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Jury Finds That 'MetaBirkin' NFTs Infringed Hermès' Trademark Rights

Background

At the heart of what is considered the first NFT trademark trial were two competing arguments: Were the artist Mason Rothschild's creation of "MetaBirkin" NFTs — digital images of blurry faux fur-covered handbags inspired by Hermès' iconic Birkin bag — artistic expression protected by the First Amendment, or were they a violation of the luxury fashion house's intellectual property rights?

Ultimately, after three days of deliberation, a federal jury found Rothschild liable for trademark infringement, trademark dilution and unlawful cybersquatting of the "MetaBirkins.com" domain name and awarded Hermès $133,000 in damages. While Rothschild has stated he plans to appeal, the verdict provided some preliminary guidance for brands seeking to protect their intellectual property rights in the digital sphere.

The dispute unfolded at the end of 2021, when the Los Angeles-based Rothschild created and released 100 "MetaBirkin" NFTs linked to digital images of handbags he called a "tribute" to the French fashion house's iconic Birkin bag. Rothschild claimed the MetaBirkins were an artistic commentary on consumerism within the digital realm, as well as fashion's fur-free movement. The NFTs, initially released at a starting price of approximately $450 each, have since been resold for many multiples of their original price.

Shortly after the MetaBirkins launched, Hermès sent Rothschild a cease and desist letter, notifying both Rothschild and the NFT marketplace, OpenSea, of the alleged violation of Hermès' intellectual property rights. While OpenSea quickly removed the MetaBirkins from its platform, Rothschild refused to stop selling the NFTs, arguing that "art is art" and that the MetaBirkins were a "playful abstraction of an existing fashion-culture landmark" protected by the First Amendment. He also argued that selling the MetaBirkins as NFTs was akin to selling them as physical art prints.

In January 2022, Hermès sued Rothschild, alleging, among other causes of action, trademark infringement, trademark dilution and cybersquatting.[1] In its complaint, Hermès argued that "the title of 'artist' does not confer a license to use an equivalent to the famous BIRKIN trademark in a manner calculated to mislead consumers." The case proceeded to trial in December 2022 after the court denied the parties' cross-motion for summary judgment.

[1] *Hermès Int'l v. Rothschild*, 22-CV-384 (JSR) (S.D.N.Y. May 18, 2022).

Summary Judgment Opinion

On February 2, 2023, in the midst of trial, Judge Rakoff issued a formal opinion explaining his earlier refusal to grant the parties' cross-motions for summary judgment. A key issue before the court was which of the Second Circuit's tests for trademark infringement would apply — the *Rogers v. Grimaldi* test, which applies to artistic works that make use of a trademark and gives considerable First Amendment deference to the artist, or the *Gruner + Jahr* test, which generally applies to trademark infringement cases where no artistic work is involved. Rothschild maintained that *Rogers* should apply, while Hermès argued for *Gruner + Jahr.* In his February opinion, Judge Rakoff reaffirmed his earlier determination that the *Rogers* test applied to the case, and that there remained genuine issues of material fact requiring a jury's consideration.

Under the two-prong *Rogers* test, an otherwise artistic work is not entitled to First Amendment protection if the plaintiff can show that either (1) the use of the trademark in an expressive work is not "artistically relevant" to the underlying work or (2) the trademark is used to "explicitly mislead" the public as to the source of the content of the underlying work. Judge Rakoff noted the "artistic relevance" prong is generally easily satisfied and is met unless the use of the mark has "no artistic relevance to the underlying work whatsoever" and was "chosen merely to exploit the publicity value of the plaintiff's mark or brand."

The court concluded that there was a genuine factual dispute as to whether the centering of Rothschild's work around the Birkin bag stemmed from genuine artistic expression or was an unlawful intent to cash in on a valuable brand name that Hermès worked to cultivate. Hermès argued that Rothschild created the project based on the famous handbag in order to illicitly reap a profit, providing evidence that Rothschild referred to the NFTs in text messages as "a gold mine"; Judge Rakoff, however, made clear that pecuniary motives do not bar application of the *Rogers* test.

Further, Judge Rakoff noted that, even where the use of a trademark has some artistic relevance to an underlying work, the First Amendment does not protect it if it "explicitly misleads" the public as to the source or the content of the work. To that end, the judge instructed the jury that they must assume that the MetaBirkins are "in at least some respects works of artistic expression" and that Hermès had to establish by a preponderance of the evidence that Rotshchild's use of the Hermès marks was "intentionally designed to mislead potential consumers" into believing Hermès was associated with the project.

At trial, Hermès introduced evidence of actual consumer confusion, including reports by several publications mistakenly linking the MetaBirkins project to the brand. An independent study commissioned by the company also found 18.7% of potential consumers were confused as to whether the MetaBirkins were affiliated with Hermès. The brand also claimed it had been placed at a competitive disadvantage, as it had been preparing to enter the NFT market.

Rothschild, meanwhile, rejected those claims and asserted that, after receiving the cease and desist letter, he added a prominent disclaimer to the MetaBirkins website stating that the project was "not affiliated, associated, authorized, endorsed by, or in any way officially connected with Hermès." Rothschild also stated his publicist swiftly asked the publications to issue corrections to the erroneous articles.

How Trademark Law May Apply to NFTs

While this dispute has been closely watched for its potential to set precedent on the application of trademark law to NFTs, the fact that the MetaBirkins were linked to NFTs proved not to be dispositive. Hermès argued that Rothschild's use of the "BIRKIN" mark referred to and promoted the tokens themselves, which held value separate and apart from any associated images that may be protected artistic works. However, Judge Rakoff found undisputed evidence in the record that consumers understood they were purchasing exclusive ownership of the digital image associated with the NFT and were not viewing the token purchase as separate from the digital image purchase. He also reasoned that, because NFTs are simply code pointing to where a digital image is located, such an associated digital image does not automatically turn into a commodity without First Amendment protection.

The court's rationale should not be taken to mean that all digital images associated with an NFT are *per se* protected by the First Amendment. In a footnote in a May 2022 order denying Rothschild's motion to dismiss, the court noted that Rothschild appeared to concede that the *Rogers* First Amendment protections may not apply if the NFTs were attached to a digital image of a virtually wearable Birkin bag; in such a case, the use of the MetaBirkins mark would refer to a non-speech commercial product. While the court did not further consider the matter for purposes of the motion to dismiss, the suggestion may inform future cases in which brand owners seek to enforce trademark rights against virtual products that bear confusingly similar marks.

Conclusion

The MetaBirkins case is undoubtedly the first of many that will test the bounds of trademark protection in the context of digital assets. We expect many more cases presenting unique trademark issues, especially with the growing number of artists using trademarks in the context of making artistic statements. Trademark holders should note that future cases at the intersection of intellectual property law and NFTs, as with many areas of trademark law, will require an analysis of the specific facts at issue.