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NFTs: Legal and Practical Considerations for Protecting Your Brand

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Agenda

1. Blockchain and NFT Overview
2. NFT IP Issues
3. Applying Old Law to New Tech
4. Q & A



1

Blockchain and NFT Overview



NFT = Non-Fungible Token

- An NFT is a one-of-a-kind piece of code, or computer data, that is typically stored on a decentralized digital ledger called a blockchain.
- NFTs are “**Tokens**,” which means they are digital assets that are generated using software on top of an underlying blockchain
- A unique identifier linking the NFT holder with a corresponding asset – typically a digital asset
- Digital asset itself is separate from the NFT and may be stored on a centralized system (NFT platform’s server or cloud-based solution) or a decentralized network (e.g., IPFS)



NFT = Non-Fungible Token

- NFTs are “**Non-Fungible**,” which means each digital asset is unique and not interchangeable with other digital assets.
- Unique identifier is what makes NFTs “non-fungible” – meaning some are worth more than others, unlike “fungible” tokens, such as dollar bills



NFT = Non-Fungible Token

- NFTs use "**blockchain software**," which offers a high level of security based on cryptography, but also may be immutable.
 - The blockchain is a publicly available ledger which consists of a series of "blocks" on which transaction details are recorded so each transaction can be verified and authenticated
 - Similar to a register of deeds, which is publicly available and can be consulted to determine who owns property
 - Ownership is managed through a unique ID and metadata that no other token can replicate
- Blockchain technology allows anyone to check the authenticity of a work in a way that has been unavailable in the past.



NFT Example

The screenshot shows the OpenSea interface for an NFT listing. The main image is a cartoon black cat with a green shirt, holding a frying pan with an egg, and a halo above its head. The listing is titled 'Feline Fiend #4028' and is owned by 'cryptopeerani'. It shows a countdown timer for the sale ending on June 15, 2022, at 4:51pm GMT-6, with 05 hours, 54 minutes, and 10 seconds remaining. The current price is 0.169 ETH (\$187.02). There are 'Buy now' and 'Make offer' buttons. A 'Price History' section shows a line graph of the price over time, with an 'All time avg. price' of 0.1182 ETH. The description states: 'For the Web 3 Degens, by Degens. Feline Fiendz is a collection of 7,777 radical looking cats that have escaped on the Ethereum Blockchain'. The 'Properties' section is partially visible at the bottom.

OpenSea

Search items, collections, and accounts

Explore Stats Resources Create

Feline Fiendz NFT

Feline Fiend #4028

Owned by [cryptopeerani](#) 71 views 6 favorites

Sale ends June 15, 2022 at 4:51pm GMT-6

05 **54** **10**
Hours Minutes Seconds

Current price
0.169 (\$187.02)

Buy now Make offer

Price History

All time All time avg. price 0.1182

For the Web 3 Degens, by Degens. Feline Fiendz is a collection of 7,777 radical looking cats that have escaped on the Ethereum Blockchain

Properties



NFT Details

The screenshot shows the OpenSea interface for an NFT. The top navigation bar includes the OpenSea logo, a search bar, and links for Explore, Stats, Resources, and Create. The main content is divided into several sections:

- Properties:** A grid of trait cards for 'Feline Fiendz NFT':
 - BACKGROUND: Rosy Pink (11% have this trait)
 - BODY: Green T-Shirt (2% have this trait)
 - FACE: Glad (2% have this trait)
 - FUR: Black (16% have this trait)
 - HAND: Egg In A Pan (3% have this trait)
 - HEAD: Halo (2% have this trait)
- About Feline Fiendz NFT:** A section with a menu icon and a 'Details' sub-section.
- Details:** Metadata for the NFT:
 - Contract Address: 0xacfa...3041
 - Token ID: 4028
 - Token Standard: ERC-721
 - Blockchain: Ethereum
 - Creator Fees: 7.5%
- Price History:** A line chart showing price fluctuations over time from 3/6 to 6/14.
- Listings:** A section with a dropdown arrow.
- Offers:** A table of current offers:

Price	USD Price	Floor Difference	Expiration	From
0.0905 WETH	\$101.23	26% below	about 22 hours	107C13
0.0902 WETH	\$100.89	26% below	about 8 hours	Th3_SluR
0.09 WETH	\$100.67	26% below	about 11 hours	nanagirl
0.08 WETH	\$89.48	34% below	about 16 hours	Verity_Vault
0.0755 WETH	\$84.45	38% below	about 13 hours	Th3_SluR
- Item Activity:** A section with a filter dropdown and buttons for 'Sales', 'Transfers', and 'Clear All'.



NFTs and Smart Contracts

- NFTs can come with digital “**Smart Contracts**”
- Smart Contracts are simply programs that are run when predetermined conditions are met
 - Govern the various actions such as verifying the ownership handling the transferability
 - Guarantee the outcome without any intermediary’s involvement or time loss
 - Make transactions transparent, irreversible, and traceable.



NFT Example Contract Details

The screenshot shows the Etherscan interface for a contract. At the top, the Etherscan logo and navigation menu are visible. The contract address is 0xAcfA101ECE167F1894150e090d9471aeE2dD3041. The contract is identified as 'Feline Fiendz: FF Token'. The 'Contract Overview' section shows a balance of 0.056850000000000006 Ether and an ether value of \$62.08. The 'More Info' section includes a name tag, contract creator address, and token tracker. Below this is a Blockscan Chat advertisement. The 'Transactions' section shows a list of recent transactions, including 'Set Approval For...' events.

Etherscan | All Filters | Search by Address / Txn Hash / Block / Token / Ens | Eth: \$1,092.02 (-9.92%) | 103 Gwei | Home | Blockchain | Tokens | Resources | More | Sign In

Contract 0xAcfA101ECE167F1894150e090d9471aeE2dD3041 | Buy | Exchange | Earn | Gaming

Sponsored: **CryptoSlots** - Where Crypto Rollers Come to Win. [Click for games!](#)

Contract Overview | Feline Fiendz: FF Token

Balance: 0.056850000000000006 Ether
Ether Value: \$62.08 (@ \$1,092.02/ETH)

More Info | More

My Name Tag: Not Available, [login to update](#)
Contract Creator: 0x533b5959149dbedee8... at txn 0x9622342ce8c3948824...
Token Tracker: Feline Fiendz (FF)

Blockscan Chat | Wallet-to-wallet instant messaging platform. [Start Chat](#)

Transactions | Internal Txns | Contract | Events | Analytics | Info | Comments

Latest 25 from a total of 17,030 transactions (+1 Pending)

Txn Hash	Method	Block	Age	From	To	Value	Txn Fee
0x7ddd3a01d0067bb419...	Set Approval For...	(pending)	23 mins ago	0x2262021adf8e30b439...	IN Feline Fiendz: FF Token	0 Ether	(Pending)
0x29b7365c9ccd41f3e55...	Set Approval For All	14968683	3 mins ago	themarauders.eth	IN Feline Fiendz: FF Token	0 Ether	0.002983989994
0xfa75ba15d470425dfab...	Set Approval For...	14968676	5 mins ago	0x889e6c362ee4841041...	IN Feline Fiendz: FF Token	0 Ether	0.003954777313
0x5e8e8b1a11c76d0df1...	Se					0 Ether	0.002938830289


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NFT Example Contract Details

Transactions Internal Txns **Contract** Events Analytics Info Comments

Code Read Contract Write Contract

Contract Source Code Verified (Exact Match) 

Contract Name:	FelineFiendz	Optimization Enabled:	Yes with 200 runs
Compiler Version:	v0.8.12+commit.f00d7308	Other Settings:	default evmVersion


Contract Source Code (Solidity [Standard Json-Input](#) format) More Options

File 1 of 22 : FelineFiendz.sol

```
2
3 pragma solidity ^0.8.0;
4
5 import "@openzeppelin/contracts/finance/PaymentSplitter.sol";
6 import "@openzeppelin/contracts/utils/Strings.sol";
7 import './Delegated.sol';
8 import './PaymentSplitterMod.sol';
9 import './Merkle.sol';
10 import './FF721Batch.sol';
11
12 contract FelineFiendz is Delegated, FF721Batch, Merkle, PaymentSplitterMod {
13     using Strings for uint256;
14
15     //EIP-2309
16     event ConsecutiveTransfer(uint256 indexed fromTokenId, uint256 toTokenId, address indexed fromAddress, address indexed toAddress);
17
18     uint public PRICE = 0.05 ether;
19     uint public MAX_ORDER = 3;
20     uint public MAX_SUPPLY = 7777;
21     uint public MAX_MINT = 3;
22
23     uint public burned;
24     bool public isPresaleActive = false;
25     bool public isMainsaleActive = false;
26
```

File 2 of 22 : PaymentSplitterMod.sol

```
1 // SPDX-License-Identifier: MIT
2
3 pragma solidity ^0.8.0;
4
5 import "@openzeppelin/contra
6 import "@openzeppelin/contra
```

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How are NFTs bought and sold?

- To purchase an NFT, one must set up a crypto wallet, which is a digital address where the owner can store cryptocurrencies
- Search NFT marketplaces where NFTs are listed for sale (e.g., OpenSea, Rarible)
- Find the NFT that you want to buy and bid on it or purchase it using cryptocurrency (such as Ethereum (ETH))
- After the purchase is complete, the cryptocurrency is debited from the wallet, transferred to the owner, and ownership of the NFT transferred to the purchaser and the transaction is recorded on the blockchain



What an NFT is Not...

- **The underlying asset itself.** Think of an NFT like a record of a deed for real property, not the real property itself. The recorded deed shows the world who owns the real property (ownership), the chain of title for the real property (transfer history), and can include additional language such as restrictions, easements, and future conveyances (akin to smart contract language). But the recorded deed is not the real property itself, just like an NFT is not the underlying asset itself.
- **Limited in number.** While NFTs are non-fungible, they are not limited in number like some cryptocurrencies, such as bitcoin. The only limits on NFT creation are the creativity of individuals and the computational limitations of a chosen blockchain.
- **Representative of a unique asset.** Each NFT itself may be unique but the underlying asset an NFT represents may not be unique. For instance, outside the technical limitations of a chosen blockchain, there is nothing to prevent an artist from creating one million NFTs representing one million copies of the same piece of art.



2

NFT IP Issues



Rights Commonly at Issue



Provides exclusive right in inventions or original ideas



Prohibits copying of the expression of an idea



Protects consumers by identifying the source of products/services



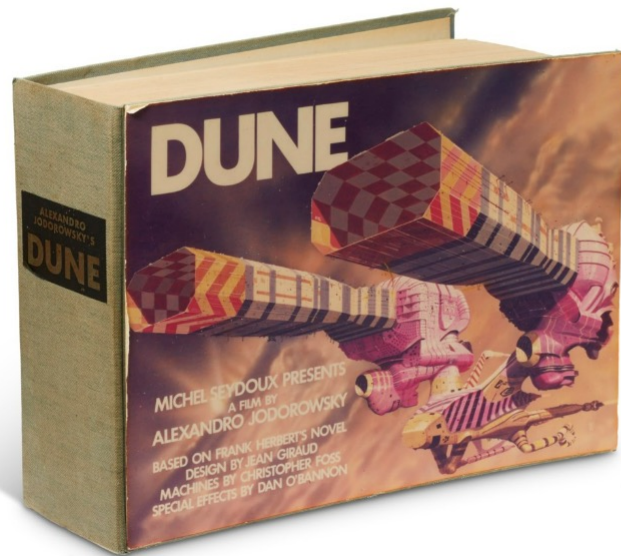
Prevents unauthorized commercial use of individual's identity



TARANTINO NFTs



<https://tarantinonfts.com/>



*

HERBERT, Frank (1920-1986), Alejandro JODOROWSKY (né en 1926), Jean GIRAUD (1938-2012) et d'autres

DUNE. SURESNES : IMPRIMÉ PAR LES ATELIERS INDUSTRIELS DE REPROGRAPHIE AVIAPLANS, [CIRCA 1975]

Price realised	Estimate	?
EUR 2,660,000	EUR 25,000 - EUR 35,000	

Closed: 21 Nov 2021

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Try our [Cost Calculator](#)

<https://www.christies.com/en/lot/lot-6345488>



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companies logo -



you will buy high logo of top rated companies worldwide.

50 items 1 owners ⬇️ --- floor price ⬆️ 0.00 total volume






Items Activity

☰

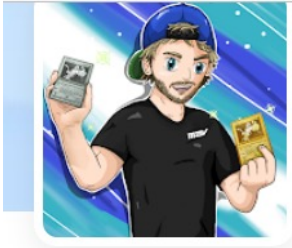
Recently listed



Status ^ ↻ 48 items

 nike logo	 Huawei logo	 Adidas logo.	 Lg logo	 cnn logo
---	--	---	--	---

<https://opensea.io/collection/logo-3iyqt7huuk>



Logan Paul Digital Collectibles Store



By 86A86B

Logan Paul Official Digital Collectibles

5 items 537 owners 0.1 floor price 133 total volume

Items Activity



Search by name or attribute

Price high to low



Status 5 items

Buy Now

On Auction

Price

Quantity



<https://opensea.io/collection/logan>

MFT Sales

<https://opulous.org/>



KYLE

Kyle
Release Date: June 1st →



LIL PUMP

Lil Pump ft. Soulja Boy
Mona Lisa (Sold Out) →



ARD ADZ

Ard Adz
Patek Myself (Sold Out) →



TYGA

Tyga
Release date tba →

What We Do:



Opulous Launchpad

Buy MFTs and Artwork NFTs to support the artists you love and earn a share of their royalties.



Opulous Exchange

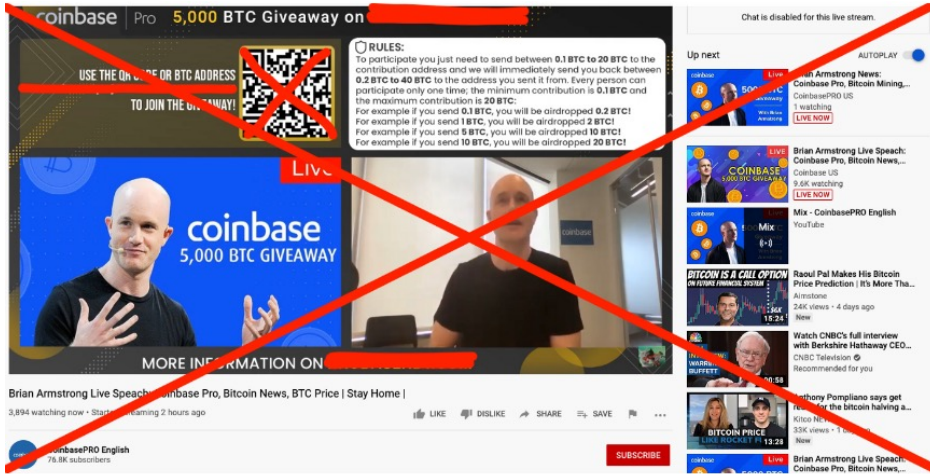
Trade your MFTs and NFTs with other fans and investors to build a lucrative portfolio of music.



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Brand Abuse

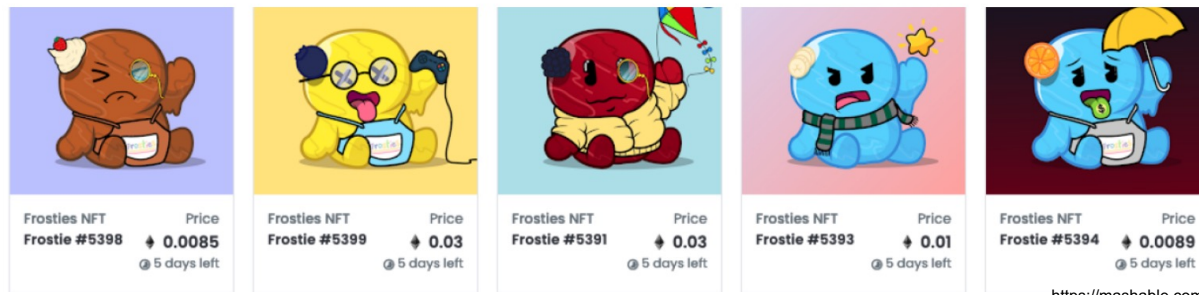


YouTube account impersonating Coinbase and live streaming a dated ask me anything (AMA) video with Coinbase CEO Brian Armstrong.
<https://blog.coinbase.com/>

Feds arrest alleged scammers behind notorious NFT rug pull

The two were about to launch a second NFT project when they were arrested.

By [Jack Morse](#) on March 24, 2022



DogeDesigner @cb_doge · May 24, 2022
 Elon Musk's deep fake video promoting a new cryptocurrency scam going viral.

The video claims that the trading platform is owned by Elon Musk, and offers 30% returns on crypto deposits. @elonmusk



Elon Musk ✓
 @elonmusk

Yikes. Def not me.

8:28 AM · May 25, 2022

13.8K Reply Share this Tweet

Web3 Domains & Squatters

The screenshot shows the ENS (Ethereum Name Service) website interface. At the top, there's a search bar with 'Yourname.eth' entered. Below the search bar, the domain 'Yourname.eth' is listed as 'Available' with a heart icon, a 'Register' button, and links for 'Details' and 'Subdomains'. The rental period is set to '2 years' and the price is '0.097 ETH (10 USD)'. A section titled 'Registering a name requires you to complete 3 steps:' includes a 'Notify Me' button and three numbered steps: 1. Request to register, 2. Wait for a minute, and 3. Complete Registration. The 'unstoppable domains' logo is visible at the bottom left of the page.

The screenshot shows the DecentraWeb website. The header includes the 'decentraweb' logo and navigation links: 'WHAT IS DECENTRAWEB', 'SOLUTION', 'HOW IT WORKS', 'ROADMAP', 'TOKENOMICS', 'TEAM', and 'STAKING'. The main content area features a large blue globe with gold coins and a server rack. The text reads: 'DECENTRAWEB IS A DECENTRALIZED Implementation of the DNS base layer protocol on the Ethereum Blockchain.' Below this, it says 'Committed to taking back the internet, one layer at a time...' and provides three buttons: 'Buy DWEB Tokens', 'Register Domains', and 'Buy TLD NFTs'.

The screenshot shows the Unstoppable Domains website. The main heading is 'NFT Domains' with the sub-heading 'No Renewal Fees Ever'. Below this, there are several domain extension buttons: '.crypto', '.nft', '.x', '.wallet', '.bitcoin', '.dao', '.888', '.coin', '.zil', and '.blockchain'. A text prompt says 'Grab yours before it's gone forever. Starting at \$5+'. At the bottom, there is a search bar with the placeholder text 'Search for your new domain' and a 'Search' button.



Best Practices for Defending IP in Web3

Proactive Measures

- Register core IP
- Publish clearly defined terms and brand guidelines or FAQs
- Block/register key domains (typosquats, ccTLDs, new gTLDs and Web3/alt dns)
- Educate community
- Establish formal/verified channels (typically on social media) to stay in regular contact

Defensive Actions

- Monitor social media channels
- Takedowns
- Watch services for similar names/marks worldwide
- Beef up security to eliminate vulnerabilities
- Work with trusted partners



3

Applying Old Law to New Tech



Potential Issues

- ❑ Jurisdiction
- ❑ Validity/distinctiveness
- ❑ Use in commerce, intent to use
- ❑ Likelihood of confusion, dilution, counterfeiting
- ❑ Contributory liability
- ❑ Defenses: first sale, First Amendment
- ❑ Remedies



Jurisdiction

McCollum vs. Opuulous

Company launched
LIL YACHTY NFT COLLECTION
without authorization,
Rapper claims false endorsement,
infringement from the launch



Potential NFT-related issues:

- Personal jurisdiction if company had launched the NFTs?
- Extraterritorial jurisdiction over UK company?
- *In rem* suits against the NFT if anonymous seller?



What are the goods?

NFT trademarks signify *authenticated goods (assets)*.

From USPTO Office Action for CROCS May 4, 2022:

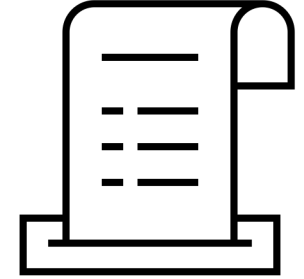
downloadable goods are online. Similarly, the wording "non-fungible tokens (NFTs)" must be clarified because NFTs are not goods in trade but rather are similar to a certificate of ownership and authenticity. See 37 C.F.R. §2.32(a)(6); TMEP §1402.01.

The registration is not for NFTs themselves. Instead, the applicant must clarify *the type of goods that are authenticated* by NFTs.



Validity

NFTs themselves are not trademarks.



In a way, NFTs are *primarily* source indicators. They are unique identifiers and one can ascertain their source and the chain of custody.

But does the NFT itself indicate to consumers a single source of goods or services in a trademark sense?

No. NFTs are more like a receipt or proof of purchase showing what store the goods came from than an indication to consumers of the source of those goods.

And they are arguably *functional to boot*.



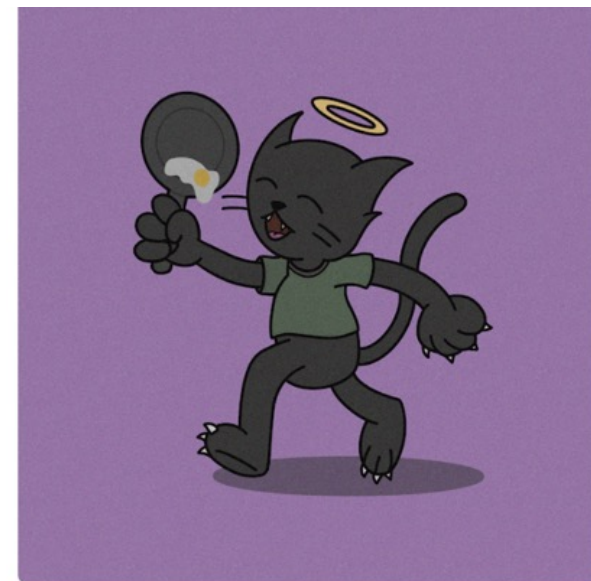
Validity

The *authenticated goods (assets) associated with NFTs* have an uphill battle to be seen as source indicators.

These authenticated goods ARE THEMSELVES the goods or services, in the minds of consumers.

They typically aren't material that consumers see as identifying a source of goods; these will often fail to function as trademarks

Except for those with secondary meaning and brands that consumers already know, under the secondary source doctrine.



Validity

The *titles or names of authenticated goods* also might be source indicators or the name of a collection in a marketplace.

Note that the name of a single expressive work is not typically a source indicator for the work. A *series* of works may be a trademark. See FELINE FIENDZ, Ser. No. 97379822.

Also, generic/descriptive terms abound . . . META, CRYPTO, CHAIN, etc.



Use in Commerce / Intent to Use

Are NFTs used in U.S. commerce?

The NFTs themselves are not used in commerce.

The authenticated good (asset) is what is used in commerce. It can be purchased online by consumers in any U.S. state and are used in the sale and advertising of services rendered in commerce.

Registrants likely don't have a bona fide intent to use a trademark in commerce *for an NFT*. But they may have a bona fide ITU to use a trademark in commerce with the sale of an authenticated good.



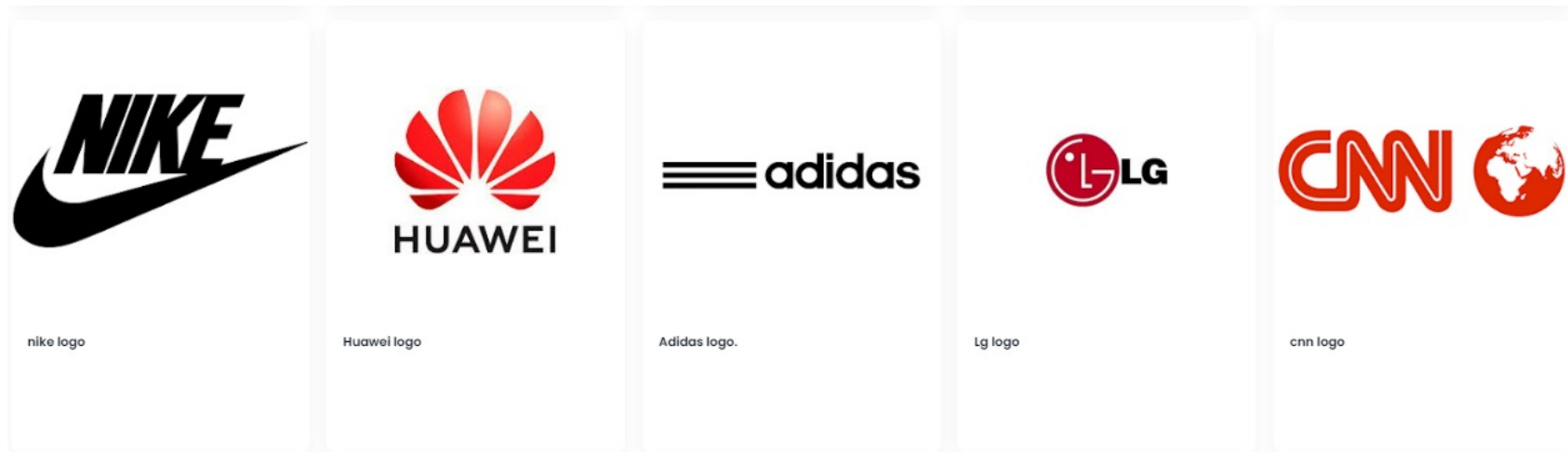
Likelihood of Confusion

Similarity of the marks

Actual confusion

Consumer sophistication

- *Relatedness of goods & gap-bridging*
- Licensing is ubiquitous
- Companies are diving into the NFT world



Dilution

Even if you can't show confusion, you may be able to show that the defendant is free-riding by causing likely dilution by blurring.

FAMOUS MARK for soda, fashion, sports IRL

FAMOUS MARK for goods authenticated by NFTs

FAMOUS MARK for goods authenticated by NFTs

FAMOUS MARK for goods authenticated by NFTs

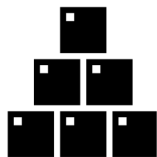
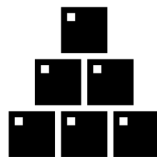
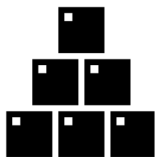
FAMOUS MARK for goods authenticated by NFTs

FAMOUS MARK for goods authenticated by NFTs
FAMOUS MARK for goods authenticated by NFTs



Counterfeiting

- Copies of authenticated goods could be considered counterfeits, even though they don't (can't) copy the original NFT.
- The trademark must be *registered*.
- Treble damages possible.



NFT Marketplaces' Contributory Liability?

- Under *Inwood Labs*, possible liability for continuing to supply a product to a particular party it knows (or has reason to know) is using the product to infringe.
- The platform must have *specific knowledge* of particular instances of infringing sales.
- There must also be direct infringement.



Defenses: First Sale Doctrine

Nike vs. StockX

StockX: NFTs are just digital receipts

OR

Nike: NFTs are the products themselves, they're digital images of actual shoes



(And will the distinction matter to a judge?)

Source: StockX - StockX Lauches Vault NFTs













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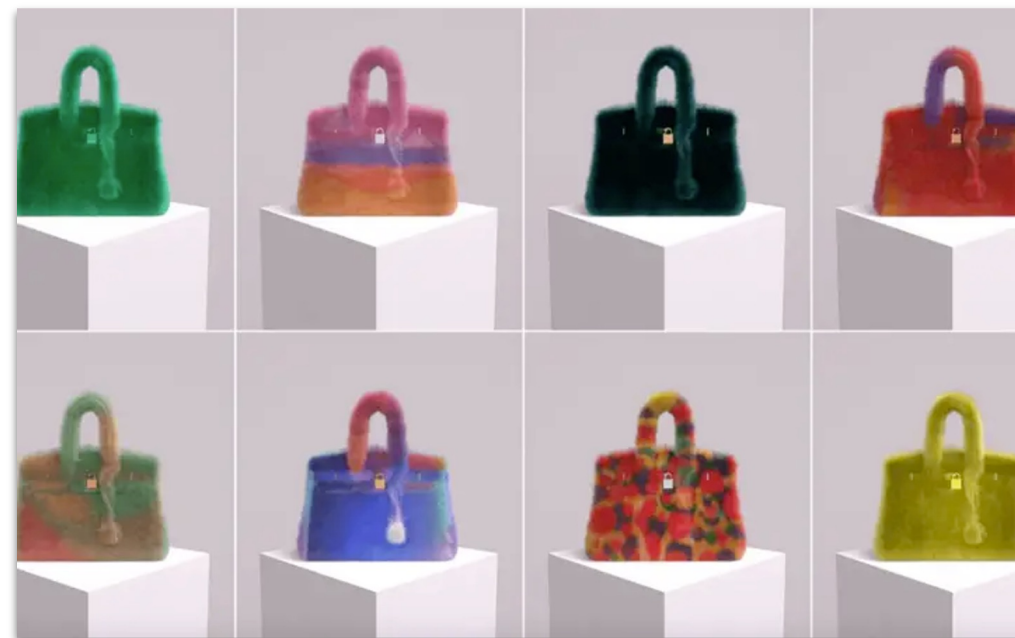
Defense: First Amendment

Hermès vs. Mason Rothschild

Physical Birkins

				
<p>Hermès Birkin \$326,579.00 The List</p>	<p>Hermès Birkin \$265,000.00 1stdibs.com</p>	<p>Hermès Birkin Hardware \$19,850.00 Fashionphile</p>	<p>Hermès Birkin \$550,000.00 janefinds.com</p>	<p>Hermès Birkin \$40,895.00 Fashionphile</p>
				
<p>Hermès Birkin \$40,500.00 The RealReal</p>	<p>Brand Holy Grail Exotic Hermès... \$285,000.00 eBay</p>	<p>Hermès Birkin \$35,000.00 The RealReal</p>	<p>Hermès Birkin \$20,945.00 Fashionphile</p>	<p>Hermès Birkin \$40,965.00 Rebag</p>

Digital MetaBirkins



[Source:](#) BOF: Hermès Sues NFT Creator Over 'MetaBirkin' Sales



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First Amendment & Commercial Speech

Hermes vs. Mason Rothschild

First Amendment standard for burdens on expressive speech:
strict scrutiny

First Amendment standard for burdens on commercial speech:
“relaxed” scrutiny

Is use of NFTs in connection with digital images “commercial”?

- District court in *Hermes*: The handbag NFTs in the case are not commercial products . . . but they would be if they were wearable by an avatar.



First Amendment & Expressive Works

AM Gen. LLC vs. Activision Blizzard, Inc.
(2020)

- ✓ Video games are expressive works, as are books, movies, TV shows, greeting cards, dog toys
- ✓ *Rogers* test: (1) artistically relevant & (2) not explicitly misleading as to source



E.g., The use of HUMVEE vehicles was artistically relevant to CALL OF DUTY because they “evoked a sense of realism and lifelikeness” and the use was not explicitly misleading

Remedies – Ordering Name Change

Hermes vs. Mason Rothschild

E.g., “METABIRKINS” could be found deceptive

District court denied motion to dismiss, citing:

- Allegations that defendant intended to associate METABIRKINS with popularity, goodwill of plaintiff’s BIRKIN mark rather than intending an artistic association
- Allegations that METABIRKINS is explicitly misleading as to source



Damage from Use of Brands in NFTs

Damage from confusion as to source?

Harm to goodwill/reputation

Inability to enter market

Damage from dilution?

Tarnishment

Blurring of distinctiveness



Remedies - Destruction

NFTs can't be destroyed once they've been minted or uploaded to the blockchain. Blockchain software can impact the ability to “take down” objectionable NFTs.

- NFTs can be “burned” - but are never really gone
- Smart contracts may be modified, transferred



Remedies - Virtual TRO

Minsky v. Linden Research (2008)

TRO granted prohibiting Second Life from presenting unauthorized uses of plaintiff's federally-registered trademark "in the Second Life virtual world or any other medium"



allegedly infringing use of SLART on Second Life



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4

Q & A



Thank you!



Mark Jansen

Partner

Fenwick



Anne Gilson LaLonde

Author

Gilson on Trademarks



Daniel J. Barsky

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