sand or dominate the paint in your Sandbox Genesis Curry Flow sneakers.



Decentraland

Change the game for good in the Decentraland Genesis Curry Flow sneakers.



Is the Past Prologue in the Metaverse?

Vogue Italia 05/04/2011 wrote about the demise of Second Life (“SL”):

“Signing up to Second Life was all the rage: everyone was there, from political parties to designers, nightclubs and newspapers. . . . Then all of a sudden we all stopped going – and no one knows why.

Perhaps we got bored with conversations by keyboard and turning our backs on each other. Perhaps we found it unsettling to be talking to someone and then suddenly see them turn around and ascend skywards because they wanted to change their clothes. . . .

The American Apparel shop has closed, according to the signs outside. Emporio Armani, Calvin Klein, Lacoste, Reebok, Nike: if the brands were ever here, they don’t seem to be here anymore. Versace is a strip of empty lawn, but it seems that the shop never had permission to use the brand name. The Ava Choo boutique sells shoes for more than 100 Linden (the SL currency), but there’s no one in the shop to sell them. We’d stay around, but there’s an unbearable Fausto Papetti track playing, or perhaps it’s one by his American opposite number, Kenny G. . . .

The party is over, or it’s going on somewhere else. We’ve returned to our First Lives.”





How Has The Metaverse Changed in A Decade?

- Gaming is more accessible;
- The virtual world is more interactive and accessible;
- Fashion brands do not need to educate gamers to place value on digital-only products;
- Consumer acceptance and the marketplace for NFTs is much more developed in 2022;
- Burberry's sale of the "Burberry Blanko" character was limited to 750 NFTs and Burberry receives proceeds for every sale and a percentage of every secondary sale among players of Blankos Block Party;
- In contrast, by designing its own game and requiring that consumers download an app, Louis Vuitton has more control over the NFT and restricted trading until January 2022.

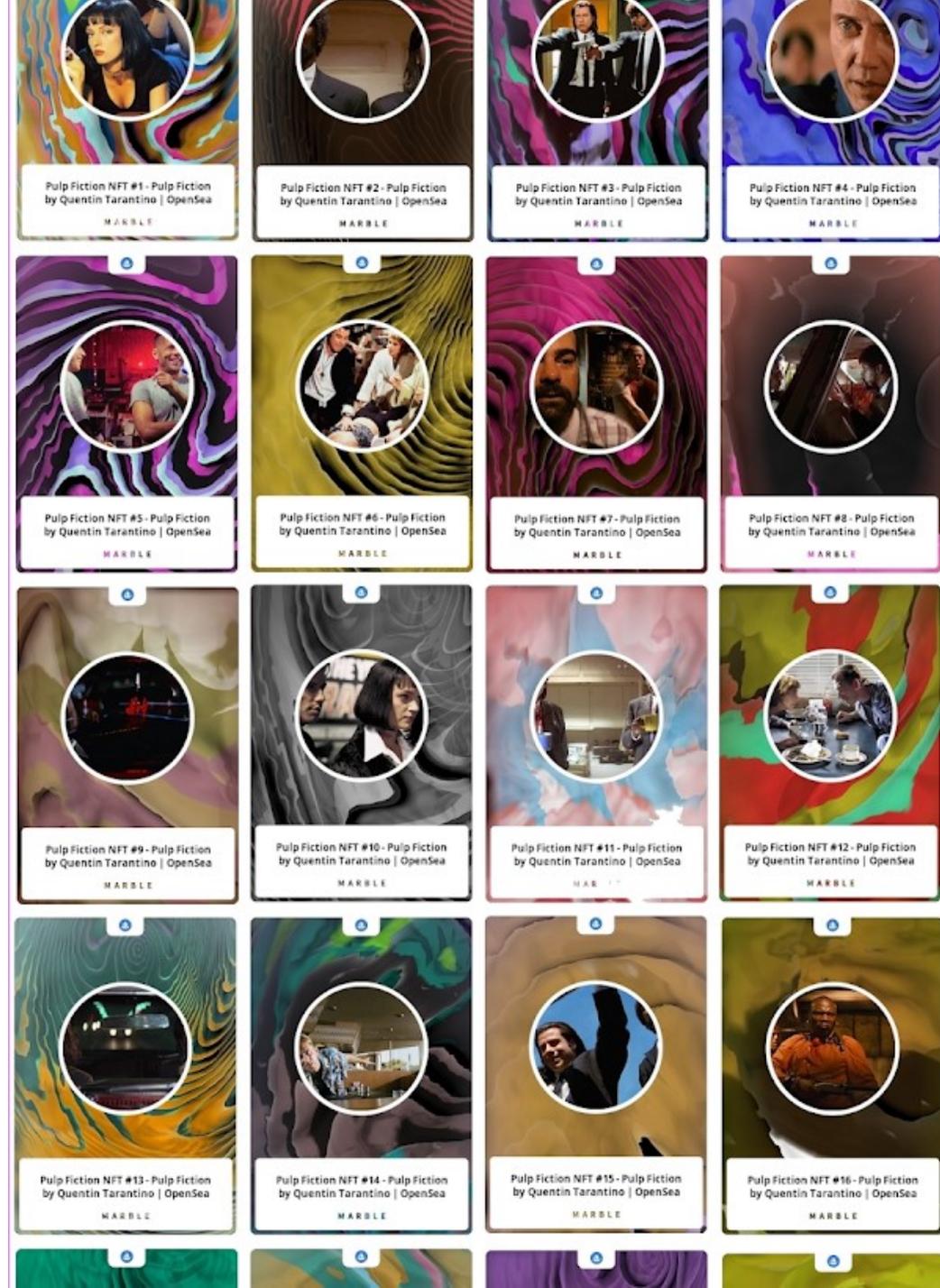
The Metaverse Has Not Changed Rights Clearance

- There is little dispute that, absent a “smart contract” that expressly includes intellectual property rights, purchasing an NFT does not convey any copyright or trademark rights, much like purchasing a painting does not convey any copyright or trademark rights;
- An NFT can be *owned* (and can be bought and sold) but the owner merely has a license to the instance of the digital asset referenced in the token metadata;
- In contrast to a digital asset, a copyright owner retains the rights in the underlying work;
- If one is mining and selling NFTs, one must first clear the rights to mine the digital object as an NFT.



Who Owns the IP?

- Quentin Tarantino's first Pulp Fiction NFT sold for \$1.1 million USD, defying efforts by Miramax, the film studio that produced the 1994 cult classic, to stop its sale.
- The project, called Tarantino NFTs, is offering the original handwritten screenplay from the film broken into several iconic scenes minted as one-of-a-kind NFTs. In collaboration with SCRT Labs, the never-before-seen also come with audio commentary from Tarantino himself explaining the scene's significance.
- Miramax brought a legal action claiming that it owned the intellectual property rights over the content. Miramax's attorneys stated: "Whatever limited rights Mr. Tarantino has to screenplay publication, they do not permit the minting of unique NFTs associated with Miramax's intellectual property, and his contrary position is the subject of a pending lawsuit."



The Metaverse Has Not Changed Rights Clearance

- On 1/21/22, TamarindArt, LLC sued the estate of Maqbool Fida Husain in the SDNY for a declaratory judgment that its NFT project of the deceased artist's mural *Lightning*, which it purchased for \$400,000 did not infringe the Estate's rights; and
- The question is whether the bill of sale granting title to the work and "an exclusive, royalty free, worldwide license. . . to display, market, reproduce and resell all or any part of the artwork, including all intellectual property in respect thereof" and a further agreement that acknowledged "all artworks already purchased or created for Tamarind/affiliates are considered copyright protected property of Tamarind of affiliates" grants the necessary rights to mint NFTs.



Protecting Fashion IP in the Metaverse: Copyright Protection

- The scope of protection afforded to “original works of authorship fixed in any tangible medium of expression” by the *Copyright Act of 1976* does not extend to “[a] ‘useful article’ . . . having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” Copyright protection can be claimed with respect to “any pictorial, graphic, or sculptural authorship that can be identified separately from the utilitarian aspects of an object.” 17 U.S.C. §§ 101-810;
- Copyrights do not require a use in commerce to protect the rights but a copyright registration is needed to file a lawsuit and may provide a basis for statutory damages, attorney’s fees and costs;
- Copyrights which would be useful to protect a brand’s intellectual property in the metaverse and with respect to NFTs would include registering copyrights for: (i) pictorial, graphic, and sculptural works featured on and featuring the designs, depending on level of artistic creativity; (ii) publications or literary works for instructional booklets and warranty cards for the designs; (iii) visual, audiovisual and multimedia works featuring the designs, including photographs of designs used to identify the designs in advertising campaigns, catalogues, sales brochures and online; and
- In addition, if copyrighted photographs or visual works of Rolex watches are used in social media to promote either the platform or its products, this would may also give rise to a claim for copyright infringement, false association and false advertising if these are used by an infringer in social media. In addition, where possible, a brand should continue to feature the brand’s designs in “look for” advertisement in advertising and social media, including advertising directing to consumers who frequent gaming and virtual reality.



DMCA Takedowns: 17 U.S.C. § 512(c)



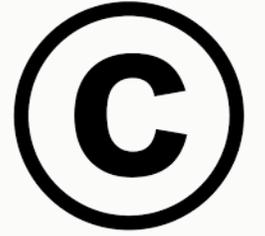
- “A service provider shall not be liable. . . For infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.”
- Takedown notice to NFT marketplace to remove NFT from being offered for sale because of copyright infringement;
- Removing NFT from marketplace does not disable NFT:
 - Centralized storage: Send takedown notice to site operator;
 - Decentralized storage: More complicated and requires multiple notices;
- What are obligations of entity receiving takedown notice? If marketplace provides minting service and permit use of IPFS, is that a network controlled or operated *for service provider?*; and
- The DMCA does not apply to trademarks. That being said, some resale marketplace website “Terms and Conditions” prohibit violation of intellectual property rights, including copyrights and trademarks.

DMCA Takedowns: 17 U.S.C. § 512(c)



- IPFS allows one to delete the file but one needs to do so on all nodes hosting the file;
- If nodes are not in one's control, one can follow the following published process:
 - (1) Monitor ipfs dht findprovs <a file you want to delete>;
 - (2) Find all peers hosting the file;
 - (3) For each peer, find their IP with ipfs dht findpeer <Peer ID>;and
 - (4) Use a database like WHOIS or BGP to find the Internet Service Provider ("ISP") and send ISP a takedown notice
- In certain cases, the IPFS gateways may have DMCA agents and policies.

DMCA Takedowns: 17 U.S.C. § 512(c)



- How are NFT Takedowns different from other DMCA Takedowns?
- The process of giving a DMCA Takedown or bringing a copyright lawsuit is not made easier by minting an NFT;
- Ownership of an NFT alone does not give the NFT owner the right to issue a DMCA Takedown;
- Section 204(a) of the Copyright Act provides that a copyright license need not require written and signed contract but transfer of copyright ownership does;
- How do you deal with jurisdiction of the NFT marketplace?
- Will *Tiffany v. eBay* apply to NFTs?; and
- What are the best practices in terms of a DMCA takedown strategy for NFTs?

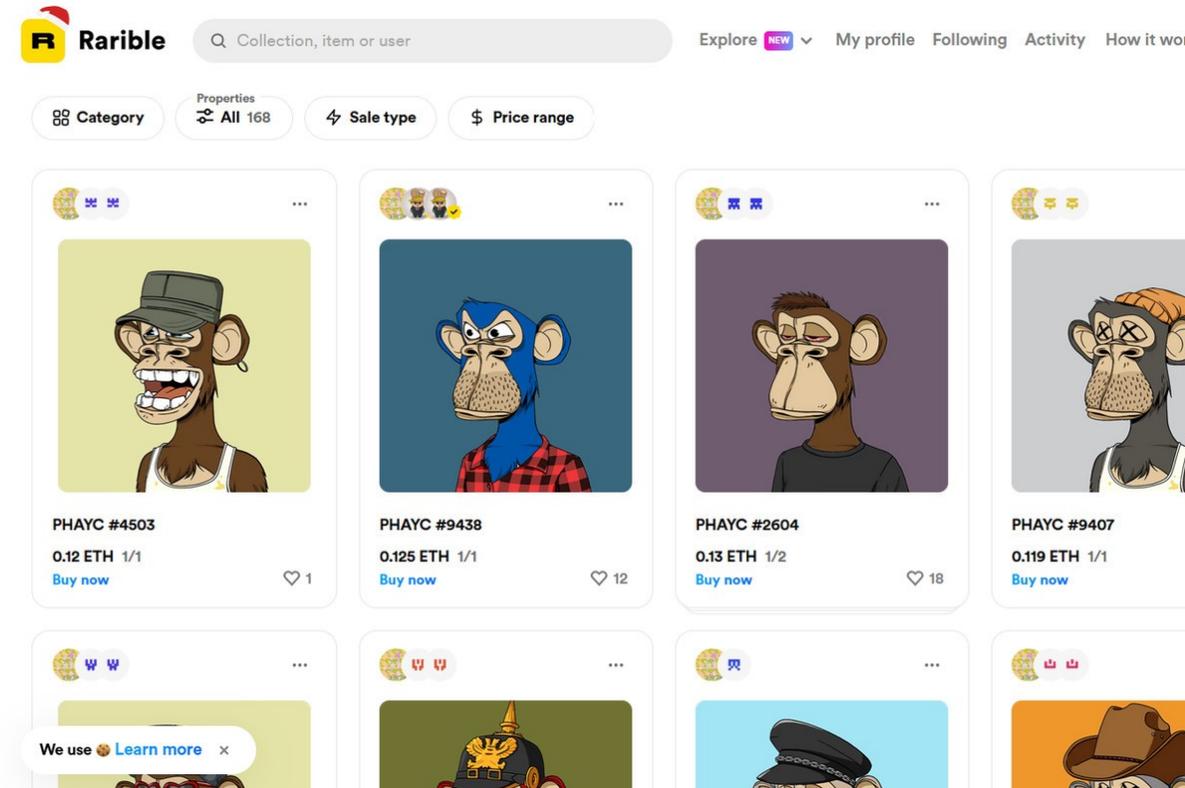


**This artwork has received a
DMCA takedown notice.**

Complaint submitted by

Copyright Protection: PHAYC and PAYC –w- BAYC

- In recent months, NFT enthusiasts have been debating two contentious clone NFT projects called PHAYC and PAYC (Phunky Ape Yacht Club). The two projects debuted slightly changed or mirrored imitation versions of Bored Ape Yacht Club (BAYC) NFTs;
- The original BAYC artwork was copyrighted by Yuga Labs, the designers of BAYC. Yuga Labs may take legal action and submit a DMCA claim;
- PAYC and PHAYC were removed from NFT marketplace OpenSea apparently for violating its rules against copyright infringement. (PAYC was also removed from competing markets Rarible and Mintable);
- To date, the most popular NFT collections in terms of volume have been CP and BAYC. While CP had a total volume of \$2.98 billion, the original BAYC NFT collection had a volume of \$1.04 billion.



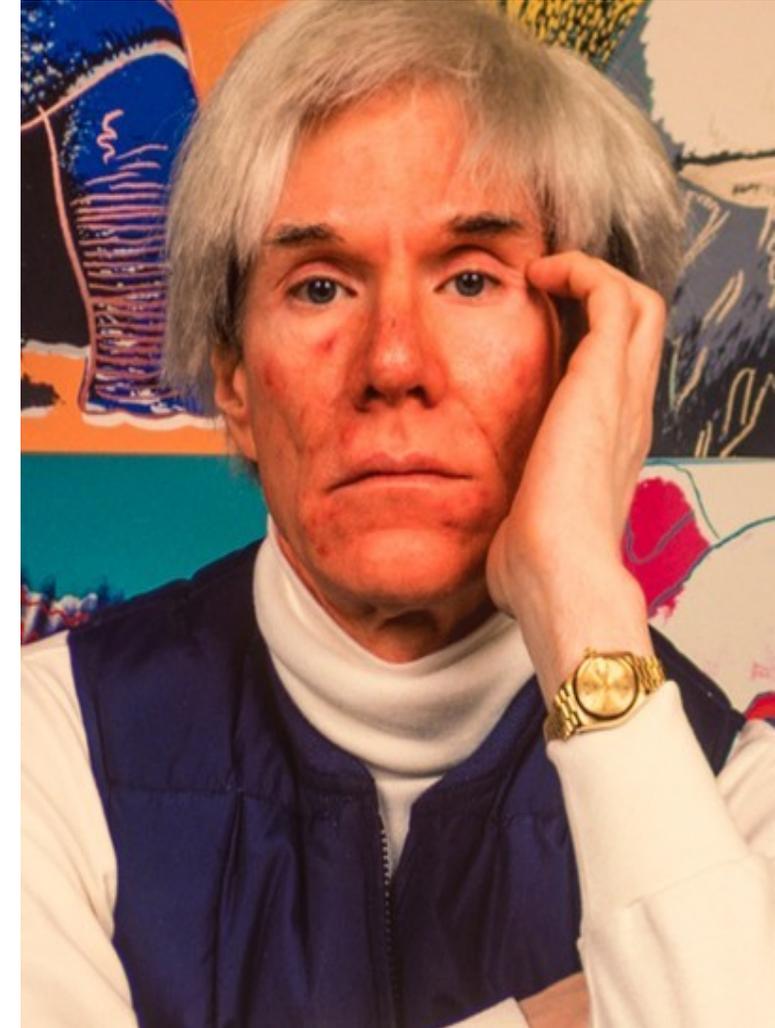
Copyright Protection: *The Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*

- Defendant Lynn Goldsmith sent a cease and desist letter to The Warhol Foundation claiming it had infringed her copyright in photographs she of the performer formally known as Prince in 1981 for *Newsweek* but never published;
- The Warhol Foundation filed suit against Goldsmith seeking a declaratory judgment of non-infringement, on the basis that the works are not substantially similar or alternatively “fair use.”
- The district court held that reproductions of Andy Warhol’s silk screen paintings and drawings based upon a famous photographer’s portrait of the musician Prince constituted fair use because they were transformative, despite arguably minimal modifications to the original photograph.



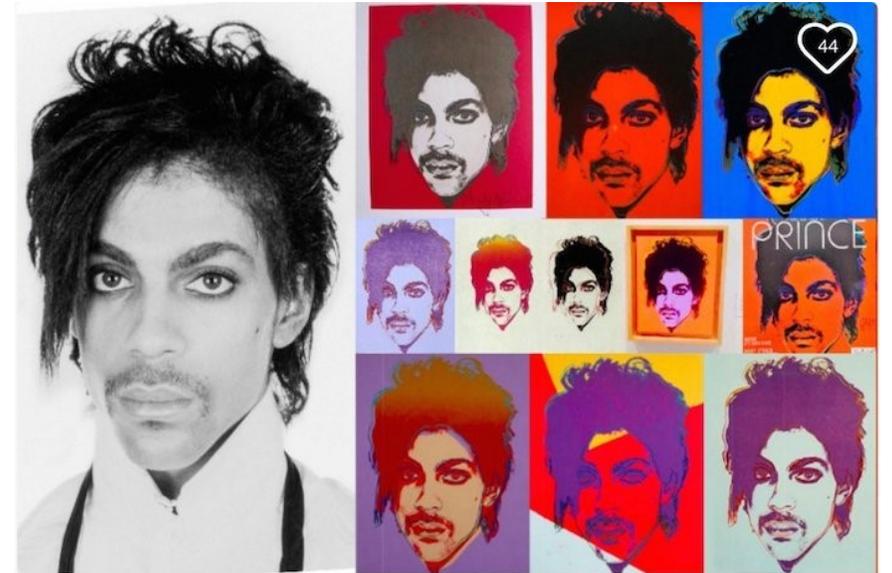
Copyright Protection: *The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith*

- The Second Circuit reversed, finding that all four of the statutory fair use factors favored Goldsmith;
- The panel in *Warhol* held that the district court had incorrectly read *Cariou* as announcing a "bright line rule" that a secondary work was transformative as a matter of law when it adds a new aesthetic or new expression to its source material. While acknowledging that "the alteration of an original work with new expression, meaning, or message ... is the *sine qua non* of transformativeness," the court held that "it does not follow ... that *any* secondary work that adds a new aesthetic or new expression to its source material is necessarily transformative." Such an interpretation was overbroad and runs the risk of trampling upon the original artist's exclusive right to create derivative works;
- Reviewing prior cases, including *Koons* and *Cariou*, the Second Circuit noted: "'A common thread running through these cases is that, where a secondary work does not obviously comment on or relate back to the original or use the original for a purpose other than that for which it was created, the bare assertion of a 'higher or different artistic use,' *Rogers*, 960 F.2d at 310, is insufficient to render a work transformative. Rather, the secondary work itself must reasonably be perceived as embodying an ***entirely distinct artistic purpose***, one that conveys a "new meaning or message" ***entirely separate from its source material***. While we cannot, nor do we attempt to, catalog all of the ways in which an artist may achieve that end, we note that the works that have done so thus far have themselves been ***distinct works of art that draw from numerous sources, rather than works that simply alter or recast a single work with a new aesthetic.***"



Copyright Protection: *The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith*

- Following the Supreme Court decision in *Google LLC v. Oracle America* in 2021, the Second Circuit withdrew its March 26th opinion and issued a (slightly) amended opinion.
- On March 28, 2022, the US Supreme Court granted *certiorari* in *Andy Warhol Foundation, Inc. v. Goldsmith*. The Andy Warhol Foundation’s petition presented the question of whether a work of art is "transformative" for purposes of a fair use defense under the Copyright Act (17 U.S.C. § 107), "when it conveys a different meaning or message from its source material. . . .“;
- In its *cert* petition, filed in December 2021, the Andy Warhol Foundation told the Court that “the Second Circuit’s decision...creates a circuit split and casts a cloud of legal uncertainty over an entire genre of visual art”;
- Could this decision about whether a work of art is “transformative” impact the mining of NFTs as virtual items or collectibles?



Protecting Fashion IP in the Metaverse: Trademark Protection

- Luxury brands are licensing and protecting their trademarks and trade dress for use in the metaverse, either in interactive gaming or virtual reality worlds, or with respect to NFTs as collectibles;
- The International Classes which are most appropriate for NFTs are 9, 35, 41, and 42;
- The following luxury brands have registered trademarks for virtual goods and stores and with respect to the issuance of NFTs: (i) Yves Saint Laurent SAS (International Classes 9, 35, 36, and 41 and 42); (ii) Gianni Versace S.r.l. (International Classes 9, 35, 41 and 42);; and (iii) Bulgari (European Union Intellectual Property Office [“EUIPO”] Classes 9, 14 and 35); and
- Branded products have been used in Virtual Reality (“VR”) and gaming (often offered as “freemiums”) for more than a decade to promote brands and are now being used by Gucci.



Protecting Fashion IP in the Metaverse: Trademark Protection

- **International Class 9**: International Class 9 is mainly for apparatus and instruments for scientific or research purposes and audiovisual and information technology equipment, including goods and services using terms such as “downloadable electronic data files”, “non-fungible tokens”, “digital art” and “downloadable computer software or application software for blockchain-based platforms”;
- **International Class 35**: While International Class 35 primarily covers advertising and business services, it is often also used to register trademarks for the operation of virtual retail stores in the metaverse;
- **International Class 41**: While International Class 41 primarily covers education and entertainment services, it is often also used to register trademarks for virtual goods in the metaverse. For example, Audemars Piguet registered for a trademark in International Class 41 for “entertainment services., namely, providing online, non-downloadable virtual items for use in online virtual worlds created for entertainment process.” International Class 41 covers non-downloadable virtual goods authenticated by NFTs;
- **International Class 42**: While International Class 42 primarily covers technological and scientific services like conducting medical research, it is often also used to register trademarks for services that allow users to create or customize their own NFTs or virtual goods for use in the metaverse. For example, Yves Saint Laurent SAS registered a trademark in International Class 42 “creating and providing custom digital art drawings, animations, and illustrations for others in the form of non-fungible tokens (NFTs),” as well as the “design of virtual fashion”; and
- **International Class 45**: International Class 45 encompasses legal services, security services for the physical protection of tangible assets and other personal and social services rendered by others to meet the needs of individuals.



Protecting Fashion IP in the Metaverse: Trademark Protection

- As can be seen from the recent *Nike v StockX* and *Hermès International et al. v. Mason Rothschild* matters, the existence of competing NFT products featuring protected trademarks and/or trade dress can make a difference in the Lanham Act likelihood of confusion under the Lanham Act and the *Rogers v. Grimaldi* analysis;
- Registration of trademarks affords the trademark proprietor a presumption of a valid trademark, notice of registration to potential infringers, and possibility of trebled damages and counterfeiting claim;
- A consistent trademark strategy to use and exploit its intellectual property in some fashion with regard to NFTs and the metaverse would enhance a brand's protection of its intellectual property rights in the digital field;
- This could take a variety of forms from licensing certain rights for use in virtual fashion worlds or NFTs. With regard to virtual reality, a number of fashion companies have licensed the use of their intellectual property in gaming and virtual reality as a way to expand engagement with younger and more digitally focused consumers and aspirational consumers.

Protecting Fashion IP in the Metaverse: Trademark Protection

- **Trademark Enforcement:**
 - Monitoring unlawful use of trademarks: Internet surveillance services and web crawlers;
 - Notice and takedown strategies;
 - Domain name registration, UDRP enforcement and *Anticybersquatting Consumer Protection Act*, 15 U.S.C. § 1125(d);
 - Cease and desist letters;
 - Litigation options and strategies;



Protecting Fashion IP in the Metaverse: Trademark Protection

- In *Nike v. StockX*, Nike contends that StockX's NFTs are "new virtual products" and that StockX's unauthorized actions constitute trademark infringement and are likely to cause confusion because Nike is a direct competitor since its acquisition of the startup RTFKT Studios in December 2021;
- Nike claims that StockX's claims that its NFTs are "100% authentic" and offer ownership of physical Nike products safely stored in its vault but "do not independently authenticate associated products" are false.
- Nike claimed that StockX's small disclaimer that StockX "does not independently authenticate" conflicts with its "100% Authentic" claim on StockX's product page.



Protecting Fashion IP in the Metaverse: Trademark Protection

- StockX contends that there can be no confusion because its use of the images and descriptions of resale products in connection with its Vault NFTs are “no different than major e-commerce retailers and marketplaces who use images and descriptions of products to sell sneakers and other goods, which consumers see (and are not confused by) every single day”;
- StockX contends that its NFTs are merely traceable digital receipts that can be cashed in for the physical project and the NFT is removed from the blockchain and serve an authentication function;
- Nike notes that one cannot redeem the NFTs for actual shoes, making them less like ownership receipts, and that StockX can nullify the NFTs, which might damage Nike’s reputation.

Collect
What’s Next
StockX NFTs Are Here



StockX



Protecting Fashion IP in the Metaverse:

Trademark Protection: Affirmative Defenses

- **First Sale Doctrine for Trademarks:** The United States District Court for the Southern District of New York in *Chanel, Inc. v. WGACA* noted the first sale doctrine does “applies only where a ‘*purchaser*’ resells a trademarked article [bearing] the producer’s trademark, and nothing more.” As a result, while the first sale doctrine might insulate a reseller from liability for advertising the resale of secondhand Nike shoes, it would not protect a reseller from selling a separate item, such as the NFT;
- **First Sale Doctrine for Copyrights:** With regard to copyrights, the Second Circuit Court of Appeals held in *Capitol Records LLC v. ReDigi Inc.*, 910 F.3d 649 (2d Cir. 2018), held that the first sale doctrine does not apply to the resale of a digital file because: “the embodiment of a digital music file on a new hard disk is a reproduction”;
- **Nominative Fair Use:** As the Second Circuit noted in *Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 156 (2d Cir. 2016), *cert. denied*, 137 S. Ct. 624, 196 L. Ed. 2d 516 (2017), the defense of nominative fair use applies when: (1) the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, the product or service is not readily identifiable without use of the mark; (2) the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) the defendant did nothing that would suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or accurate relationship.



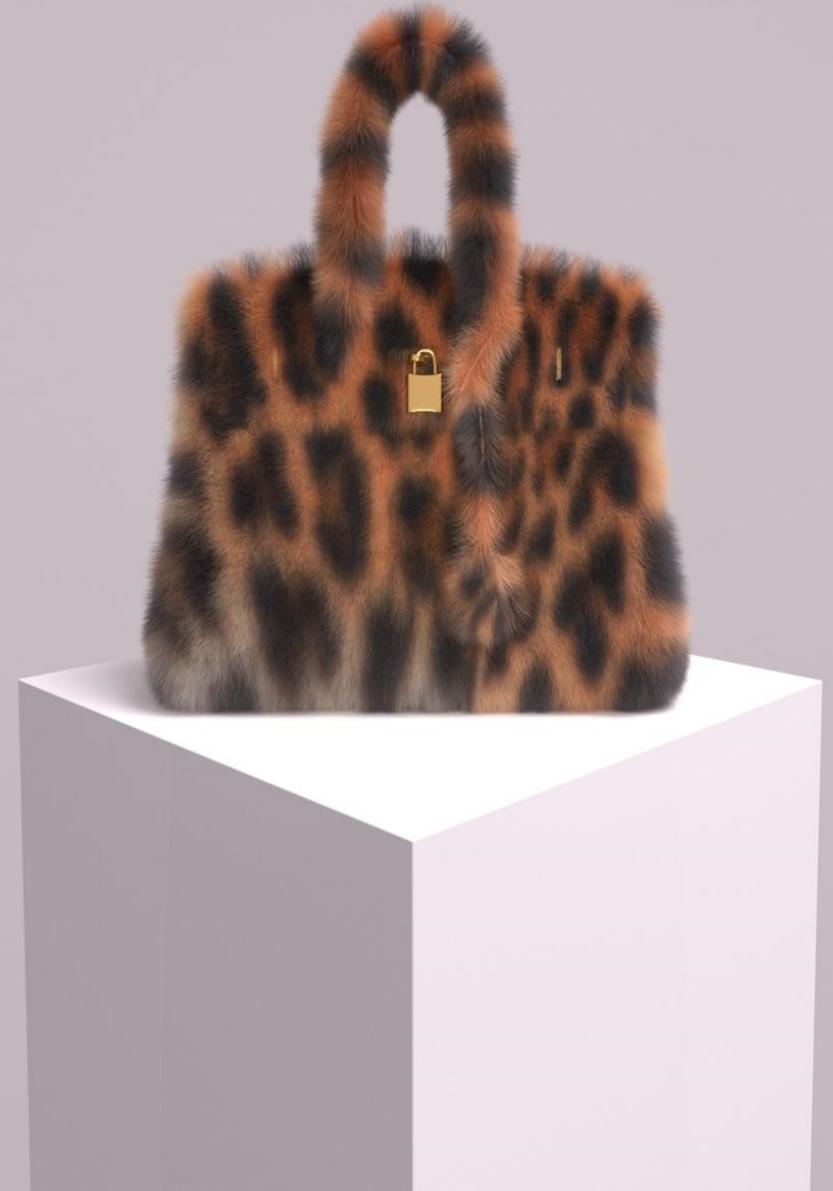
Protecting Fashion IP in the Metaverse: Trademark Protection

- **Nike Adds Counterfeiting and False Advertising Claims;**
- **StockX Responds to Nike's Amended Complaint:** StockX says that it is “no different than major e-commerce retailers and marketplaces who use images and descriptions of products to sell physical sneakers and other goods online, and which consumers see (and are not confused by) every single day” and the Vault NFTs “accurately depict and describe the underlying physical goods that the consumer is purchasing”;
- **How Will Nike v. StockX Impact The NFT Marketplace?**
 - Is There Any Difference Between Resale in the Virtual World and the Real World?;
 - How Does Authentication Differ Between OpenSea Versus eBay?
 - How Does Enforcement Differ Between OpenSea Versus eBay?



Protecting Fashion IP in the Metaverse: Trademark Protection

- The case, *Hermès Int'l. v. Maison Rothschild*, involves the question of whether NFTs of Hermès' iconic Birkin handbags advertised and marketed as "MetaBirkins" are expressive works of art that are protected under the First Amendment under *Rogers v. Grimaldi*;
- Maison Rothschild has argued that his NFTs are commenting upon the use of fur in the fashion industry and that the NFTs are no different from Andy Warhol's famous prints of Campbell's soup cans;
- The artwork image of the Hermès bag is a different type of use than the use of the use of the "MetaBirkin" brand name;
- Maison Rothschild also claims that its online disclaimer and hashtag "NotYourMothersBirkin" are sufficient to prevent any possible likelihood of confusion of affiliation, association, authorization or endorsement with Hermès;



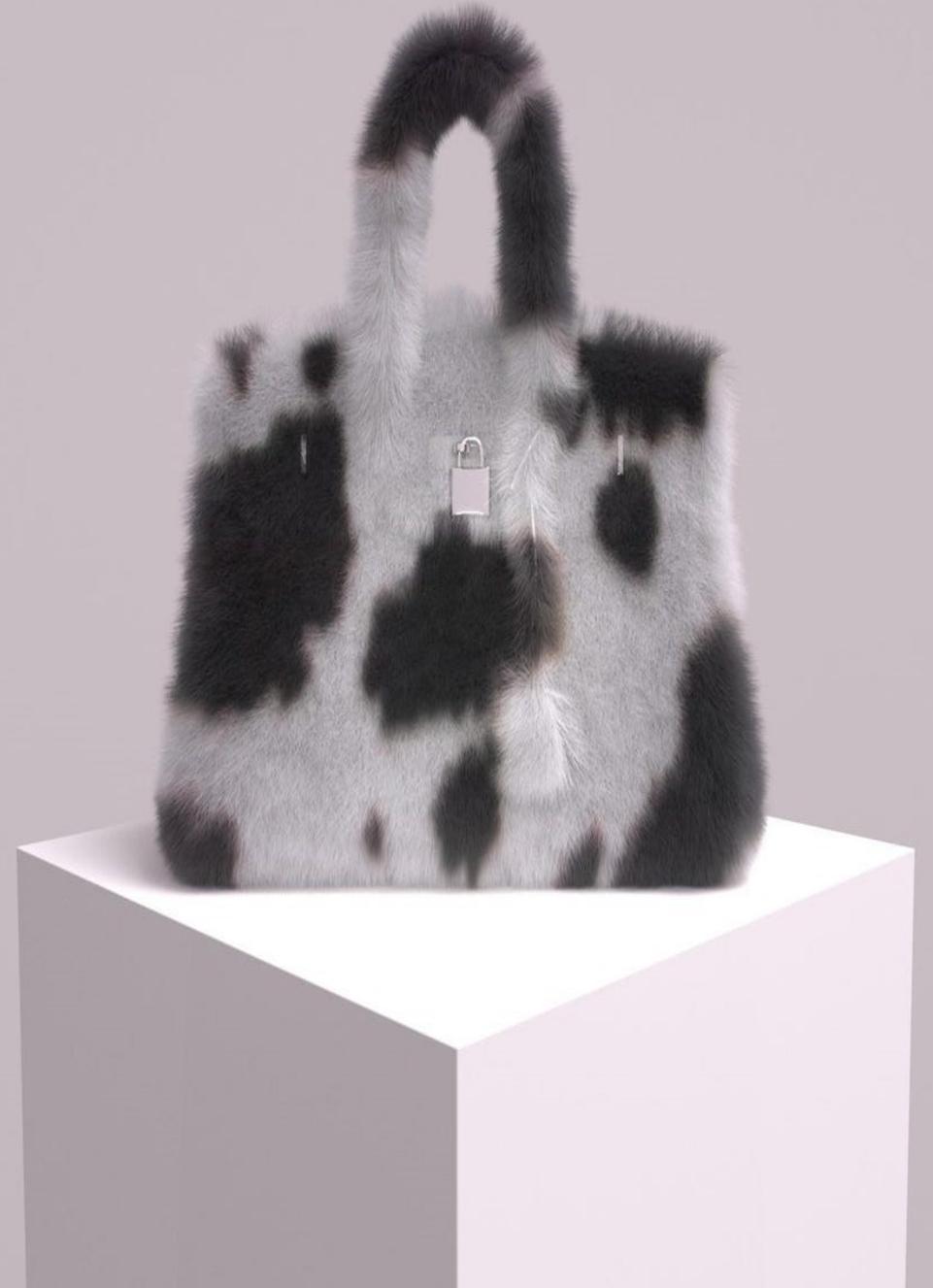
Protecting Fashion IP in the Metaverse: Trademark Protection

- A motion to dismiss the Amended Complaint of Hermès was filed in the United States District Court for the Southern District of New York raising the following questions: (i) Whether NFTs are an expressive work entitled to protection under the First Amendment and *Rogers v. Grimaldi*; and (ii) Even if *Rogers v. Grimaldi* does not apply, whether consumers are likely to be confused and believe that defendant's NFTs are authorized, sponsored or licensed by Hermès so that such NFTs infringe the Hermès trademarks with respect to leather goods because Hermès does not use its trademarks to make NFTs.



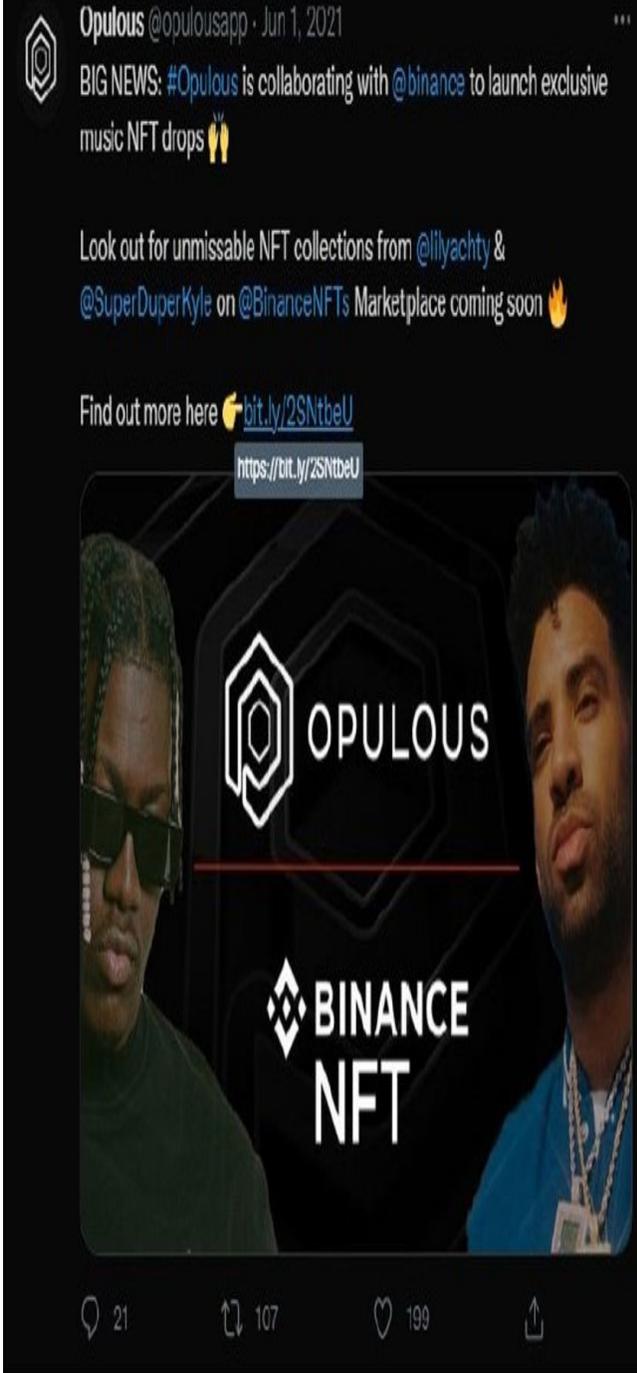
Protecting Fashion IP in the Metaverse: Trademark Protection

- One May 18, 2022, Judge Rakoff's denied defendant Mason Rothschild's motion to dismiss holding: (1) *Rogers v. Grimaldi* test for balancing artistic expression against trademark protection applied but the Court could not resolve the factual disputes regarding the use of "METABIRKINS" trademark and images at the motion to dismiss stage; and (2) while the *Rogers v. Grimaldi* test applied, at least, in part with respect to the accused use of "METABIRKINS", the amended complaint contained "sufficient allegations of explicit misleadingness" either under the *Polaroid* likelihood of confusion or the *Rogers v. Grimaldi* test.
- The Court noted that the NFTs might *not* qualify as artworks "if the NFTs were attached to a digital file of a virtually wearable Birkin handbag, in which case the 'MetaBirkin' mark would refer to a non-speech commercial product (albeit not one that is, as yet, considered ordinary or quotidian)." Judge Rakoff declined to consider that issue for purposes of the motion to dismiss because Hermès only suggested that the artist might in the future sell "virtually wearable 'MetaBirkins.'"
- How critical are the facts to the *Rogers v. Grimaldi* analysis of NFTs?



Protecting Fashion IP in the Metaverse: Rights of Publicity and Privacy

- Lil Yachty, whose real name is Miles Parks McCollum, alleged in a January 2022 complaint that the U.K.-based Ditto Ltd. (“Ditto”) and another company, Opulous, used his likeness and name without his permission to raise over \$6.5 million in venture capital funds for a line of NFTs. The Georgia-raised rapper said he had met with the representatives of Opulous and Ditto in May 2021 to discuss being involved in the inaugural launch of their products and services, but no deal was struck;
- Ditto moved on June 3, 2022 to dismiss Lil Yachty’s lawsuit arguing that Ditto does not have sufficient connections to the California for the court to have jurisdiction. Ditto argued that Lil Yachty did not allege how the social media posts or press release at issue have any connection to California, nor did he allege he suffered any damage in California or that the defendants have had “any contact with California beyond bare legal conclusions”;
- Jurisdictional issues with regard to NFTs are the same issues that arise in anticounterfeiting efforts. The same notice and takedown issues affect NFT mining and the offering and selling of NFTs.

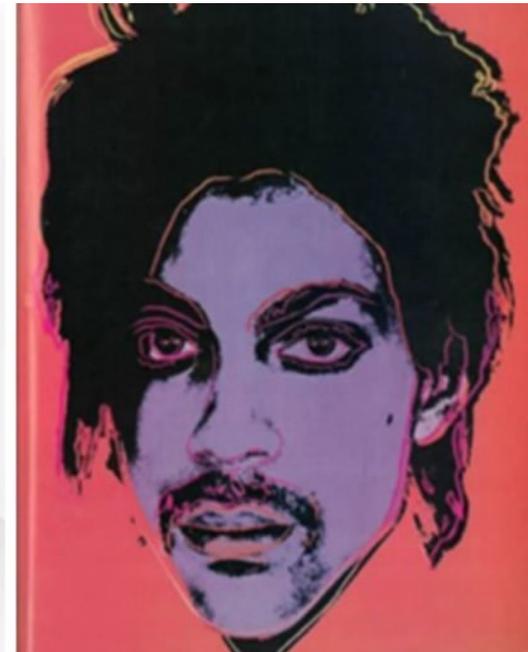


Best Practices for IP Protection in the Metaverse

- Protect Intellectual Property with Registrations;
- Explore Metaverse Transactions to Build Your Brand in a Way Consistent with Your Overall Branding Strategy;
- Monitor Possible Infringements and Metaverse Activity;
- Implement An Effective Notice and Takedown Procedure;
- Take Legal Action Where Necessary But Make Sure You Have Done Your Homework;
- Monitor Key Cases: *Warhol, Nike and Hermes*

Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith

- Defendant Lynn Goldsmith took 11 photographs of Prince at her New York Studio in 1981 for an assignment for *Newsweek* but never published;
- *Vanity Fair* asked for and received a license from Goldsmith to use one of the Prince photographs “for use as an artist reference in connection with an article to be published...”;
- Warhol created a single image which was used in connection with a 1984 article about Prince titled “Purple Fame” for which *Vanity Fair* gave Goldsmith a credit for the “source photograph”; and
- Sometime later, Warhol created the “Prince Series” of 16 images based on the Goldsmith photograph, and sold both originals and copies;
- After *Vanity Fair* published one of the “Prince Series” in connection with a commemorative magazine after Prince’s death, Goldsmith contacted the Warhol Foundation stating that the use had infringed the copyright in her unpublished photographs. The Warhol Foundation filed suit against Goldsmith seeking a declaratory judgement of non-infringement, on the basis that the works are not substantially similar or alternatively “fair use.”
- The district court held that reproductions of Andy Warhol’s silk screen paintings and drawings based upon a famous photographer’s portrait of the musician Prince constituted fair use because they were transformative, despite arguably minimal modifications to the original photograph.



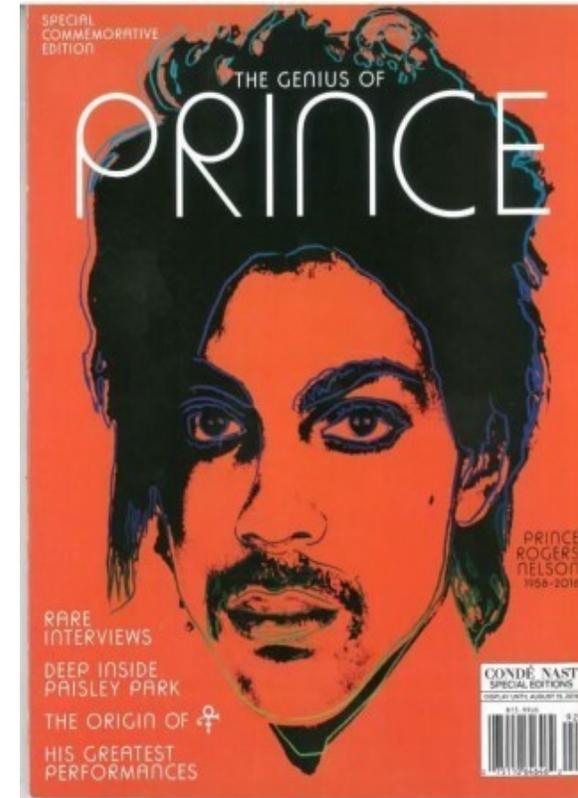
Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith

- “These alterations result in an aesthetic and character different from the original. The Prince Series works can reasonably be perceived to have transformed Prince from a vulnerable, uncomfortable person to an iconic, larger-than-life figure. The humanity Prince embodies in Goldsmith’s photograph is gone. Moreover, each Prince Series work is immediately recognizable as a ‘Warhol’ rather than as a photograph of Prince – in the same way that Warhol’s famous representations of Marilyn Monroe and Mao are recognizable as ‘Warhols,’ not as realistic photographs of those persons.”
- “They add something new to the world of art and the public would be deprived of this contribution if the works could not be distributed. The first fair use factor accordingly weighs strongly in AWF’s favor.”
- “However, the reasons unpublished works enjoy additional protection against fair use – including respect for the author’s choices of when to make a work public and whether to withhold a work to shore up demand– carry little force in this case, where Goldsmith’s photography agency licensed the photograph for use as an artist’s reference. Moreover, this factor is of limited importance because the Prince Series works are transformative works. Therefore, the second fair use factor favors neither party.”



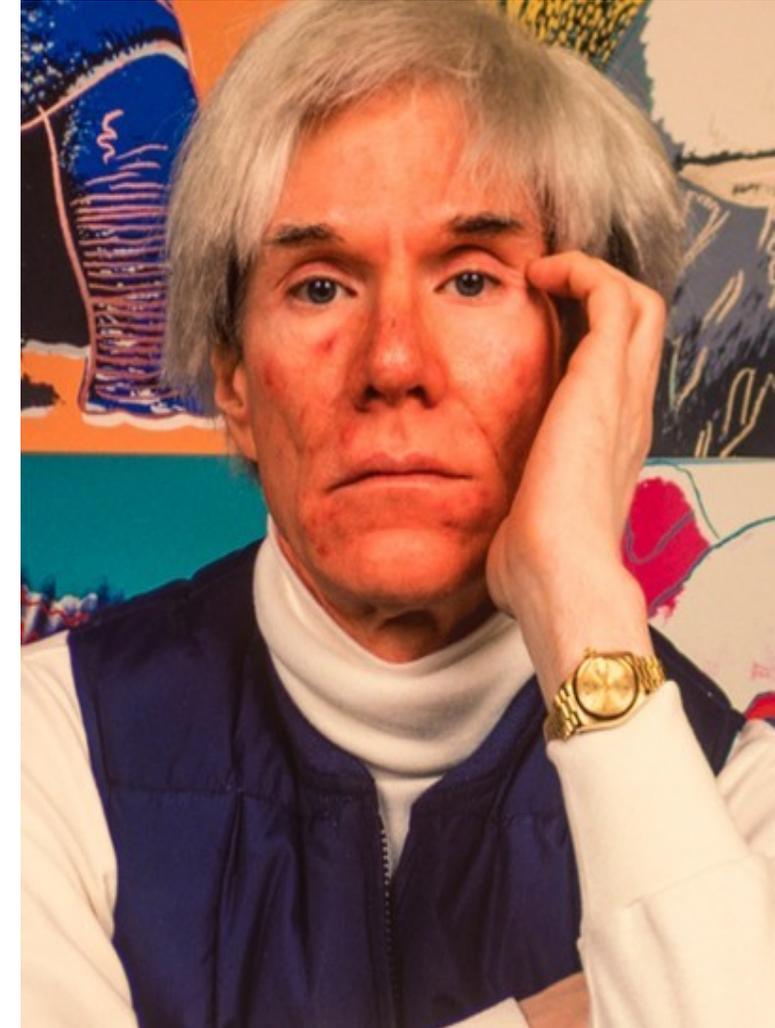
Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith

- “All but one of Warhol’s works include only Prince’s head and a small portion of his neckline; Goldsmith’s photograph captures much of Prince’s torso. The sharp contours of Prince’s face that Goldsmith emphasized in her photograph are softened in some Prince Series works and traced over or shaded in others. Moreover, the three-dimensional effect in the photograph, produced by the background and lighting that Goldsmith chose, was removed by Warhol resulting in a flat, two-dimensional and mask-like figure of Prince’s head. And in the majority of his Prince Series works, Warhol traded Goldsmith’s white background for a loudly colored background. Indeed, unlike Goldsmith’s photograph, most of Warhol’s works are entirely in color, and the works that are black and white are especially crude and the creative features of the Goldsmith Prince Photograph are especially absent. Ultimately, Warhol’s alterations wash away the vulnerability and humanity Prince expresses in Goldsmith’s photograph and Warhol instead presents Prince as a larger-than-life icon.”
- “Goldsmith’s evidence and arguments do not show that the Prince Series works are market substitutes for her photograph. She provides no reason to conclude that potential licensees will view Warhol’s Prince Series, consisting of stylized works manifesting a uniquely Warhol aesthetic, as a substitute for her intimate and realistic photograph of Prince. Although Goldsmith points out that her photographs and Warhol’s works have both appeared in magazines and on album covers, this does not suggest that a magazine or record company would license a transformative Warhol work in lieu of a realistic Goldsmith photograph.”



Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith

- The Second Circuit reversed, finding that all four of the statutory fair use factors favored Goldsmith;
- The panel in *Warhol* held that the district court had incorrectly read *Cariou* as announcing a "bright line rule" that a secondary work was transformative as a matter of law when it adds a new aesthetic or new expression to its source material. While acknowledging that "the alteration of an original work with new expression, meaning, or message ... is the *sine qua non* of transformativeness," the court held that "it does not follow ... that *any* secondary work that adds a new aesthetic or new expression to its source material is necessarily transformative." Such an interpretation was overbroad and runs the risk of trampling upon the original artist's exclusive right to create derivative works;
- Reviewing prior cases, including *Koons* and *Cariou*, the Second Circuit noted: "'A common thread running through these cases is that, where a secondary work does not obviously comment on or relate back to the original or use the original for a purpose other than that for which it was created, the bare assertion of a 'higher or different artistic use,' *Rogers*, 960 F.2d at 310, is insufficient to render a work transformative. Rather, the secondary work itself must reasonably be perceived as embodying an **entirely distinct artistic purpose**, one that conveys a "new meaning or message" **entirely separate from its source material**. While we cannot, nor do we attempt to, catalog all of the ways in which an artist may achieve that end, we note that the works that have done so thus far have themselves been **distinct works of art that draw from numerous sources, rather than works that simply alter or recast a single work with a new aesthetic.**"



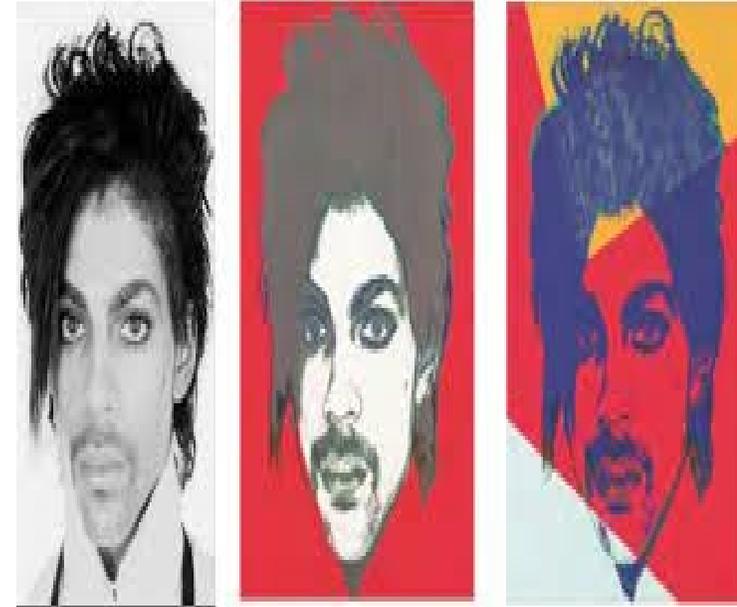
Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith

- The Second Circuit held that the district court had erred by holding that the Prince Series works were transformative because they could "reasonably be perceived to have transformed Prince from a vulnerable, uncomfortable person" (Goldsmith's alleged artistic intent) to "an iconic, larger-than-life figure" (Warhol's alleged artistic intent). Courts should not "assume the role of art critic and seek to ascertain the intent behind or meaning of the works at issue; instead, they "must examine how the works may reasonably be perceived" and "whether the secondary work's use of its source material is in service of a "**fundamentally** different and new" artistic purpose and character, such that the secondary work **stands apart from the 'raw material'** used to create it";
- "Although we do not hold that the primary work must be "barely recognizable" within the secondary work, as was the case with the works held transformative in *Cariou*, the secondary work's transformative purpose and character must, at a bare minimum, comprise something more than the imposition of another artist's style on the primary work such that the secondary work remains both recognizably deriving from, and retaining the essential elements of, its source material";
- Based on this "clarification," the panel concluded that the Prince Series did not make a transformative use of Goldsmith's portrait as a matter of law;
- The Second Circuit noted Warhol's series "retains the essential elements of the Goldsmith Photograph without significantly adding to or altering those elements" and Goldsmith's photo "remains the recognizable foundation upon which the Prince Series is built";
- As to the second factor, the Second Circuit held that the district court's conclusion that this factor was neutral - based upon its (erroneous) finding that the Prince's works were transformative and (to some degree) the fact that Goldsmith had licensed the image to *Vanity Fair* to use as an artist's comp - was error";
- The district court should have found this factor to favor Goldsmith "irrespective of whether it adjudged the Prince Series works transformative within the meaning of the first factor."



Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith

- As to the third factor, the Second Circuit held this supported Goldsmith observing that “while Goldsmith has no monopoly on Prince’s face, the law grants her a broad monopoly on its image as it appears in her photographs of him.”
- "For example, the fact that Prince’s mustache appears to be lighter on the right side of his face than the left is barely noticeable in the grayscale Goldsmith Photograph but is quite pronounced in the black-and-white Prince Series screenprints. Moreover, this feature of the Goldsmith Photograph is, again, not common to all other photographs of Prince even from that brief session. The similarity is not simply an artefact of what Prince’s facial hair was like on that date, but of the particular effects of light and angle at which Goldsmith captured that aspect of his appearance.”
- The panel agreed the district court that the primary market (i.e., the market for the original works) for Warhol's series and Goldsmith's photo do not meaningfully overlap. However, the Prince series does threaten Goldsmith’s ability to license her photo to magazines (like *Vanity Fair*) to illustrate articles about the singer since both works "are illustrations of the same famous musician with the same overlapping customer base." In addition, the Prince series was likely to harm the derivative market for licenses to others to create stylized derivatives of her photo (like the license Goldsmith had granted to *Vanity Fair* in 1984). Finally, the court was concerned that if the sort of copying in which Warhol had engaged were to become a "widespread practice," that would effectively destroy the market to create stylized derivatives since artists “could use such images for free, there would be little or no reason to pay for them.”



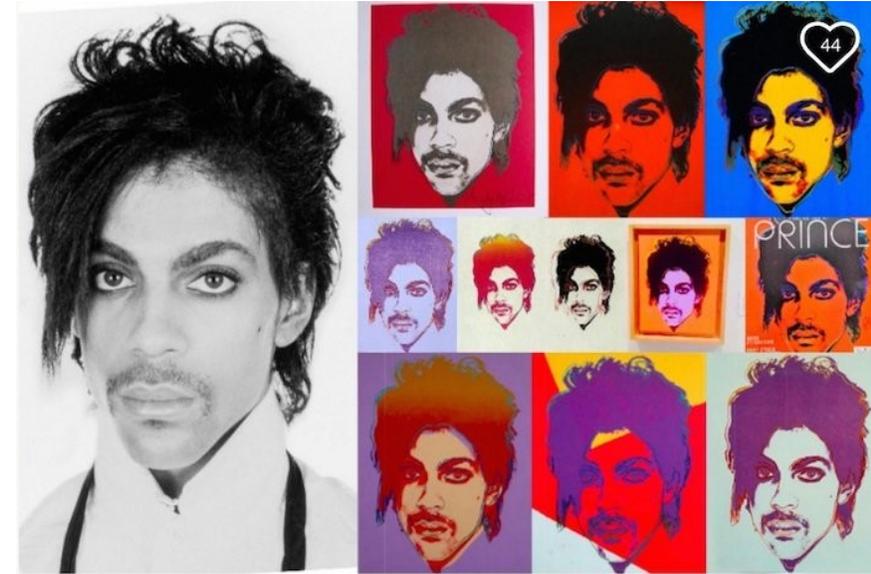
Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith

- The Second Circuit significantly did not remand the case to the district court for further proceedings but instead held, as a matter of law, that Warhol's Prince series and Goldsmith's photo were substantially similar. According to the Second Circuit, "photographs are generally viewed as creative aesthetic expressions of a scene or image and have long received thick copyright protection, . . . even though photographs capture images of reality." Employing the standard "ordinary observer test," the court (echoing its analysis under the third fair use factor) concluded that "given the degree to which Goldsmith's work remains recognizable within Warhol's, there can be no reasonable debate that the works are substantially similar." Warhol did not copy merely the "idea" (*i.e.*, Prince's likeness) conveyed in the Goldsmith photo; rather, he copied the photograph itself – *i.e.*, "Goldsmith's particular expression of that idea";
- The Supreme Court decided *Google v. Oracle* after the Second Circuit's initial decision, wherein the Supreme Court held that, *inter alia*, that a secondary work's use of portions of a primary work (there, portions of a software interface) *can* constitute fair use even if the secondary work copied those portions "precisely" and "for the same reason" they were created for in the primary work;
- The Second Circuit reheard *Warhol v. Goldsmith* to consider the impact of *Google v. Oracle*, but reaffirmed its initial decision, holding that fair use was "highly contextual and fact specific" and that the Supreme Court "took pains to emphasize" that the result of *Google v. Oracle*. The Second Circuit noted that the *Google v. Oracle* decision may have been limited to functional works like computer code, but less applicable in the realm of traditional creative works. The Supreme Court decided *Google v. Oracle* after the Second Circuit's initial decision. As noted earlier, *Google v. Oracle* held that, among other things, that a secondary work's use of portions of a primary work (there, portions of a software interface) *can* constitute fair use even if the secondary work copied those portions "precisely" and "for the same reason" they were created for in the primary work.
- The Second Circuit reheard *AWF v. Goldsmith* to consider the impact of *Google v. Oracle*, but reaffirmed its initial decision, holding that fair use was "highly contextual and fact specific" and that the Supreme Court "took pains to emphasize" that the result of *Google v. Oracle*. The Second Circuit noted that the *Google v. Oracle* decision may have been limited to functional works like computer code, but less applicable in the realm of traditional creative works.



Addendum Part I: The Andy Warhol Foundation for the Visual Arts, Inc. v Goldsmith

- The Second Circuit panel withdrew its opinion of March 26, 2021 and issued a (slightly) amended opinion. (It also withdrew a concurring opinion by Judge Sullivan.) Otherwise, the Second Circuit left intact its prior holdings. The Second Circuit panel withdrew its opinion of March 26, 2021 and issued an amended opinion. (It also withdrew a concurring opinion by Judge Sullivan.) Otherwise, the Second Circuit left intact its prior holdings.
- On March 28, 2022, the US Supreme Court granted *certiorari* in *Andy Warhol Foundation, Inc. v. Goldsmith*. The Andy Warhol Foundation's petition presented the question of whether a work of art is "transformative" for purposes of a fair use defense under the Copyright Act (17 U.S.C. § 107), "when it conveys a different meaning or message from its source material. . . .";
- In its *cert* petition, filed in December 2021, the Andy Warhol Foundation told the Court that "the Second Circuit's decision...creates a circuit split and casts a cloud of legal uncertainty over an entire genre of visual art";
- How is this likely to impact the mining of NFTs?



Addendum II: *Nike v. StockX*

- In *Nike v. StockX*, Nike contends that StockX's NFTs are "new virtual products" and that StockX's unauthorized actions constitute trademark infringement and are likely to cause confusion because Nike is a direct competitor since its acquisition of the startup RTFKT Studios in December 2021;
- Nike claims that StockX's claims that its NFTs are "100% authentic" and offer ownership of physical Nike products safely stored in its vault but "do not independently authenticate associated products" are false.
- Nike claimed that StockX's small disclaimer that StockX "does not independently authenticate" conflicts with its "100% Authentic" claim on StockX's product page.



Addendum II: *Nike v. StockX*

- On February 3, 2022, Nike sued StockX, an online resale marketplace for footwear and other collectibles in the United States District Court for the Southern District of New York;
- Nike claims StockX’s issuance of nine limited edition “Vault NFTs” featuring Nike sneakers infringe Nike’s trademarks and are “new virtual products”;
- Nike claimed “StockX is using Nike’s trademarks to market, promote, and attract potential purchasers”;
- StockX claims the “Vault NFTs are **absolutely not** ‘virtual products’ or digital sneakers” but merely used to track ownership of a physical pair of sneakers in the company’s possession, like a virtual claim ticket or receipt;



Addendum II: *Nike v. StockX*

- StockX contends that there can be no confusion because its use of the images and descriptions of resale products in connection with its Vault NFTs are “no different than major e-commerce retailers and marketplaces who use images and descriptions of products to sell sneakers and other goods, which consumers see (and are not confused by) every single day”;
- StockX contends that its NFTs are merely traceable digital receipts that can be cashed in for the physical project and the NFT is removed from the blockchain and serve an authentication function;
- Nike notes that one cannot redeem the NFTs for actual shoes, making them less like ownership receipts, and that StockX can nullify the NFTs, which might damage Nike’s reputation.

Collect
What’s Next
StockX NFTs Are Here



StockX



Addendum II: *Nike v. StockX*

Counterfeit Nike Goods Sold By StockX



Infringing Nike-Branded NFT Sold By StockX



- StockX also claims that it has no liability by virtue of its affirmative first sale and nominative fair use defenses and each NFT corresponds to a specific physical Nike shoe StockX possesses. Under established first sale doctrine case law, StockX contends that it can resell the physical shoes without violating Nike’s intellectual property rights if the use of Nike’s trademark is does not lead to consumer confusion;
- Nike contends that StockX’s NFTs are “new virtual products” and that StockX’s unauthorized actions are likely to cause confusion because Nike is a direct competitor since its acquisition of the startup RTFKT Studios in December 2021. StockX contends that its NFTs are merely traceable digital receipts that can be cashed in for the physical project and the NFT is removed from the blockchain and serve an authentication function.

Addendum II: *Nike v. StockX*

- **First Sale Doctrine for Trademarks:** The United States District Court for the Southern District of New York in *Chanel, Inc. v. WGACA* noted the first sale doctrine does “applies only where a ‘*purchaser*’ resells a trademarked article [bearing] the producer’s trademark, and nothing more.” As a result, while the first sale doctrine might insulate a reseller from liability for advertising the resale of secondhand Nike shoes, it would not protect a reseller from selling a separate item, such as the NFT;
- **First Sale Doctrine for Copyrights:** With regard to copyrights, the Second Circuit Court of Appeals held in *Capitol Records LLC v. ReDigi Inc.*, 910 F.3d 649 (2d Cir. 2018), held that the first sale doctrine does not apply to the resale of a digital file because: “the embodiment of a digital music file on a new hard disk is a reproduction”;
- **Nominative Fair Use:** As the Second Circuit noted in *Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 156 (2d Cir. 2016), *cert. denied*, 137 S. Ct. 624, 196 L. Ed. 2d 516 (2017), the defense of nominative fair use applies when: (1) the use of the plaintiff's mark is necessary to describe both the plaintiff's product or service and the defendant's product or service, that is, the product or service is not readily identifiable without use of the mark; (2) the defendant uses only so much of the plaintiff's mark as is necessary to identify the product or service; and (3) the defendant did nothing that would suggest sponsorship or endorsement by the plaintiff holder, that is, whether the defendant's conduct or language reflects the true or accurate relationship.



Addendum II: *Nike v. StockX*

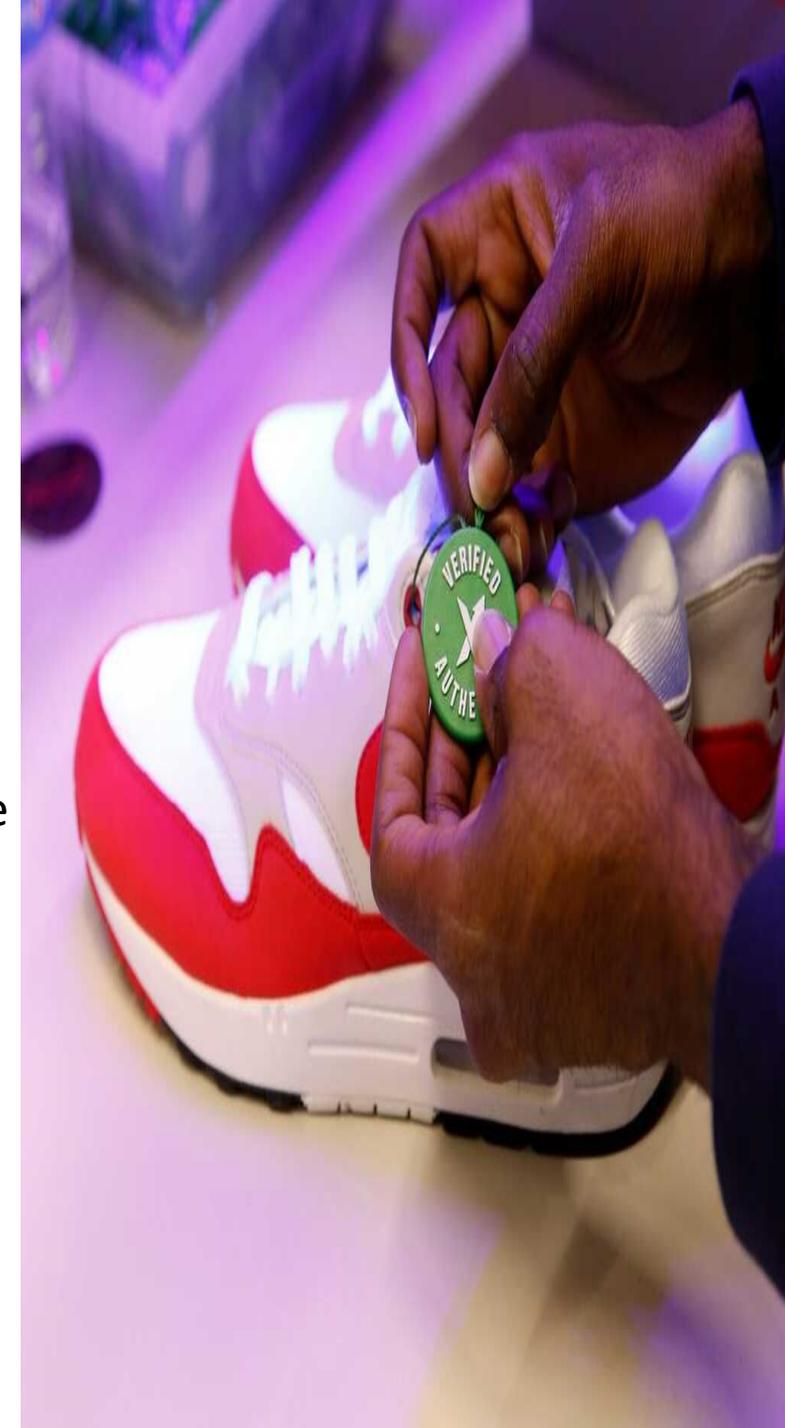
- **Dissimilar Goods and Services?:** StockX contends that no consumer would be confused between Nike's footwear and StockX's NFTs.
- Nike also acquired the startup RTFKT Studios in December 2021 and other fashion companies have launched NFTs are: (i) Diesel, which established an NFT division, launched a sneaker NFT, and partnered with digital fashion house, The Fabricant; and (ii) Adidas, which is collaborating directly with crypto brands and influencers through deals with Bored Ape Yacht Club, The Sandbox game, Coinbase and others;
- **Does It Make A Difference?** StockX launched its first NFTs last summer before Nike acquired RTFKT.
- Could a brand owner argue the NFTs and the goods depicted on the NFTs are related goods?
- What about Dynamic NFTs versus Static NFTs? What is the difference?



Addendum II: *Nike v. StockX*

Nike Adds Counterfeiting and False Advertising Claims

- On May 10, 2022, Nike sought leave to amend its complaint to add counterfeiting and false advertising claims after discovering four counterfeits that had been “verified authentic,” including one pair that matched a StockX NFT;
- Nike filed its First Amended Complaint on May 25, 2022 and alleged that StockX’s practice of claiming that the Vault NFTs are “100% Authentic” and that they are merely “claim tickets” or “digital receipts” used to “track ownership of a specific physical Nike product that StockX has purportedly authenticated using its ‘proprietary, multi-step authentication process’” are “intended to explicitly mislead consumers” into believing that Nike has “authorized, approved, sponsored, and/or endorsed StockX’s Vault NFTs” when no such affiliation exists;
- Nike claimed that StockX’s claims about its “proprietary multi-step verification process”, “100% Verified Authentic,” and authentication accuracy rate of “99.95%” are false and misleading;
- Nike alleged that StockX is treating NFTs as products by creating an NFT “category on its website “separate from the categories of physical goods that have been historically available for resale on [its] platform.”



Addendum II: *Nike v. StockX*

StockX Responds to Nike's Amended Complaint

- StockX responded on June 6, 2022 in its Answer to First Amended Complaint that “StockX revolutionized the industry by creating a process in which 100% of products on its platform are authenticated by human beings trained by StockX before they are sent to the buyer”;
- StockX responded by stating that: (1) “StockX is at the forefront of combatting counterfeiting”; (2) “StockX lawfully uses NFTs to allow users to more efficiently transact in authentic goods”; (3) Nike’s Anticompetitive Behavior Will Stifle the Secondary Market and Hurt Consumers”;
- StockX stated in response that the relevant Vault NFTs bear Nike trademarks that the Vault NFTs also “prominently include the StockX trademark, as does the product page where the physical goods are offered for sale.”



Addendum II: *Nike v. StockX*

StockX Responds to Nike's Amended Complaint

- StockX says that it is “no different than major e-commerce retailers and marketplaces who use images and descriptions of products to sell physical sneakers and other goods online, and which consumers see (and are not confused by) every single day” and the Vault NFTs “accurately depict and describe the underlying physical goods that the consumer is purchasing”;
- StockX asserted that “Nike has been aware of StockX’s ‘100% Verified Authentic’ and ‘100% Authentic’ claims” – which Nike takes issue with – in connection in furtherance of its counterfeiting and false advertising – “since StockX began making those claims in or around 2018”;
- StockX claimed that it “has detrimentally relied on Nike’s praise and approval of [its] authentication and anti-counterfeiting efforts,” StockX argues that “Nike is now equitably estopped from asserting counterfeit and related false advertising claims.”

We take customer protection extremely seriously, and we've invested millions to fight the proliferation of counterfeit products that virtually every global marketplace faces today. Nike's latest filing is not only baseless but also is curious given that their own brand protection team has communicated confidence in our authentication program, and that hundreds of Nike employees - including current senior executives - use StockX to buy and sell products.

This latest tactic amounts to nothing more than a panicked and desperate attempt to resuscitate its losing legal case against our innovative Vault NFT program that revolutionizes the way that consumers can buy, store, and sell collectibles safely, efficiently, and sustainably. Nike's challenge has no merit and clearly demonstrates their lack of understanding of the modern marketplace.

Addendum III: *Hermès Int'l. v. Maison Rothschild*

- The case, *Hermès Int'l. v. Maison Rothschild*, involves the question of whether NFTs of Hermès' iconic Birkin handbags advertised and marketed as "MetaBirkins" are expressive works of art that are protected under the First Amendment under *Rogers v. Grimaldi*;
- Maison Rothschild has argued that his NFTs are commenting upon the use of fur in the fashion industry and that the NFTs are no different from Andy Warhol's famous prints of Campbell's soup cans;
- The artwork image of the Hermès bag is a different type of use than the use of the "MetaBirkin" brand name;
- Maison Rothschild also claims that its online disclaimer and hashtag "NotYourMothersBirkin" are sufficient to prevent any possible likelihood of confusion of affiliation, association, authorization or endorsement with Hermès;



Addendum III: *Hermès Int'l. v. Maison Rothschild*

- Mason Rothschild described himself as a “marketing strategist” and “Entrepreneur who created in May 2021 a digital image entitled “Baby Birkin,” which depicted a 40-week-old fetus gestating inside a transparent Birkin bag which was sold for \$23,500;
- In December 2021, Rothschild created a collection of digital images called “MetaBirkins” and used NFTs to sell these digital images;
- Rothschild described these as “a tribute to Herm[e]s’ most famous handbag, the Birkin, one of the most exclusive, well-made luxury accessories. Its mysterious waitlist, intimidating price tags, and extreme scarcity have made it a highly covetable ‘holy grail’ handbag that doubles as an investment or store of value.”



Addendum III: *Hermès Int'l.* *v. Maison Rothschild*

- Rothschild also stated that “for me, there’s nothing more iconic than the Herm[e]s Birkin bag. And I wanted to see as an experiment if I could create that same kind of illusion that it has in real life as a digital commodity.”
- Rothschild stated: “I feel like the difference between the two [genuine and virtual Birkins] is getting a little bit blurred now because we have this new outlet, which is the metaverse, to showcase them in our virtual worlds, and even just show them online”;
- Rothschild’s advertising for his “MetaBirkins” NFTs included slogans such as “NOT YOUR MOTHER’S BIRKIN “ and the hashtags “#MetaBirkins GONNA MAKE IT” and “#MINT A METABIRKIN HOLD A METABIRKIN”;
- Analysis of the use of a disclaimer is fact specific and depends upon the prominence and exact language of the disclaimer. A disclaimer that is posted in small in type, posted at the end of a social media message or advertisement, or in the website “Terms and Conditions” of a website may not be sufficient to eliminate confusion.



♦
**NOT
YOUR
MOTHER'S
BIRKIN**

MetaBirkins

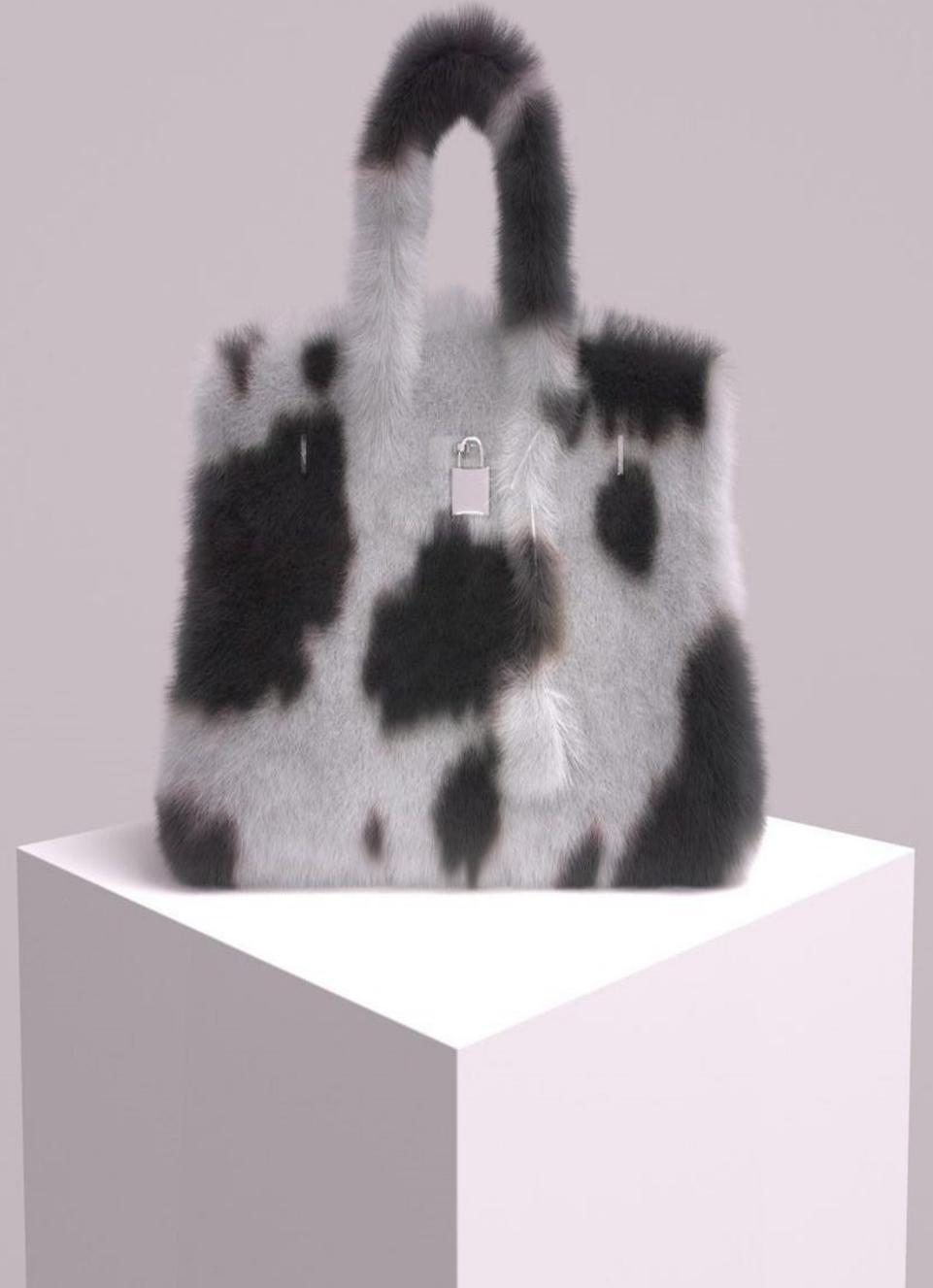
Addendum III: *Hermès Int'l. v. Maison Rothschild*

- A motion to dismiss the Amended Complaint of Hermès was filed in the United States District Court for the Southern District of New York.
- The questions that were raised in the motion were: (i) whether NFTs are an expressive work entitled to protection under the First Amendment and *Rogers v. Grimaldi*; and (ii) even if *Rogers v. Grimaldi* does not apply, whether consumers are likely to be confused and believe that defendant's NFTs are authorized, sponsored or licensed by Hermès so that such NFTs infringe the Hermès trademarks with respect to leather goods because Hermès does not use its trademarks to make NFTs.



Addendum III: *Hermès Int'l. v. Maison Rothschild*

- The *Rogers v. Grimaldi* test asks whether the use of the trademark has no artistic relevance whatsoever to the underlying work; or, if it has some artistic relevance, whether the use of the trademark explicitly misleads as to the source or the content of the work;
- Judge Rakoff's twenty-page decision denied defendant Mason Rothschild's motion to dismiss the complaint;
- The District Court held that the *Rogers v. Grimaldi* test for balancing artistic expression against trademark protection should apply but noted the Court could not resolve the factual disputes regarding the use of "METABIRKINS" trademark and images could not be resolved at the motion to dismiss stage;



Addendum III: *Hermès Int'l. v. Maison Rothschild*

- The District Court observed that while the *Rogers v. Grimaldi* test applied, at least, in part with respect to the accused use of “METABIRKINS”, the amended complaint contained “sufficient allegations of explicit misleadingness” either as a function of the likelihood of confusion under the *Polaroid* test or under the *Rogers v. Grimaldi* test.
- The Court noted that the *Hermes* complaint sufficiently alleged that Rothschild “made statements that are plausibly interpreted as explicitly misstatements and that this engendered confusion on the part of consumers.”
- Query how important were the statements that Rothschild made?

