

Intellectual Property**Non-fungible tokens in intellectual property law**By **Emanuela Truffo**

Emanuela Truffo

(September 20, 2022, 10:50 AM EDT) -- Non-fungible tokens (NFT) are certainly the flavour of the month. Are they going to make a difference? We will see, but what is sure is that they are a challenge for companies, courts and lawmakers. Waiting for the latter, the other two players are doing their parts.

An NFT is a collectible. Hence, it is an investment too. Is it a commodity as well? At a first glance, the answer should be: no way, they are "non-fungible" and by definition commodities are fungible. Despite this etymological interpretation, we have now a preliminary decision made by a Federal Court in New York City stating that the case brought by Hermès against Mason Rothschild should be dismissed (*Hermès Int'l v. Rothschild*) relying on — among other factors — the circumstance that using an NFT as a virtual system of authentication and treatability does not make such an NFT a mere commodity, thus excluding the application of rules concerning brand protection and unfair competition. This is only a preliminary decision: we will see if the court will grant a liability decision

for the infringement of Hermès intellectual property rights related to the bag and Birkin brand at the end of the trial.

So far, good news for well-known brand owners: if someone is exploiting, even partially, your trademark in the metaverse, you will have a case to bring to court relying on the same — or almost the same — arguments applicable in the ordinary world.

However, what about trademarks that do not enjoy the legal status of "well-known"? It is common knowledge that a well-known trademark is defended also in respect to products and services far different from those they are used for by the owner, thus granting a protection regardless of any potential competition between the alleged infringer and the trademark owner. Besides, the scope of protection of a not well-known trademark is limited to the goods and services included in the application filed with the relevant patent and trademark office. Therefore, the existence of a competitive — either horizontal or vertical — connection between alleged infringer and brand owner is pivotal to state an infringement liability.

And in the metaverse? NFT mining is competitive with what kind of industry in the ordinary world? Can we consider the mining — and subsequent selling — of an NFT corresponding to a real bottle of spirits or soft drink? Waiting on caselaw on this issue, it is hard to sustain the existence of a direct, even indirect, competitive relation between an NFT mining company and a spirits or soft drinks one, no matter if the former is mining NFTs of the latter's products.

Does it mean that the ordinary world brands have no legal protection against any infringement perpetrated in the metaverse? Not at all: the misleading use and the misuse of a third-party trademark amounts to infringement pursuant to domestic legislation, a point largely harmonized through international treaties and conventions ratified by almost all the World Trade Organization members.

Furthermore, following the mainstream case law developed during the early days of the Internet, any action detrimental of an "ordinary world trademark" is likely to amount to an act of counterfeiting, as well. In the meantime, do not forget to include the metaverse and NFTs in the list of protection with your trademark applications. To be on the safe side.

Emanuela Truffo is a partner at Studio Legale Jacobacci e Associati in Milan, Italy. She specializes in contentious and non-contentious intellectual property matters and commercial litigation across a wide range of local and international practices. She has developed expertise in negotiation and drafting of agreements such as licence, non-disclosure, non-compete and coexistence agreements concerning IP rights and copyright as well as for commercial transactions.

The opinions expressed are those of the author and do not reflect the views of the author's firm, its clients, The Lawyer's Daily, LexisNexis Canada, or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

Photo credit / Sergey Shulgin ISTOCKPHOTO.COM

Interested in writing for us? To learn more about how you can add your voice to The Lawyer's Daily, contact Analysis Editor Peter Carter at peter.carter@lexisnexis.ca or call 647-776-6740.

© 2022, The Lawyer's Daily. All rights reserved.