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## Trademark Infringement: The Likelihood of Confusion of NFTs in the US and EU

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# TRADEMARK INFRINGEMENT: THE LIKELIHOOD OF CONFUSION OF NFTS IN THE US AND EU

## INTRODUCTION

While the first non-fungible token (NFT) was minted almost a decade ago, NFTs only became popular amongst the general population in the past three years.<sup>1</sup> NFTs are unique digital assets on a blockchain that are often used to validate authenticity as they “cannot be copied, substituted, or subdivided.”<sup>2</sup> The rise in mainstream popularity of NFTs is often traced back to March 2021, when Christie’s, a well-known auction house, sold digital artist Beeple’s NFT artwork for 69.3 million dollars.<sup>3</sup> Nearly a year later in January 2022, NFTs were trading at their highest aggregate volume at seventeen billion dollars.<sup>4</sup> While NFT trading volume fluctuates, the utility of NFTs in the digital asset space for ownership and authentication

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1. See Shanti Escalante-De Mattei, *The Year of the NFT: How an Emerging Medium Went Mainstream in 2021*, ARTNEWS (Dec. 21, 2021, 3:41 PM), <https://www.artnews.com/list/art-news/artists/2021-year-of-the-nft-1234614022/>.

2. *NFT*, MERRIAM-WEBSTER.COM, <https://www.merriam-webster.com/dictionary/NFT> (last visited Sept. 4, 2023).

3. Kelly Crow & Caitlin Ostroff, *Beeple NFT Fetches Record-Breaking \$69 Million in Christie’s Sale*, WALL ST. J. (Mar. 11, 2021, 10:48 AM), <https://www.wsj.com/articles/beeples-nft-fetches-record-breaking-69-million-in-christies-sale-11615477732>; Mike Winkelmann is a “South Carolina-based graphic designer and motion artist known as Beeple.” Beeple created and posted a new digital picture online every day for thirteen and a half years. Each digital picture that Beeple created during that period was pieced together to form the NFT collage artwork known as “EVERYDAYS: THE FIRST 5000 DAYS.” While the NFT was minted on February 16, 2021, it sold for \$69,346,250 on March 11, 2021. See also *Beeple’s Opus*, CHRISTIE’S, <https://www.christies.com/features/Monumental-collage-by-Beeple-is-first-purely-digital-artwork-NFT-to-come-to-auction-11510-7.aspx> (last visited Sept. 4, 2023).

4. Sidhartha Shukla, *NFT Trading Volumes Collapse 97% From January Peak*, BLOOMBERG (Sept. 28, 2022, 4:49 AM), <https://www.bloomberg.com/news/articles/2022-09-28/nft-volumes-tumble-97-from-2022-highs-as-frenzy-fades-chart?leadSource=uverify%20wall>.

is meaningful and relevant across a variety of industries, including, but not limited to, art, music, and real estate.<sup>5</sup>

Since NFTs can be used to represent digital assets, it is inevitable that a “business’s or brand owner’s intellectual property rights” will be infringed.<sup>6</sup> Trademarks are a form of intellectual property that could include “words, phrases, symbols or designs that identify goods and services.”<sup>7</sup> As a result, trademarks allow consumers to identify a product’s origin and differentiate it from other products on the market.<sup>8</sup> Trademark law relates to NFTs because NFTs can be used to “to authenticate one-of-a-kind pieces, or to identify counterfeit goods.”<sup>9</sup> Trademark infringement occurs when a trademark is used in an unauthorized manner that causes a likelihood of confusion about a products origin.<sup>10</sup> In the United States (US) federal court system, there are numerous intellectual property cases being litigated about NFTs and trademark infringement.<sup>11</sup> These cases, however, have not erased the uncertainty as to how courts all over the world will apply trademark law to NFTs. This uncertainty presents a challenge regarding the effectiveness of

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5. See Anthony Clarke, *Mainstream NFT Adoption Will Be Driven Mostly by Their Utility*, COINTELEGRAPH (Oct. 5, 2022), <https://cointelegraph.com/news/mainstream-nft-adoption-will-be-driven-mostly-by-their-utility>; see also School of Motion, *How Many Industries Have NFTs Disrupted?*, SCH. OF MOTION, <https://www.schoolofmotion.com/blog/nft-disrupting-more-industries> (last visited Sept. 4, 2023).

6. Farah Mukaddam, *NFTs and Intellectual Property Rights*, NORTON ROSE FULBRIGHT (Oct. 2021), <https://www.nortonrosefulbright.com/en/knowledge/publications/1a1abb9f/nfts-and-intellectual-property-rights#section3>.

7. Sharon Urias, *Trademark and Copyright Considerations for NFTs*, REUTERS (May 2, 2022, 10:35 AM), <https://www.reuters.com/legal/legalindustry/trademark-copyright-considerations-nfts-2022-05-02>.

8. *Trade Mark Definition*, E.U.I.P.O., <https://euipo.europa.eu/ohimportal/en/trade-mark-definition> (last visited Sept. 4, 2023).

9. Urias, *supra* note 7.

10. *About Trademark Infringement*, U.S.P.T.O. (Oct. 25, 2022, 2:35 PM) <https://www.uspto.gov/page/about-trademark-infringement>.

11. Andrew Michaels, *NFT Litigation Is Raising Novel Trademark Questions*, LAW360 (Aug. 17, 2022, 2:54 PM), [https://www.law360.com/articles/1521677?from\\_lnh=true](https://www.law360.com/articles/1521677?from_lnh=true).

applying segmented trademark law in a globally connected society.

This Note argues that due to increasing globalization, current trademark law standards will become limited in their ability to effectively prevent consumer confusion in the digital age. Part I will provide an overview and brief history on blockchain technology, NFTs, and trademark law. Part II will discuss the various approaches to gaining and exercising trademark law protections against infringement in the US and European Union (EU). Part III will address the cultural difference between the US and EU and how that impacts their interpretations of trademark law and their applicability to NFTs. Part IV will propose a new standard for applying trademark law to NFTs that reflects a digitally connected society by merging the US's common law system and recognition of common law trademark protections with the EU's one-system trademark procedure.

## I. THE BIRTH AND EVOLUTION OF BLOCKCHAIN TECHNOLOGY AND TRADEMARK LAW

### *A. Overview of Blockchain Technology and Non-Fungible Tokens*

NFTs are built on a blockchain.<sup>12</sup> A blockchain is an immutable electronic digital database that collects and stores information.<sup>13</sup> The concept of a blockchain can be traced back to

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12. Robyn Conti & John Schmidt, *What Is an NFT? How Do NFTs Work?*, FORBES (June 14, 2023, 2:24 PM), <https://www.forbes.com/advisor/in/investing/cryptocurrency/what-is-an-nft-how-do-nfts-work/>.

13. "A blockchain collects information together in groups, known as blocks, that hold sets of information." *See* Adam Hayes et al., *Blockchain Facts: What Is It, How It Works, and How It Can Be Used*, INVESTOPEDIA (Sept. 27, 2022), <https://web.archive.org/web/20230106210655/https://www.investopedia.com/terms/b/blockchain.asp>; A blockchain's database is stored in nodes across a peer-to-peer network. Nodes play a necessary role in blockchain technology, because "a node is one of the computers that run the blockchain's software to validate and store the complete history of transactions on the network." *See also* Benedict George, *What Is a Node?*, COINDESK (May 11, 2023, 2:04 PM), <https://www.coindesk.com/learn/what-is-a-node/>; In computer programming, a node is "an individual part of a larger data structure." *See generally* Nodes, CODEACADEMY, <https://www.codecademy.com/learn/cspath-cs->

1991 when two researchers published a white paper about a computer system that could permanently digitally “time-stamp” data.<sup>14</sup> Nearly twenty years later, Satoshi Nakamoto released a white paper about a blockchain called Bitcoin that would serve as a “peer-to-peer electronic cash system.”<sup>15</sup> In 2009, Nakamoto created the Bitcoin cryptocurrency on the Bitcoin blockchain which is regarded as the first application of blockchain technology.<sup>16</sup> Since the inception of the Bitcoin blockchain, additional blockchains have been created for purposes beyond solely monetary transactions.<sup>17</sup>

The Ethereum blockchain, for example, “allows users and developers to create novel uses on top of an existing blockchain infrastructure.”<sup>18</sup> Unlike the Bitcoin blockchain which is purely a “peer-to-peer electronic cash system” that does not support

102/modules/nodes/cheatsheet (last visited Sept. 4, 2023); A peer-to-peer network refers to a group of computers that each act as a node and server instead of depending on a centralized server. *See generally* Margaret Rouse, *Peer-To-Peer Network*, TECHOPEDIA, <https://www.techopedia.com/definition/25777/peer-to-peer-network-p2p-network> (July 17, 2023).

14. Stuart Haber & W. Scott Stornetta, *How to Time-Stamp a Digital Document*, 3 J. CRYPTOLOGY 99, 99 (1991); A white paper is a logical outline of an issue and its solution. *See What Is the Difference between White Papers and Research Papers?*, ENG’G COPYWRITER (Nov. 23, 2021), <https://engineeringcopywriter.com/what-is-the-difference-between-white-papers-and-research-papers/>.

15. Satoshi Nakamoto is allegedly the fictitious name of whoever developed Bitcoin. *See* Adam Hayes et al., *Who Is Satoshi Nakamoto?*, INVESTOPEDIA (May 31, 2023), <https://www.investopedia.com/terms/s/satoshi-nakamoto.asp>; *see also* Satoshi Nakamoto, *Bitcoin: A Peer-to-Peer Electronic Cash System*, 1, 1, BITCOIN.ORG (Oct. 31, 2008), <https://bitcoin.org/bitcoin.pdf>.

16. *See* Julie Pinkerton, *The History of Bitcoin, the First Cryptocurrency*, U.S. NEWS & WORLD REP. (Aug. 7, 2023), <https://money.usnews.com/investing/articles/the-history-of-bitcoin>; *see also* Vinay Gupta, *A Brief History of Blockchain*, HARV. BUS. REV. (Feb. 28, 2017), <https://hbr.org/2017/02/a-brief-history-of-blockchain>.

17. There are four main types of blockchains including (1) public, (2) private, (3) hybrid, and (4) consortium. The distinction between the blockchains is based on “how transactions and new blocks are submitted to their nodes.” *See* Eray Eliaçık, *Which Type of Blockchain Is Better For Your Project?*, DATAECONOMY (Apr. 27, 2022), <https://dataeconomy.com/2022/04/4-types-of-blockchain-explained>.

18. Hayes et al., *supra* note 13.

NFTs, the Ethereum blockchain supports a variety of uses.<sup>19</sup> Ethereum is a versatile blockchain that utilizes smart contracts which are essential to create NFTs.<sup>20</sup> A smart contract is like a vending machine—if the proper amount of money is inserted into the machine, then the machine will dispense the item.<sup>21</sup> While Ethereum is not the only blockchain that supports NFTs, “most NFTs are currently built on the Ethereum blockchain.”<sup>22</sup>

NFTs have “unique identification codes and metadata that distinguish them from” each other.<sup>23</sup> Since no NFTs are alike, they are “not interchangeable.”<sup>24</sup> The distinct code underlying NFTs can be used to signify ownership of “some specific unique real world or digital item.”<sup>25</sup> As a result, NFTs have been utilized in a variety of ways to represent physical and digital assets such as art, collectibles, and trading cards.<sup>26</sup> While a representation associated with an NFT can be mimicked by taking a screenshot or copying and pasting, the mimicked version lacks the original representation’s unique qualities provided by the NFT’s distinct underlying metadata.<sup>27</sup> For example, Leonardo Da Vinci’s Mona Lisa painting can be replicated, but a replica does not constitute ownership of the original painting as it lacks the unique

19. See LAURA SHIN, *THE CRYPTOPIANS; IDEALISM, GREED, LIES AND THE MAKING OF THE FIRST BIG CRYPTOCURRENCY CRAZE* 14, 36 (1st ed. PublicAffairs 2022) (ebook).

20. *Id.* at 14; “NFTs are minted through smart contracts.” See Gretchen Andrew, *NFTs Use ‘Smart’ Contracts—But What Exactly Are They?*, ARTS NEWSPAPER (Aug. 17, 2022), <https://www.theartnewspaper.com/2022/08/17/nfts-use-smart-contracts-but-what-exactly-are-they>; “Smart contracts are digital contracts that are automatically executed when predetermined terms and conditions are met.” See *What Are Smart Contracts on Blockchain?*, IBM, <https://www.ibm.com/topics/smart-contracts> (last visited Sept. 7, 2023).

21. Andrew, *supra* note 20.

22. See Onkar Singh, *Why Is Ethereum Used for NFTs?*, COINTELEGRAPH (May 21, 2022), <https://cointelegraph.com/explained/why-is-ethereum-used-for-nfts>; see also Urias *supra*, note 7.

23. Rakesh Sharma et al., *Non-fungible Token (NFT): What It Means and How It Works*, INVESTOPEDIA, <https://www.investopedia.com/non-fungible-tokens-nft-5115211> (Apr. 6, 2023).

24. *Id.*

25. *Non-fungible Tokens (NFT)*, ETHEREUM, <https://ethereum.org/en/nft/#what-are-nfts> (Oct. 5, 2023).

26. Sharma et al., *supra* note 23.

27. See Andy Storey, *Can NFTs Be Copied? 7 Things to Know*, POSTER GRIND (Nov. 25, 2021), <https://postergrind.com/can-nfts-be-copied-7-things-to-know/>.

qualities of Da Vinci's "hand-painted artwork."<sup>28</sup> Thus, despite Mona Lisa replicas, there is still only one Mona Lisa by Da Vinci.<sup>29</sup> As a result, two NFTs that reference the same digital file, like the same Google image of Mona Lisa, are distinct from each other as each NFT has a unique underlying identification code also referred to as a token ID.<sup>30</sup>

In 2014, the first known NFT was created.<sup>31</sup> It was called Quantum, an octagon-shaped "generative piece of art."<sup>32</sup> It was not until 2015 when the first NFT was built on Ethereum.<sup>33</sup> The first NFT built on Ethereum was called Terra Nullius, which allowed people to "stake a claim on the blockchain" by writing a note that would be minted on an NFT.<sup>34</sup> NFTs are often used as profile pictures, which are commonly referred to as PFPs.<sup>35</sup> A PFP NFT is "an avatar which can be used as one's internet alias instead of a personal photo."<sup>36</sup> The first PFP NFT was CryptoPunks which was created in 2017 and consisted of pixelated cartoons of punks.<sup>37</sup> Another popular PFP NFT is Bored Ape Yacht Club (BAYC) which is a cartoon of an ape.<sup>38</sup> Additionally, "Vault NFTs" refer to "digital tokens that

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28. *Id.*

29. *Id.*

30. Scrovy, *ERC-721 Non-Fungible Token Standard*, ETHEREUM (June 23, 2023), <https://ethereum.org/en/developers/docs/standards/tokens/erc-721/>.

31. See Jex Exmundo, *Quantum: The Story Behind the World's First NFT*, NFT NOW (Mar. 21, 2023), <https://nftnow.com/art/quantum-the-first-piece-of-nft-art-ever-created>.

32. *Id.*

33. See Kay, *The History of NFTs on Ethereum*, NONFUNGIBLE (Apr. 12, 2022), <https://nonfungible.com/news/utility/the-history-of-nfts-on-ethereum>.

34. *Id.*; Adam McBride, *Terra Nullius – The First NFT on Ethereum*, MEDIUM (Sept. 27, 2021), <https://adamamcbride.medium.com/2015-the-first-nft-on-ethereum-2d2ff6468d49>; The term "mint," "minting," or "minted" refers to the publishing of an NFT on a blockchain. Once an NFT is minted, it can be "bought, sold, and traded." See Samuel Becker, *What Does Minting an NFT Mean?*, SOFI (Sept. 9, 2022), <https://www.sofi.com/learn/content/what-is-nft-minting>.

35. Michael Koller, *PFP NFTs: A Beginner's Guide*, BUILT IN (Sept. 30, 2022), <https://builtin.com/blockchain/nft-pfp>.

36. Kate Irwin, *What Are PFP NFT Collections? The 2D Avatars Taking Over Twitter*, DECRYPT (Aug. 20, 2022), <https://decrypt.co/resources/what-are-pfp-nft-collections-the-2d-avatars-taking-over-twitter>.

37. See Benedict George, *What Are PFP NFTs?*, COINDESK (last updated May 11, 2023, 11:21 AM), <https://www.coindesk.com/learn/what-are-pfp-nfts/>.

38. *Id.*

represent ownership of physical items and, therefore, do not have any intrinsic value beyond that of the underlying physical good.”<sup>39</sup>

### *B. Overview of the History of Trademark Law*

It is suggested that the first known trademarks can be traced back to the Lascaux Caves in France during the prehistoric times where cave paintings of bison with marks could suggest “ownership of livestock.”<sup>40</sup> Trademarks also date back to ancient Egypt, where unique marks in stones may have been used to identify a specific worker.<sup>41</sup> Despite the existence of trademarks used to signify ownership during the prehistoric ages, trademark laws are relatively recent.<sup>42</sup>

#### 1. The Development of Trademark Law in the United States

The US recognizes trademark rights at common law, so registration is not necessary for trademark owners to claim rights.<sup>43</sup> US federal trademark law arose in 1791, when a “Massachusetts sailcloth manufacturer petitioned for a federal trademark law.”<sup>44</sup> Thomas Jefferson, the Secretary of State at the time, favored a federal trademark law.<sup>45</sup> Nevertheless, a

39. *What are Vault NFTs?*, STOCKX (Sept. 27, 2022), [https://stockx.com/help/articles/What-are-Vault-NFTs\\_](https://stockx.com/help/articles/What-are-Vault-NFTs_)

40. Dennemeyer, *The Evolution of Trademarks - From Ancient Egypt to Modern Times*, MONDAQ (Dec. 10, 2019), <https://www.mondaq.com/trademark/873224/the-evolution-of-trademarks—from-ancient-egypt-to-modern-times?login=true&debug-domain=.mondaq.com>.

41. *See A History of Trademarks: From the Ancient World to the 19th Century*, W.I.P.O., [https://www.wipo.int/podcasts/en/madrid/transcripts/international\\_trademark\\_system\\_talk\\_01.html](https://www.wipo.int/podcasts/en/madrid/transcripts/international_trademark_system_talk_01.html) (last visited Sept. 4, 2023).

42. *See* Dennemeyer, *supra* note 40.

43. GRAEME B. DINWOODIE & MARK D. JANIS, *TRADEMARKS AND UNFAIR COMPETITION LAW AND POLICY* 10 (Rachel E. Barkow et al. eds., 5th ed., Wolters Kluwer 2018).

44. Zvi S. Rosen, *Federal Trademark Law: From Its Beginnings*, A.B.A (Apr. 2019), [https://www.americanbar.org/groups/intellectual\\_property\\_law/publications/landslide/2018-19/march-april/federal-trademark-law/](https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2018-19/march-april/federal-trademark-law/).

45. *Id.*



federal trademark law was not enacted, so it was up to the states to create laws.<sup>46</sup> In 1845, New York established the first state trademark law.<sup>47</sup> While the first federal Trademark Act was passed in 1870, it took over seventy years for Congress to pass the existing federal trademark law—which is known as the Lanham Act in 1946.<sup>48</sup> The Lanham Act created a trademark registration procedure that granted trademark owners with registered marks greater protections against that of similar marks.<sup>49</sup> While there are state laws for trademarks, most state laws are consistent with federal law.<sup>50</sup> Trademark rights can exist whether or not a mark is registered.<sup>51</sup> A general baseline for gaining trademark protection requires a mark that is used in commerce and is distinctive.<sup>52</sup>

## 2. The Development of Trademark Law in the European Union

During the Middle Ages, trade and population increased significantly in Europe.<sup>53</sup> The influx in business increased the potential for competition and fraud.<sup>54</sup> Trademarks were a useful way to distinguish between businesses and potential counterfeits as well as “guarantee on the quality of the goods for trademarks belonging to traders all throughout Europe.”<sup>55</sup> In 1266, King Henry III of England passed the first known trademark law called the “Assize of Bread and Ale” which required bakers to put their mark on bread that they baked.<sup>56</sup>

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46. *Id.*

47. *Id.*

48. *Id.*; Lanham (Trademark) Act, 15 U.S.C. §§ 1051-1141n.

49. Wex Definitions Team, *Legal Information Institute, Lanham Act*, LEGAL INFO. INST.: CORNELL L. SCHOOL (June 2023), [https://www.law.cornell.edu/wex/lanham\\_act](https://www.law.cornell.edu/wex/lanham_act).

50. DINWOODIE & JANIS, *supra* note 43, at 9.

51. *Id.* at 10.

52. Wex Definitions Team, *supra* note 49.

53. See Kelsey Campbell-Dollaghan, *The Strange Medieval Origins of Modern Logos*, GIZMODO (Dec. 19, 2014) <https://gizmodo.com/the-strange-medieval-origins-of-modern-logos-1670331631>.

54. *Id.*

55. See *A History of Trademarks: From the Ancient World to the 19th Century*, *supra* note 41.

56. *Id.*; *Trademarks Past and Present*, W.I.P.O. (Mar. 2005), [https://www.wipo.int/wipo\\_magazine/en/2005/02/article\\_0003.html](https://www.wipo.int/wipo_magazine/en/2005/02/article_0003.html).

This protected businesses from unfair competition as well as customers from being misled.<sup>57</sup>

During the Industrial Revolution, there was an increase in international trade, which led to the modernization of trademark laws.<sup>58</sup> Globalization led to the Paris Convention of 1883 which set the foundation for the Madrid Agreement of 1891 and the Madrid Protocol of 1989.<sup>59</sup> Both the Madrid Agreement and Protocol exist today and are collectively referred to as the Madrid System.<sup>60</sup> The Madrid System establishes international trademark registration and protection across several areas, including the EU and the US.<sup>61</sup> The EU's current trademark law is called the European Union Trademark Regulation (EUTMR).<sup>62</sup>

57. See *A History of Trademarks: From the Ancient World to the 19th Century*, *supra* note 41.

58. The Industrial Revolution starting during the 18<sup>th</sup> century marks “the transition from manufacture to machine production.” *Id.*

59. There was a rise in various countries hosting “international exhibitions” to foster innovation. Many brands that exist today originally started at the international exhibitions including, “Louis Vuitton, Hermès, and Tiffany.” See *id.*; The Paris Convention of 1883 was intended to protect industrial property which could be construed to protect trademarks. See *Summary of the Paris Convention for the Protection of Industrial Property (1883)*, W.I.P.O., [https://www.wipo.int/treaties/en/ip/paris/summary\\_paris.html](https://www.wipo.int/treaties/en/ip/paris/summary_paris.html) (last visited Sept. 4, 2023); The Madrid Agreement of 1891 was enacted to foster a universal trademark registration that would provide protection across various countries. The Madrid Protocol of 1989 has the same mission as the Madrid Agreement but is more compatible for “domestic legislation of certain countries or intergovernmental organizations that had not been able to accede to the [Madrid] Agreement.” See *Summary of the Madrid Agreement Concerning the International Registration of Marks (1891) and the Protocol Relating to That Agreement* (1989), W.I.P.O., [https://www.wipo.int/treaties/en/registration/madrid/summary\\_madrid\\_marks.html](https://www.wipo.int/treaties/en/registration/madrid/summary_madrid_marks.html) (last visited Sept. 4, 2023).

60. See *Summary of the Madrid Agreement Concerning the International Registration of Marks (1891) and the Protocol Relating to That Agreement* (1989), *supra* note 59.

61. *International Registration*, E.U.I.P.O., <https://euipo.europa.eu/ohimportal/en/madrid-protocol> (last visited Sept. 4, 2023); In the US, the Madrid Protocol allows trademark owners to gain protection of their marks in foreign countries. See *Madrid Protocol*, U.S.P.T.O., (Oct. 6, 2023, 3:12 PM), <https://www.uspto.gov/ip-policy/trademark-policy/madrid-system-international-registration-marks-madrid-protocol>.

62. *European Union Trademark System Review*, INT'L TRADEMARK ASS'N, <https://www.inta.org/topics/European-union-trademark-system-review> (last

The Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) was created in 1995 to establish a global standard for various intellectual property protections.<sup>63</sup> The minimum standards established under TRIPS allow countries to apply trademark laws at their discretion based on their countries' legal systems.<sup>64</sup> Thus, while the US and EU are members of TRIPS, the countries can apply trademark law differently from each other.<sup>65</sup>

## II. ANALYZING TRADEMARK INFRINGEMENT

### *A. How the United States Analyzes Trademark Infringement*

The US Patent and Trademark Office (USPTO) is the US's federal agency that handles patent and trademark registrations.<sup>66</sup> According to the Lanham Act, a trademark is a "word, name, symbol, or device," used to identify a product's origin or distinguish it from others.<sup>67</sup> Sometimes the Lanham Act protects "trade dress" if it involves the same "source-identifying function as a trademark" such as a product's packaging, design, and shape.<sup>68</sup> A trademark's scope of protection depends on the drawing of the mark being

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visited Nov. 1, 2023); *see also* Regulation (EU) 2017/1001, of the European Parliament and of the Council of 14 June 2017 on the European Union Trade Mark, 2017 O.J. (L 154) 1.

63. *Overview: the TRIPS Agreement*, WORLD TRADE ORG., [https://www.wto.org/english/tratop\\_e/trips\\_e/intel2\\_e.htm#trademark](https://www.wto.org/english/tratop_e/trips_e/intel2_e.htm#trademark) (last visited Oct. 4, 2023).

64. *Id.*

65. *Trade Policy*, U.S.P.T.O. (Nov. 1, 2019), <https://www.uspto.gov/ip-policy/trade-policy>; *Protecting EU creations, inventions and designs*, EUROPEAN COMMISSION, [https://policy.trade.ec.europa.eu/enforcement-and-protection/protecting-eu-creations-inventions-and-designs\\_en](https://policy.trade.ec.europa.eu/enforcement-and-protection/protecting-eu-creations-inventions-and-designs_en) (last visited Oct. 4, 2023); *Id.*

66. The USPTO registers trademarks based on the commerce clause, which is located in Article 1, Section 8 of the US's Constitution. *See About Us*, U.S.P.T.O. (last modified Nov. 7, 2022, 9:36 AM), <https://www.uspto.gov/about-us>.

67. Lanham (Trademark) Act, 15 U.S.C. § 1127.

68. Lanham (Trademark) Act, 15 U.S.C. § 1125(a); Wex Definitions Team, *Trade Dress*, LEGAL INFO. INST.: CORNELL L. SCH., [https://www.law.cornell.edu/wex/trade\\_dress](https://www.law.cornell.edu/wex/trade_dress) (last visited Sept. 4, 2023).

registered.<sup>69</sup> A standard character or a special form are two types of drawings that provide trademark protection.<sup>70</sup> It is not possible to register for both.<sup>71</sup> A standard character provides more protection than a special form, because the standard character only protects the word without any association to a font, style, size, or color.<sup>72</sup> The special form provides narrower protection as it covers the stylized drawing of the registration and not just the word itself.<sup>73</sup> Although the special form provides narrower protection, it might be preferable if the mark's overall presentation beyond its words creates an "uncommon" impression that would lose its meaning if changed.<sup>74</sup>

The Lanham Act recognizes trademark infringement claims for both registered and unregistered marks.<sup>75</sup> Technically, trademark infringement claims only cover registered marks while unfair competition claims cover unregistered marks.<sup>76</sup> Rights for unregistered marks under unfair competition claims are the same as registered marks under trademark infringement claims.<sup>77</sup> To bring a valid trademark infringement claim, the plaintiff has the burden of proving three elements including that the plaintiff (1) has a "valid and legally protectable mark; (2) it owns the mark; and (3) the defendant's use of the mark to identify goods or services causes a likelihood of confusion."<sup>78</sup> The US recognizes the likelihood of confusion as the core issue to determine trademark infringement.<sup>79</sup> The US does not view likelihood of confusion as a "mere possibility," and instead

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69. See *Drawing of Your Mark*, U.S.P.T.O. (May 11, 2023, 2:45 PM), <https://www.uspto.gov/trademarks/basics/mark-drawings-trademarks>.

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.*

74. *Id.*

75. Lanham (Trademark) Act, 15 U.S.C. §§ 1114, 1125(a).

76. DINWOODIE & JANIS, *supra* note 43, at 10.

77. *Id.* at 10.

78. *A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 210 (3rd Cir. 2000).

79. Wex Definitions Team, *Trademark Infringement*, LEGAL INFO. INST.: CORNELL L. SCH., [https://www.law.cornell.edu/wex/trademark\\_infringement](https://www.law.cornell.edu/wex/trademark_infringement) (last visited Sept. 8, 2023).

considers it “a probability of confusion.”<sup>80</sup> The US does not use a “strict mechanical test” to determine confusion, rather it is based on facts.<sup>81</sup> While the plaintiff has the burden to prove the three elements listed above, the “[l]ikelihood of consumer confusion is the core element of trademark infringement under the Lanham Act, state statutory and common law infringements, and unfair competition claims.”<sup>82</sup>

### *B. How the European Union Analyzes Trademark Infringement*

Since the EUTMR is the governing trademark law for EU countries, the EUTMR not only has its own regulations, but also functions alongside each country’s national law and the Madrid System.<sup>83</sup> The European Union Intellectual Property Office (EUIPO) is the European Union Agency that handles European trademark (EUTM) and Community design registration (RCD).<sup>84</sup> The EUIPO distinguishes between an EUTM and RCD based on the idea that an EUTM “distinguish the goods and services” from others while a RCD “is the appearance of the whole or a part of a product which is new and has ‘individual character.’”<sup>85</sup> While there are distinctions between the two registrations, a product can have both EUTM and RCD protections.<sup>86</sup>

In the EU, trademarks are “signs used in trade to identify products” which “signal the origin of products to consumers.”<sup>87</sup> A

80. *Streamline Prod. Sys., Inc. v. Streamline Mfg., Inc.*, 851 F.3d 440, 453 (5th Cir. 2017) (quoting

*Bd. of Supervisors v. Smack Apparel Co.*, 550 F.3d 465, 478 (5th Cir. 2008)).

81. *Likelihood of Confusion*, U.S.P.T.O. (Feb. 19, 2021, 9:10 AM) <https://www.uspto.gov/trademarks/search/likelihood-confusion>.

82. GREGORY P. GULIA ET AL., TRADEMARK INFRINGEMENT AND DILUTION CLAIMS, REMEDIES, AND DEFENSES, PRACTICAL LAW PRACTICE NOTE, WL 1-508-1019.

83. See *Trade marks in the European Union*, E.U.I.P.O., <https://euipo.europa.eu/ohimportal/en/trade-marks-in-the-european-union> (last visited Sept. 4, 2023); Regulation 2017/1001, *supra* note 62, at 78; see *International Registration*, *supra* note 61.

84. *About us*, E.U.I.P.O., <https://euipo.europa.eu/ohimportal/en/about-euipo> (last visited Sept. 4, 2023).

85. Harri Salmi, *Interface Between Trade Marks, Designs and Other IPR (Intermediate level)*, E.U.I.P.O. (Sept. 24, 2018), <https://euipo.europa.eu/knowledge/course/view.php?id=3285>.

86. *Id.*

87. *Trade mark definition*, *supra* note 8.

trademark can “consist of any signs, in particular words (including personal names), or designs, letters, numerals, colours, the shape of goods, or of the packaging of goods or sounds.”<sup>88</sup> The EUIPO publishes annual guidelines about trademark and design practice.<sup>89</sup> The guidelines are not law, but “self-imposed rules of conduct adopted by an administrative decision.”<sup>90</sup>

In trademark infringement cases, if there is similarity between the mark, sign, goods, or services, a likelihood of confusion test is applied to determine the degree of similarity.<sup>91</sup> In the EU, proving the likelihood of confusion “at the time when the allegedly infringing goods were first sold” is a necessary element in trademark infringement cases that do not involve “an identical sign for identical goods or services, or a mark with a reputation.”<sup>92</sup> While an amalgam of factors is used to determine the likelihood of confusion, there is a strong emphasis on the “recognition of the trade mark on the market,” association with the registered mark, and degree of similarity between the products.<sup>93</sup> Additionally, there is a defense in the EU known as “[d]ouble [i]dentity” which prevents trademark registration when it is identical to a previous mark.<sup>94</sup> For example, under the EUIPO guidelines, the word “Vehicles” is identical to “vehicles” and “Bicycle” is identical to “bike.”<sup>95</sup> If the words are the same, but the marks are used under different classifications, then this likely means they are not identical.<sup>96</sup> For example, the word “lasers” for nonmedical purposes under Class 9 is not identical to “lasers” for medical purposes in Class 10.<sup>97</sup>

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88. *What can be an EU trade mark*, E.U.I.P.O., <https://euipo.europa.eu/ohimportal/en/what-can-be-an-eu-trade-mark> (last visited Sept. 4, 2023).

89. *See Trade Mark and Design Guidelines*, E.U.I.P.O. (Mar. 31, 2023), <https://guidelines.euipo.europa.eu/2058843/2199801/trade-mark-guidelines/1-introduction>.

90. *Id.*

91. Regulation 2017/1001, *supra* note 62, at 2.

92. Practical Law IP&IT, TRADE MARKS: INFRINGEMENT AND OFFENCES, PRACTICAL LAW PRACTICE NOTE, WL 6-505-3580.

93. Regulation 2017/1001, *supra* note 62, at 2.

94. *Trade Mark and Design Guidelines*, *supra* note 89.

95. *Id.*

96. *Id.*

97. *Id.*

The EU does not recognize common law trademark infringement like the US.<sup>98</sup> Instead, a like claim in the EU would be issued as a complaint for “unfair competition.”<sup>99</sup> Under EU law, however, if a trademark is in the process of being registered, a court claim can be amended to reference the trademark infringement of a registered mark.<sup>100</sup>

### III. TRADEMARK POLICY ON NON-FUNGIBLE TOKENS

#### *A. United States Approach to Non-Fungible Tokens and Trademark Cases*

With the proliferation of NFTs, many companies are increasingly growing their presence in the metaverse—the virtual world—and taking efforts to increase their trademark protections there.<sup>101</sup> While NFTs exist outside of the metaverse, NFTs are often associated with the metaverse because they allow digital ownership of goods in an immersive virtual world.<sup>102</sup> The metaverse is relevant to trademark law and NFTs, because it provides new ways “to engross consumers in branded environments.”<sup>103</sup> Many types of NFTs are used in the metaverse as “in-game characters, avatars, and items on various virtual

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98. See Magdalena Borucka & Christian Tenkhoff, *Yuga Labs v Ryder Ripps – The Trademark Perspective*, LEXOLOGY (Aug. 29, 2022) <https://www.lexology.com/library/detail.aspx?g=2e9be0f5-4707-4fdb-8d2e-b1fcaae7ace1>.

99. Unfair competition claims are like trademark infringement claims but include unregistered marks. See Borucka & Tenkhoff, *supra* note 98.

100. Borucka & Tenkhoff, *supra* note 98.

101. A metaverse is “a persistent virtual . . . environment that allows access to and interoperability of multiple individual virtual realities.” See *Metaverse*, MERRIAM-WEBSTER.COM, <https://www.merriam-webster.com/dictionary/metaverse> (last visited Sept. 4, 2023); see also Flavia S., *Do Metaverse and NFTs Have a Future? These Statistics on Trademark Filings Will Convince You* (Sept. 21, 2023), CRYPTOFLIES <https://blog.cryptoflies.com/do-metaverse-and-nfts-have-a-future-these-statistics-on-trademark-fillings-will-convince-you>.

102. See *Non-Fungible Tokens (NFTs) and the Metaverse, Explained*, GETSMARTER (June 14, 2022), <https://www.getsmarter.com/blog/market-trends/non-fungible-tokens-nfts-and-the-metaverse-explained/>.

103. See Jacob W. S. Schneider, *The Metaverse: Artistic Uses of Trademarks In Virtual Spaces*, HOLLAND & KNIGHT (Oct. 17, 2022), <https://www.hklaw.com/en/insights/publications/2022/10/the-metaverse-artistic-uses-of-trademarks-in-virtual-spaces>.

ecosystems.”<sup>104</sup> An example of a branded environment in the metaverse is the collaboration between the multinational sportswear brand, Nike, and online social gaming platform, Roblox.<sup>105</sup> Nike created a branded virtual world known as Nikeland which is built on the Roblox platform.<sup>106</sup> In Nikeland, users can engage in Nike-branded experiences like dressing avatars in wearable NFT Nike branded shoes, apparel, and accessories.<sup>107</sup> The growing interest in the metaverse has been a driving force for the spike in trademark applications for digital assets.<sup>108</sup>

The US uses a classification system for registering trademarks that is based on the World Intellectual Property Organization's Nice Classification System.<sup>109</sup> Many companies are taking precautionary trademark protection measures by filing “intent-to-use” trademark applications for their NFT related endeavors.<sup>110</sup> “Intent-to-use” registration means that the

104. See Viraj Randev, *11 Best Metaverse NFT Projects to Invest in 2023*, CRYPTONEWS (Dec. 29, 2022), <https://cryptonews.com/news/best-metaverse-nft-projects.htm>.

105. See Jose Rey, *What Is Nikeland? The Nike Metaverse*, BITNOVO (Mar. 10, 2022), <https://blog.bitnovo.com/en/what-is-nikeland-the-nike-metaverse/>.

106. *Id.*

107. See Stark, *What Is Nikeland? A Guide to Nike's Metaverse*, METAROIDS (Aug. 17, 2022), <https://metaroids.com/learn/what-is-nikeland/>; see also Sanad O.Karkar, *How Nike is Changing the Fashion Industry with NFTs*, MEDIUM (Aug. 29, 2022), <https://medium.com/zero-code-io/how-nike-is-changing-the-fashion-industry-with-nfts-41c77fbbe3db>.

108. See Wahid Pessarlay, *Digital Asset Trademark Applications Reach All-Time High in 2022 with Metaverse Leading Adoption*, COINGEEK (Nov. 12, 2022), <https://coingeek.com/digital-asset-trademark-applications-reach-all-time-high-in-2022-with-metaverse-leading-adoption/>.

109. Igor Demcak, *4 Differences Between Trademark Registration in the US and the EU*, LEXOLOGY (Mar. 22, 2023), <https://www.lexology.com/library/detail.aspx?g=74731da8-0f4f-45c9-9c33-9bcec5e65024109>; See *Get Ready To Search - Classification And Design Search Codes*, U.S.P.T.O. (Sept. 21, 2022, 4:36 PM), <https://www.uspto.gov/trademarks/search/get-ready-search-classification-and-design>; The Nice Classification is a globally recognized system and mandatory for any country that is a party to the Nice Agreement. See generally W.I.P.O., *About the Nice Classification*, W.I.P.O., <https://www.wipo.int/classifications/nice/en/preface.html> (last visited Nov. 19, 2023).

110. See *USPTO Responds to Nike's Early Applications for Reg. for Metaverse Marks*, FASHION L., <https://www.thefashionlaw.com/uspto-responds-to-nikes->



company has not used its mark yet but plans to in the future.<sup>111</sup> Many preliminary “intent-to-use” trademark applications have been met with pushback from the USPTO for lacking specificity.<sup>112</sup> For example, while Nike has been at the forefront of attempting to protect its trademarks, the USPTO called Nike out for filing numerous metaverse “intent-to-use” trademark applications with vague descriptions.<sup>113</sup> Nike is not the only brand to file trademark applications with the USPTO to protect its “real world” trademark on “virtual goods and services, as well as non-fungible tokens.”<sup>114</sup> It is uncertain how existing trademarked brands in the real world will be protected virtually.

Currently, there are many existing NFT trademark cases in the US. For example, *Hermès International v. Rothschild* addresses whether the MetaBirkins NFT project, which is not tied to physical assets, is considered trademark infringement on physical Hermès Birkin bags.<sup>115</sup> *Yuga Labs, Inc. v. Ripps* is a case regarding an NFT project that is allegedly committing

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early-applications-for-reg-for-metaverse-marks/ (last visited Sept. 4, 2023) [hereinafter USPTO Responds].

111. *Trademark Applications – Intent-To-Use (ITU) Basis*, U.S.P.T.O. (Aug. 2, 2023, 9:56 AM), <https://www.uspto.gov/trademarks/apply/intent-use-itu-applications>; As of April 2023, there were 9,108 trademark related NFT applications filed with the USPTO. See generally Flavia S., *supra* note 101.

112. *USPTO Responds*, *supra* note 110.

113. Jessica Golden, *Nike is Quietly Preparing for the Metaverse*, CNBC (Nov. 2, 2021), <https://www.cnbc.com/2021/11/02/nike-is-quietly-preparing-for-the-metaverse.html>; Nike filed trademark applications with the USPTO for “its name, Swoosh logo, ‘JUST DO IT,’ and Jordan marks” in numerous classifications including Class 9 for “downloadable virtual goods,” Class 34 for “retail store services featuring virtual goods,” and Class 41 for “entertainment services, namely, providing on-line, non-downloadable virtual footwear, clothing, headwear, eyewear, bags, sports bags, backpacks, sports equipment, art, toys and accessories for use in virtual environments.” *USPTO Responds*, *supra* note 110; NFTs can be used to represent ownership and trade of digital assets in the metaverse. See also Oleg Fonarov, *What Is The Role of NFTs In The Metaverse?*, FORBES (Mar. 11, 2022, 8:45 AM), <https://www.forbes.com/sites/forbestechcouncil/2022/03/11/what-is-the-role-of-nfts-in-the-metaverse/?sh=593e94536bb8>.

114. In addition to Nike, Louis Vuitton and Gucci have filed for trademark applications in the US to protect their brands in the virtual world. See *USPTO Responds*, *supra* note 110.

115. Complaint at 3-7, *Hermès Int’l v. Rothschild*, No. 22-CV-384 (S.D.N.Y. May 18, 2022), 2022 WL 1564597 [hereinafter *Hermès Complaint*].

trademark infringement on the Bored Ape Yacht Club NFT.<sup>116</sup> *Nike v. StockX* examines whether StockX selling an NFT of a digital shoe to represent ownership of a physical Nike shoe is considered trademark infringement of the Nike brand.<sup>117</sup> These three landmark NFT cases leave it to the courts to determine whether these are valid trademark infringement claims when the underlying technological makeup of an NFT is its unique code that makes it a “one-of-a-kind.”<sup>118</sup>

### 1. *Hermès International v. Rothschild*

On January 14, 2022, Hermès, a French luxury brand that sells designer goods including the famed Birkin bag, filed a trademark infringement complaint in the Southern District of New York against Mason Rothschild, the creator of the MetaBirkins NFT.<sup>119</sup> Hermès accused Rothschild of trademark infringement for the unauthorized use of the Birkin mark to sell digital knockoffs under the NFT series entitled “MetaBirkins.”<sup>120</sup> Hermès Birkin bags are incredibly expensive—the least expensive of them sell for tens of thousands of dollars.<sup>121</sup> Hermès owns the trademark rights to the Birkin marks and trade dress rights to the Birkin bag designs.<sup>122</sup>

The MetaBirkin NFT series consists of a collection of “digital images of faux-fur-covered versions of the luxury Birkin handbags.”<sup>123</sup> When Rothschild started selling MetaBirkins, he said it was “a tribute” to Hermès’s Birkin bag.<sup>124</sup> Yet, there is evidence of consumer confusion. For example, various magazines including *Elle* and *New York Magazine* reported that MetaBirkins was a partnership between Hermès and

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116. Complaint at 86-98, *Yuga Labs, Inc. v. Ripps*, No. 22-CV-04355 (C.D. Cal. June 24, 2022), 2022 WL 2482268 [hereinafter *Yuga Labs Complaint*].

117. Complaint at 41-43, *Nike, Inc. v. StockX*, No. 22-CV-983 (S.D.N.Y. Feb. 3, 2022), 2022 WL 340664 [hereinafter *Nike Complaint*].

118. See *What are NFTs and Why are Some Worth Millions?*, BBC (Dec. 16, 2022), <https://www.bbc.com/news/technology-56371912>.

119. Hermès Complaint, *supra* note 115, at (I)(A)(19).

120. *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647, 650 (S.D.N.Y. 2022).

121. *Id.*

122. *Id.*

123. *Id.*

124. *Id.*

Rothschild.<sup>125</sup> Rothschild claims that he has a right to use the Birkin mark under the First Amendment.<sup>126</sup> While Judge Rakoff of the Southern District of New York recognizes that there are some circumstances when a trademark is artistically relevant to deserve protection under the First Amendment, here the court was tasked with determining whether Rothschild's work was "explicitly misleading;" a result that would provide no protection under the First Amendment.<sup>127</sup> After a jury trial, Judge Rakoff upheld the unanimous jury verdict denying Rothschild First Amendment protection since he infringed on Hermès's mark by "intentionally" misleading consumers.<sup>128</sup> Judge Rakoff applied the Supreme Court's 2023 decision in *Jack Daniel's Prop. v. VIP Prod.*, which held that the First Amendment is not a valid defense if the "accused infringer has used a trademark to designate the source of its own goods—in other words, has used a trademark as a trademark."<sup>129</sup> The court held that Rothschild used Hermès's Birkin trademark as a trademark for MetaBirkin NFTs.<sup>130</sup> The court, however, recognizes that MetaBirkins are "at least in some respects works of art."<sup>131</sup> As a result, the court entered a "narrower injunction [against Rothschild] that would remedy continued consumer confusion while avoiding any potential constitutional problems."<sup>132</sup> After the District Court's decision, Rothschild filed a notice of appeal to the US Court of Appeals for the Second Circuit.<sup>133</sup>

## 2. Nike v. StockX

On February 3, 2022, Nike—the world's largest athletic apparel company—filed a trademark infringement complaint in the Southern District of New York against StockX, an online

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125. Amended Complaint & Demand for Jury Trial at 3, *Hermès Int'l v. Rothschild*, No. 22-CV-384 (S.D.N.Y. Mar. 2, 2022), ECF No. 24.

126. *Hermès Int'l*, 590 F. Supp. 3d at 651-52.

127. *Id.*

128. *Hermès Int'l v. Rothschild*, No. 22-CV-384 (JSR), 2023 WL 4145518, at \*1 (S.D.N.Y. 2023).

129. *Id.* at 3.

130. *Id.*

131. *Id.* at 12.

132. *Id.*

133. *Mason Rothschild Appeals Hermès' Win in MetaBirkins Case to 2nd Cir.*, FASHION L. (July 24, 2023), <https://www.thefashionlaw.com/mason-rothschild-appeals-hermes-win-in-metabirkins-lawsuit-to-2nd-cir/>.

resale marketplace that primarily sells sneakers.<sup>134</sup> StockX claims that it is selling vault NFTs which “are associated with a unique physical product held in StockX’s custody until the NFT owner ‘redeems’ the NFT in exchange for the associated physical product or some other benefit.”<sup>135</sup> Nike claims that StockX is selling vault sneaker NFTs with Nike’s trademark, but without any approval or authorization from Nike.<sup>136</sup> As a result, Nike accuses StockX of “using Nike’s goodwill, and selling those NFTs at heavily inflated prices to unsuspecting consumers who believe or are likely to believe” they are associated with Nike.<sup>137</sup> Nike has ownership and exclusive rights of numerous registered trademarks, as well as common rights to the trademarks used “in connection with Nike’s goods and services.”<sup>138</sup> Nike claims there is a likelihood of confusion for consumers since Nike has not only demonstrated its intent to engage in the NFT industry with its acquisition of a digital art and collectibles studio, but has also been using its marks “with virtual goods and digital applications for years.”<sup>139</sup> The parties are currently in the pre-trial stage.<sup>140</sup>

### 3. Yuga Labs, Inc. v. Ryder Ripps

On June 24, 2022, Yuga Labs, the creators of the highly successful BAYC NFTs, filed a lengthy complaint in the Central District of California against “self-proclaimed ‘conceptual artist’” Ryder Ripps which included a trademark infringement claim.<sup>141</sup> Yuga Labs BAYC NFT series consists of ten thousand unique “digital collectibles” of cartoon primates and exists on the Ethereum blockchain.<sup>142</sup> Since BAYC’s NFT launch in April 23,

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134. Nike Complaint, *supra* note 117, at 92-103; *see Nike*, FORTUNE (Aug. 2, 2023), <https://fortune.com/company/nike/>; *see The Current Culture Marketplace*, STOCKX, <https://stockx.com/about/how-it-works/> (last visited Nov. 20, 2023).

135. Nike Complaint, *supra* note 117, at 44.

136. *Id.* at 4.

137. *Id.*

138. *Id.* at 28.

139. *Id.* at 30.

140. *See Nike, Inc. v. Stockx LLC (1:22-cv-00983)*, COURTLISTENER (Oct. 31, 2023, 7:20 AM), <https://www.courtlistener.com/docket/62654048/nike-inc-v-stockx-llc/?page=2>.

141. Yuga Labs Complaint, *supra* note 116, at 2.

142. *Id.* at 16.

2021, it has become regarded as one of the most highly coveted PFP NFTs with consumers including celebrities like singer, Justin Bieber, comedic television host, Jimmy Fallon, and rapper, Snoop Dogg.<sup>143</sup> Yuga Labs stated that “*the very same trademark* that Yuga Labs uses to promote and sell authentic Bored Ape Yacht Club NFTs” was used by Ripps for his NFT project, RR/BAYC, and thus, caused confusion among potential buyers and devalued BAYC.<sup>144</sup>

In May 2022, Ripps launched the RR/BAYC NFT collection, which used the “same images, logos and marks owned by BAYC to promote and sell versions of his copycat works on [the same] marketplaces” that sell BAYC.<sup>145</sup> Unlike *Hermès*, in *Yuga Labs* the defendant’s project, RR/BAYC, involves “selling NFTs associated with the images into the ‘same’ market” as BAYC which could create a likelihood of confusion for consumers and diminish BAYC’s brand.<sup>146</sup> When Yuga Labs filed suit, the BAYC trademark registration was still pending.<sup>147</sup> In a decision from April 2023, Judge Walter of the Central District of California held that the Lanham Act provides the BAYC unregistered marks protection as the NFTs constitute goods and were used in commerce.<sup>148</sup> Additionally, the court dismissed the defendant’s fair use and freedom of speech defense.<sup>149</sup>

On October 25, 2023, Judge Walter held that Ripps committed trademark infringement because he “simply used the BAYC Marks to create a NFT collection that points to the exact same images as the BAYC NFTs.”<sup>150</sup> A permanent injunction was

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143. *Id.* at 21; see also Daniel Kuhn, *Ryder Ripps, Bored Apes, and ‘Owning’ an NFT*, COINDESK (June 29, 2022, 7:43 PM), <https://www.coindesk.com/layer2/2022/05/19/ryder-ripps-bored-apes-and-owning-an-nft/>.

144. Yuga Labs Complaint, *supra* note 116, at 33.

145. See Dorian Batycka, *Artist Ryder Ripps Called the Bored Ape Yacht Club NFTs Racist. Now, Yuga Labs Is Suing Him for Trademark Infringement and Harassment*, ARTNET (June 29, 2022), <https://news.artnet.com/art-world/yuga-labs-v-ryder-ripps-bayc-2137737>.

146. Kuhn, *supra* note 143.

147. See Borucka & Tenkhoff, *supra* note 98.

148. Yuga Labs, Inc. v. Ripps, No. CV 22-4355-JFW(JEMX), 2023 WL 3316748, at \*4-6 (C.D. Cal. Apr. 21, 2023).

149. *Id.* at \*12-14.

150. Yuga Labs, Inc. v. Ripps, No. CV 22-4355-JFW(JEMX), 2023 U.S. Dist. LEXIS 192487, at \*33 (C.D. Cal. Oct. 25, 2023).

placed against Ripps to prevent further trademark infringement like “marketing, promoting, or selling products or services, including RR/BAYC NFTs and Ape Market, that use the BAYC Marks.”<sup>151</sup> Further, Ripps was required to transfer control over his accounts including the RR/BAYC smart contract to Yuga Labs.<sup>152</sup> The remedy also involved Ripps paying Yuga Labs his disgorgement of profits totaling \$1,375, 362.92.<sup>153</sup>

*B. European Union Policy on Non-Fungible Tokens as Trademarks*

The EUIPO defines an NFT as the underlying technology used to “record ownership of an asset,” rather than the digital asset itself.<sup>154</sup> With the influx of trademark registrations related to NFTs, the EUIPO has provided some guidance pertaining to its classification system.<sup>155</sup> The EUTM categorizes trademarks based on the Nice Classification system.<sup>156</sup> Both the EU and US follow the Nice Classification system; however, each country’s implementation of the classification is different.<sup>157</sup> The EU specified that generally, NFTs are used to trademark items that fall under Classes 9, 35, and 41.<sup>158</sup> The EUIPO emphasizes that an NFT cannot be classified as a trademark on its own as NFTs are merely “digital certificates registered in a blockchain, which

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151. *Id.* at \*47.

152. “In this case, Defendants’ infringing smart contract will always reference Yuga’s BORED APE YACHT CLUB and BAYC marks, and, as a result, consumer confusion and harm to Yuga will continue unabated and in perpetuity.” *Id.* at \*37, 47, 49.

153. *Id.* at \*36-37.

154. Kelly Bennett & Thom Clark, *TMs and Designs in the Metaverse: Legal Aspects/EUIPO practice*, E.U.I.P.O. (Sept. 13, 2022), [https://euipo.europa.eu/knowledge/pluginfile.php/185170/mod\\_label/intro/Metaverse%20Webinar-Review%20SL.pdf](https://euipo.europa.eu/knowledge/pluginfile.php/185170/mod_label/intro/Metaverse%20Webinar-Review%20SL.pdf).

155. *See Trademark Offices Provide Guidance As Metaverse, NFT-Focused Applications Grow*, FASHION L. (Sept. 7, 2022), <https://www.thefashionlaw.com/the-euipo-has-provided-guidance-on-metaverse-nft-focused-trademarks/>.

156. *Nice Classification (trade marks)*, E.U.I.P.O., <https://euipo.europa.eu/ohimportal/en/nice-classification> (last visited Oct. 30, 2023).

157. Demcak, *supra* note 109.

158. *See* Bennett & Clark, *supra* note 154, at 42.

**authenticate** digital items.”<sup>159</sup> Class 9 covers “downloadable virtual goods including NFTs” associated with digital content or images.<sup>160</sup> To qualify as a virtual good under Class 9, “virtual goods” must be mentioned in a specific manner that associates it with content such as clothing.<sup>161</sup> Class 35 is for “retail stores for virtual goods,” and Class 41 is for “entertainment services in virtual environments.”<sup>162</sup> In 2023, Class 9 was revised to explicitly include “downloadable digital files authenticated by non-fungible tokens.”<sup>163</sup> The updated classification policy demonstrates the EU’s attempt to “legally protect” NFTs.<sup>164</sup> Even with its implementation, EU law surrounding NFTs remains ambiguous. For example, under EU law, it is unclear if an NFT can refer to “downloadable or non-downloadable software or even a service.”<sup>165</sup>

In November 2021, the European Innovation Council and SMEs Executive Agency (EISMEA) released a statement about an intellectual property NFT case called *Miramax v. Quentin Tarantino*—a US intellectual property NFT case between filmmaker, Quentin Tarantino and film company, Miramax.<sup>166</sup> Miramax sued Tarantino for planning to sell NFTs of “exclusive

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159. The emphasis on the word “authenticate” is directly from the EUIPO. See *Virtual Goods, Non-Fungible Tokens and the Metaverse*, E.U.I.P.O. (June 23, 2022), [https://euipo.europa.eu/ohimportal/en/news-newsflash/-/asset\\_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse](https://euipo.europa.eu/ohimportal/en/news-newsflash/-/asset_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse); see also *Trademark Offices Provide Guidance As Metaverse, NFT-Focused Applications Grow*, *supra* note 155.

160. *Virtual Goods, Non-Fungible Tokens and the Metaverse*, E.U.I.P.O., *supra* note 159; see also *Trademark Offices Provide Guidance As Metaverse, NFT-Focused Applications Grow*, *supra* note 155.

161. *Trademark Offices Provide Guidance As Metaverse, NFT-Focused Applications Grow*, *supra* note 155.

162. *Id.*

163. W.I.P.O., NICE CLASSIFICATION 9 (12th ed. 2023).

164. See Marta González Aleixandre, *The EU Resolves Doubts Surrounding the Protection of Trademarks in Relation to NFTs*, LEXOLOGY (Oct. 26, 2022), <https://www.lexology.com/library/detail.aspx?g=fd622ce-8e66-42f2-ad32-7c0c7028fea3>.

165. *Id.*

166. European Innovation Council & SMEs Executive Agency, *Pulp Fiction Dispute for NFTs and the Halloween Case*, EUROPEAN COMM. (Nov. 25, 2021), [https://intellectual-property-helpdesk.ec.europa.eu/news-events/news/pulp-fiction-dispute-nfts-and-halloween-case-2021-11-25\\_en](https://intellectual-property-helpdesk.ec.europa.eu/news-events/news/pulp-fiction-dispute-nfts-and-halloween-case-2021-11-25_en); Complaint at 61-65, *Miramax v. Tarantino*, No. 21-CV-08979 (C.D. Cal. Nov. 16, 2021), ECF No. 1 [hereinafter *Miramax Complaint*].

scenes” from the movie *Pulp Fiction* as Miramax claimed it had the rights to the film.<sup>167</sup> While the case ended in a settlement, the EISMEA commented that the current framework for intellectual property law is not always compatible with digital works like NFTs.<sup>168</sup>

Since the EU does not recognize common law trademark infringement, the US lawsuit’s trademark infringement complaint in *Yuga Labs* would be invalid under EU law.<sup>169</sup> As a result, if *Yuga Labs* fell under EU jurisdiction, Yuga Labs could file a like claim as “unfair competition.”<sup>170</sup> Additionally, if Yuga Labs was in the process of registering its trademark, it could amend its complaint to claim trademark infringement of a registered trademark.<sup>171</sup> Some experts propose that under the EUTMR, Yuga Labs could avoid bringing a likelihood of confusion trademark infringement claim and instead make a stronger claim under a double-identity complaint.<sup>172</sup> Regarding Ripps’s First Amendment defense, while EU law recognizes parody as a fair use defense for copyright infringement, it does not apply to trademark infringement.<sup>173</sup> The EU recognizes that if Ripps were to win the case, it could create a detrimental precedent that permits people to copy other people’s work and argue that it is a parody.<sup>174</sup> Furthermore, the Court of Justice of the European Union (CJEU) has acknowledged in the case called *Deckmyn v. Vandersteen* that “a parody should evoke, but not be confused with, the original work.”<sup>175</sup> Thus, even if parody were

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167. Miramax Complaint, *supra* note 166, at 1.

168. Settlement at 1-2, *Miramax v. Quentin Tarantino*, No. 21-CV-08979 (C.D. Cal. Nov. 16, 2021), ECF No. 41; European Innovation Council & SMEs Executive Agency, *supra* note 166.

169. See Borucka & Tenkhoff, *supra* note 98.

170. See *id.*

171. See *id.*

172. *Id.*

173. *Id.*

174. See *id.*

175. On September 3, 2014, the European Court of Justice decided a Belgium case called *Deckmyn v. Vandersteen* regarding the parody exception as a defense to a copyright infringement claim. In *Deckmyn*, the defendant was a member of a Belgium political party and created as well as distributed calendars with a cover photo of the plaintiff’s copyrighted comic book. The defendant argued that the calendar was a political cartoon and thus valid under the parody exception. The plaintiff argued that the defendant’s usage did not constitute a parody as it lacked “originality, display of humorous traits,



to apply to a trademark infringement claim, the lack of likelihood of confusion would still be a necessary element.<sup>176</sup>

#### IV. COMPARING THE UNITED STATES AND EUROPEAN UNION'S APPROACH TO TRADEMARK LAW

Under US and EU law, the unauthorized use of branded NFTs is subject to trademark infringement claims “if there is commercial use of a similar or identical mark.”<sup>177</sup> Both US and EU use trademark classification systems, but have different approaches for interpreting law.<sup>178</sup> EUIPO has a stricter standard than the US for considering whether trademarks are “distinctive” and capable of being registered.<sup>179</sup> This means that many US-registered trademarks might not qualify for trademark protection in the EU because the EUIPO considers them “descriptive” and “non-distinctive.”<sup>180</sup> While both the US and EU use an amalgam of factors to analyze the likelihood of confusion in consumers for trademark infringement cases, there are many distinctions between the jurisdictions.

While the US and EU both embody democratic values, their distinct interpretations of these values is evident in their

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the objective of ridiculing the original work.” The court decided that the validity of the parody exception had to be determined based on a balancing test that measured “the rights of the person who created the original work and the freedom of expression of the individual who is relying on the exception of parody.” See Case C-201/13, *DECKMYN V. VANDERSTEEN*, ECLI:EU:C:2014:458, ¶ 42 (May 22, 2014) (Belg.); see also Borucka & Tenkhoff, *supra* note 98.

176. See Borucka & Tenkhoff, *supra* note 98.

177. *NFTs: U.S., EU, and UK Key Trademark Considerations*, JONES DAY (May 2022) <https://www.jonesday.com/en/insights/2022/05/nfts-us-eu-and-uk-key-trademark-considerations>.

178. See Fulmore, *3 Important Differences Between US And EU Trademarks*, REGGSTER (May 11, 2018), <https://reggster.com/insights/3-important-differences-between-us-and-eu-trademarks>.

179. *Id.*

180. The EUIPO defines descriptive as a sign that “has a meaning that is immediately perceived by the relevant public as providing information about the goods and services applied for.” The policy behind this threshold is that “exclusive rights should not exist for purely descriptive terms that other traders might wish to use as well.” See *Trade Mark and Design Guidelines*, *supra* note 89; see also Fulmore, *supra* note 178.

differing approaches to law.<sup>181</sup> A PEW research study indicates that Americans are inclined to place high value on “individual liberty” while Europeans place more emphasis on the idea that the state should “play an active role in society.”<sup>182</sup> These societal distinctions can be seen in how the US and EU approach trademark law differently.<sup>183</sup> For example, the US recognizes a “first to use” trademark standard where registration is not necessary, but whoever uses the trademark first in commerce “generally has superior rights over subsequent users of the same or similar trademark.”<sup>184</sup> In contrast, the EU uses a “first to file” approach where whoever registers their trademark first has superior rights whether or not they use it in commerce.<sup>185</sup> The US and EU’s fundamental differences could perhaps result in different outcomes on how courts decide NFT trademark cases.

The EU is comprised of numerous countries that follow a civil law system.<sup>186</sup> In such systems, courts follow statutory law.<sup>187</sup> As a result, civil law systems do not follow any binding precedent of previously decided cases.<sup>188</sup> Instead, civil law systems place greater emphasis on the “clear expression of rights and duties” and “advanced disclosure of rules” so that it is accessible to citizens.<sup>189</sup> On the other hand, the US follows a common law

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181. Richard Wike, *5 Ways Americans and Europeans are Different*, PEW RSCH. CTR. (Apr. 19, 2016) <https://www.pewresearch.org/fact-tank/2016/04/19/5-ways-americans-and-europeans-are-different/>.

182. *Id.*

183. Demcak, *supra* note 109.

184. *Id.*

185. *Id.*

186. See *National Legislation*, EUR. JUST. (Nov. 11, 2021), [https://e-justice.europa.eu/6/EN/national\\_legislation](https://e-justice.europa.eu/6/EN/national_legislation) (Nov. 11, 2021).

187. See Kenneth A. Adams & Jan Asmus Bischoff, *Common-Law Drafting In Civil-Law Jurisdictions*, AM. BAR ASS’N (Dec. 20, 2019) [https://www.americanbar.org/groups/business\\_law/publications/blt/2020/01/common-law-drafting](https://www.americanbar.org/groups/business_law/publications/blt/2020/01/common-law-drafting).

188. See Santiago A. Cueto, *International Basics: What’s the Difference Between Common Law and Civil Law?*, INT’L BUS. L. ADVISOR (May 5, 2010) <http://internationalbusinesslawadvisor.com/international-basics-whats-the-difference-between-common-law-and-civil-law/>.

189. Tiffany Bush, *What is the Civil Law?*, LSU L., <https://www.law.lsu.edu/clo/civil-law-online/what-is-the-civil-law/> (last visited Sept. 8, 2023).

system.<sup>190</sup> Preceding case law is the main factor used by US courts to determine the validity of the case being heard.<sup>191</sup> This process is known as *stare decisis*, which is used in the US as a way to limit a judge in their interpretation.<sup>192</sup> The standard is to follow precedent and only move from that if there has been an obvious error.<sup>193</sup> Despite this approach, the US could still have more flexibility than the EU when approaching NFT trademark cases because it can heavily depend on the presiding judge's interpretation of law and lack of judicial decisions pertaining to NFTs in trademark law.<sup>194</sup> Since the US has a more flexible interpretive approach, the US's approach to trademark law appears to be more subjective than the EU's.<sup>195</sup>

#### V. PROPOSED STANDARD FOR APPLYING TRADEMARK LAW EFFECTIVELY TO NON-FUNGIBLE TOKENS

Law often lags five years behind developing technologies.<sup>196</sup> The technological invention of NFTs on a blockchain requires a reassessment of how to apply trademark law and analyze the likelihood of confusion for consumers in a digital world.

An effective trademark registration policy should be adopted like the EU where there is only one comprehensive and consistent trademark registration system.<sup>197</sup> A registration system like the EU where EU trademark protection is not

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190. "Common Law is law that is derived from judicial decisions instead of from statutes." See Wex Definitions Team, *Common Law*, LEGAL INFO. INST.: CORNELL L. SCH. (May 2020), [https://www.law.cornell.edu/wex/common\\_law](https://www.law.cornell.edu/wex/common_law).

191. See Wex Definitions Team, *Stare Decisis*, LEGAL INFO. INST.: CORNELL L. SCH. (Sept. 8, 2023), [https://www.law.cornell.edu/wex/stare\\_decisis](https://www.law.cornell.edu/wex/stare_decisis).

192. *Stare decisis* is the legal doctrine that the court must follow preceding decisions of higher courts within the same jurisdiction. See *id.*

193. See *id.*

194. See *id.*

195. See Robert C. Pozen & Jordan Hirsch, *U.S. and EU Trademark Protection*, HARV. BUS. SCH. (2009).

196. See Manav Tanneeru, *Can the Law Keep Up with Technology?*, CNN (Nov. 17, 2009, 10:08 AM), <http://www.cnn.com/2009/TECH/11/17/law.technology/index.html>.

197. The EU requires only "one single registration procedure that grants the owner an exclusive right in all EU countries." Additionally, EU trademarks and individual EU nation's trademarks "coexist and are complementary to each other." See *Trade mark protection in the EU*, EUR. COMM'N, [https://single-market-economy.ec.europa.eu/industry/strategy/intellectual-property/trade-mark-protection-eu\\_en](https://single-market-economy.ec.europa.eu/industry/strategy/intellectual-property/trade-mark-protection-eu_en) (last visited Oct. 4, 2023).

limited to certain geographical areas could be beneficial for legal consistency in a digital era.<sup>198</sup> In the US, there are both federal and state trademark regulations that provide protection through the entire US.<sup>199</sup> An EU-like policy where there is only one trademark protection procedure that is not limited to certain geographical areas could be conducive to fostering more effective and consistent trademark law protections in a digital world.

While the EU's upfront guidelines approach might make the law more transparent to citizens, it also could create a rigid judicial process. As a result, the US's common law approach to trademark law could be more conducive than the EU's for adapting law to future technologies and promoting innovation. For example, the USPTO demonstrated its stance on registered NFT trademarks in a reactive manner once it was confronted with an NFT matter by rejecting vague preliminary NFT registrations "intent-to-use."<sup>200</sup> On the other hand, the EUIPO made its stance known about NFT classifications by proactively releasing a statement regarding its intended interpretation.<sup>201</sup> The reactive case-by-case activity demonstrated by the US is a practical manner to address NFT trademark concerns rather than the EU, where it preemptively set universal guidelines.

While the EU's policy to provide no protection for unregistered trademarks—also known as common law trademarks—could provide greater transparency to citizens and encourage trademark registration, it is not practical and potentially harmful to businesses.<sup>202</sup> Unlike the EU, the US permits protections for common law trademarks including the power to sue for trademark infringement.<sup>203</sup> The US's policy for common law trademark protection based on being the first to "use in

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198. See *Basic Questions*, E.U.I.P.O., <https://euipo.europa.eu/ohimportal/en/eutm-general-questions> (last visited Sept. 8, 2023).

199. See *Why Register Your Trademark?*, U.S.P.T.O. (May 11, 2023, 12:21 PM), <https://www.uspto.gov/trademarks/basics/why-register-your-trademark>.

200. See *USPTO Responds*, *supra* note 110.

201. See *USPTO Responds*, *supra* note 110.

202. Danish A. Saleem, *Differences Between U.S. and EU Trademark Law*, T.M.LEGAL, <https://tm.legal/en/differences-between-us-and-eu-trademark-law/> (last visited Sept. 8, 2023).

203. Lanham (Trademark) Act, 15 U.S.C. § 1125.

commerce” promotes fair competition among businesses.<sup>204</sup> This protection for common law trademarks is helpful to small businesses.<sup>205</sup> In fact, the US’s protections for common law trademarks should be expanded to include not only the specific location of business but throughout the entire country. If a federal protection for common law trademarks existed, then the standard to receive registered trademark protection might not need to be as stringent as the standard in EU.

Based on this proposed standard, below is an analysis of how current US NFT trademark cases would be litigated under this new standard.

#### *A. Hermès International v. Rothschild*

Unlike the Southern District of New York’s most recent decision in favor of Hermès, under the standard proposed by this note, it would be less likely that Hermès would win on its claim of trademark infringement. While Hermès has the distinctive mark “Birkin” registered as a standard character mark as well as its packaging under trade dress, its trademark protection applies to leather goods, not virtual assets.<sup>206</sup> The MetaBirkin

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204. Lanham (Trademark) Act, 15 U.S.C § 1126(d)(4); *see also* Megan M. Carpenter, *Trademark Law Promotes Fair Competition, Not Morality*, N.Y. TIMES (May 4, 2016), <https://www.nytimes.com/roomfordebate/2016/05/04/redskins-and-other-troubling-trademarks/trademark-law-promotes-fair-competition-not-morality>.

205. Common law trademarks can protect small business brands from competitors. *See* Michelle Kaminsky, *How to Establish a Common Law Trademark*, LEGALZOOM (Sept. 1, 2023), <https://www.legalzoom.com/articles/how-to-establish-a-common-law-trademark>.

206. BIRKIN, Registration No. 2991,927; The mark consists of the configuration of a handbag, having rectangular sides a rectangular bottom, and a dimpled triangular profile. The top of the bag consists of a rectangular flap having three protruding lobes, between which are two keyhole-shaped openings that surround the base of the handles. Over the flap is a horizontal rectangular strap having an opening to receive a padlock eye. A lock in the shape of a padlock forms the clasp for the bag at the center of the strap. The broken lines in the drawing represent the location of the handles and are not part of the mark, Registration No. 393,6105; *see also* International Lawyers Network, *Outcome of Hermès Claim Against MetaBirkin NFT May Provide Glimpse of Future for Fashion, Art in Metaverse*, JD SUPRA (Feb. 16, 2022), <https://www.jdsupra.com/legalnews/outcome-of-hermes-claim-against-5484924/>.

NFT does not apply to the same classification as a Birkin, as it is not a physical object or a leather good.<sup>207</sup> For example, Andy Warhol's Campbell's Soup artwork was not considered trademark infringement to the Campbell's Soup brand—artwork and soup are not competing products, so there was no likelihood of confusion to assume Warhol's painting was represented by the Campbell's Soup company.<sup>208</sup> Despite the registered trademark protections granted to Hermès and the similarities between Birkin and MetaBirkin, Rothschild and Hermès's marks operate in different types of businesses. Rothschild is selling MetaBirkins which are solely digital images of handbags that have been minted into NFTs. MetaBirkins are not attached to anything physical, let alone tangible handbags like Hermès's Birkin. Moreover, Rothschild demonstrated to consumers that MetaBirkin's are not associated with Hermes as the website to purchase a MetaBirkin on the primary market includes a disclaimer that it is not associated with Hermès.<sup>209</sup> The proposed standard would prevent a senior brand like Hermès from exceeding its trademarks designated classification and monopolizing a market beyond its intended scope. Thus, Hermès would not have a strong likelihood of confusion to sustain its trademark infringement claim.

#### *B. Nike v. StockX*

Unlike in *Hermès*, StockX is associating an NFT of a digital artwork of a sneaker with a physical Nike shoe.<sup>210</sup> There could be a likelihood of confusion, because the StockX NFT Nike sneaker is associated with a physical Nike sneaker. The StockX NFT could be associated with the same market as Nike,

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207. Ledger Insights, *Hermès Sues MetaBirkins NFT Project Over Trademarks. May Not Be Slam Dunk*, LEDGER INSIGHTS (Jan. 17, 2022) <https://www.ledgerinsights.com/hermes-sues-metabirkins-nft-project-over-trademarks-may-not-be-slam-dunk/>.

208. Ron Coleman, *The Soupy IP Legacy of Andy Warhol*, LIKELIHOOD OF CONFUSION (Nov. 30, 2016) <https://www.likelihoodofconfusion.com/the-soupy-ip-legacy-of-andy-warhol>.

209. See Mason Rothschild, *MetaBirkins*, METABIRKINS (Feb. 1, 2022), <https://web.archive.org/web/20220201222433/https://metabirkins.com/>.

210. Nike Complaint, *supra* note 117, at 61.

especially since a singular purchase includes a Nike shoe and an NFT that is to show proof of ownership of the physical item.<sup>211</sup>

While there is nothing inherently wrong with StockX being a secondary retailer, selling Nike shoes, and creating an NFT to establish proof of ownership like a receipt, the fact that StockX is selling an NFT without any reference to StockX or that it is from a secondary retailer could be misleading to consumers. If there is an NFT that acts as proof of ownership of a physical shoe, the NFT and the physical shoe should come from the same source. Thus, in *StockX*, the NFT and the physical shoe should originate from its primary source, Nike, not from a secondary market source like StockX. Given that there is common law trademark protection and crossover in the market between the NFT and the physical shoe, it is likely that Nike has a strong trademark infringement claim under this proposed standard.

*C. Yuga Labs, Inc. v. Ryder Ripps*

Unlike the *Hermès* and *StockX* cases, *Yuga Labs* deals with an NFT allegedly committing trademark infringement of an already existing NFT.<sup>212</sup> There could be a valid claim for trademark infringement claim under the double-identity rule in the EU as they are both NFTs and thus could be considered competing in the same market.<sup>213</sup> The defendant's website, however, clearly states that the project is a satire and commentary on the BAYC and the underlying unique digital code of NFTs.<sup>214</sup> If the court applied the EU's policy that parody should not be confused with the original work, then even if the defendant intended for the RR/BAYC NFT project to be a parody, there is a strong likelihood of confusion as the images used are identical to the original and thus a valid trademark infringement claim.

The proposed standard narrows the gap between law and technology. Here, trademark law is used to foster brand protection

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211. Anita Gogia, *What Legal Lines Can't NFTs Cross? The Nike v StockX Lawsuit May Provide Answers*, OSGOODE (June 21, 2022) <https://www.iposgoode.ca/2022/06/what-legal-lines-cant-nfts-cross-the-nike-v-stockx-lawsuit-may-provide-answers/>.

212. Yuga Labs Complaint, *supra* note 116, at 86-98.

213. Borucka & Tenkhoff, *supra* note 98.

214. See Ryder Ripps, *RR/BAYC*, RYDER RIPPS (Apr. 10, 2023), <https://web.archive.org/web/20230410175943/https://rrbayc.com/>.

and prevent consumer confusion in various types of NFT usages. Trademark law is more pertinent than ever in the digital age of NFTs. While technology fosters innovation, it also blurs the line between marks that are distinct or likely to cause confusion among consumers.

#### CONCLUSION

As blockchain technology becomes more prevalent across industries, it is inevitable that the applicability of NFTs will continue to flourish. With the influx of branding NFTs comes the risk of trademark infringement. The internet fosters interconnectivity which makes it difficult to apply meaningful segmented trademark law in a global digital society. It is therefore imperative to adapt trademark law standards that combine the US's common law approach and protection for common law trademarks as well as the EU's one-system trademark registration procedure.

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