Understanding the MetaBirkin: Trademark Law and an Appropriate Legal Standard for NFTs

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INTRODUCTION

The increased popularity of digital assets and artwork implicates numerous areas of intellectual property law. One digital asset that has been the subject of much controversy is the non-fungible token ("NFT"). Since rising to prominence in the last few years, NFTs have sparked much debate over their value as investments. This debate has received particular attention in the digital art world because of the potential application of NFTs to authenticate digital art. Since they cannot be "copied" or "faked," NFTs bring unprecedented value to digital art, which previously suffered from a lack of means to verify ownership and originality.[1]

The emerging challenges of the nascent metaverse and accompanying NFTs, digital assets, and blockchain technology are not entirely without precedent. Indeed, much of the conversation around the emergence of the internet was somewhat parallel to what we are now witnessing in metaverse discourse. However, NFTs and the metaverse pose some novel challenges which warrant a renewed analysis and possibly distinct treatment.

The complexities of applying traditional intellectual property law to NFTs were recently on full display before Judge Rakoff in the Southern District of New York in *Hermès International v. Rothschild*.[2] The case involved an unexpected player—Hermès's

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1. Steve Kaczynski & Scott Duke Kominers, *How NFTs Create Value*, HARV. BUS. REV. (Nov. 10, 2021), https://hbr.org/2021/11/how-nfts-create-value [https://perma.cc/8ZS5-AE3C] [https://web.archive.org/save/https://hbr.org/2021/11/how-nfts-create-value].

2. Hermès Int'l v. Rothschild, 590 F. Supp. 3d 647 (S.D.N.Y. 2022). This Note was originally written in the fall of 2022 with the understanding that *Hermès v. Rothschild* was scheduled for trial in January 2023. After the conclusion of the trial and the jury verdict in February 2023, certain portions of the Note had to be revised to reflect the new posture of the case. Ultimately, the verdict in favor of Hermès did not change the

iconic Birkin handbag (the "Birkin"). The Birkin was the subject of artist Mason Rothschild's NFT collection, where Rothschild created a series of 100 digital images of faux fur covered "Birkins" (the "Metabirkins"). Rothschild used NFTs to sell each MetaBirkin image, and the individual MetaBirkins garnered prices ranging from $25,000 to $42,000.[3] After Rothschild ignored a cease-and-desist demand, Hermès brought suit on trademark infringement and dilution claims under the Lanham Act, as well as state law claims.[4] Ultimately, Hermès prevailed at trial on claims of trademark infringement, dilution, and cybersquatting. However, this Note focuses primarily on the trademark infringement claim, and argues that the jury decided the infringement claim under a framework which ultimately was ill-suited to the case at hand.

Hermès v. Rothschild involved a complex application of traditional legal principles to a novel digital asset. General confusion over what an NFT itself is, moreover, gave rise to numerous plausible frameworks through which the case could be viewed. On the one hand, we might have asked ourselves whether or not selling a "picture" of a trademarked product (here, the Birkin) was a trademark violation. It can also be argued, however, that the MetaBirkin NFT is more than just an image of a Birkin—it might be viewed by some as the digital equivalent or version (or even a "digital knockoff[]," as Hermès claims) of a Birkin.[5] The MetaBirkin can be seen as art, or as a commodity, or as something entirely distinct which we lack a legal classification for. These classifications were significant in determining whether the MetaBirkin deserved First Amendment protection.

This Note argues that *Hermès v. Rothschild* highlighted the flaws of the *Polaroid* factors and their singular focus on determining consumer confusion, and makes a case for an expanded understanding of a *copyright* fair use defense in trademark law.[6] Two forms of fair use are already acknowledged in the trademark context, but neither is comparable to the much stronger fair use exception in copyright law. The factors in the copyright fair use defense seem to strike directly at the heart of the most salient concerns in *Hermès v. Rothschild*, while the *Polaroid* factors seem to allow only tangential considerations of certain key factors which will be further explored in Parts II and III,

fundamental thrust of the Note, which argues not that the jury should have decided one way or another, but that we may have asked the jury the wrong questions to begin with.

3. Maghan McDowell, *The 'Baby Birkin' NFT and the Legal Scrutiny on Digital Fashion*, VOGUE BUS. (June 15, 2021), https://www.voguebusiness.com/technology/the-baby-birkin-nft-and-the-legal-scrutiny-on-digital-fashion [https://perma.cc/7BYZ-SCND] [https://web.archive.org/save/https://www.voguebusiness.com/technology/the-baby-birkin-nft-and-the-legal-scrutiny-on-digital-fashion].

4. *Hermès v. Rothschild: A Timeline of Developments in a Case Over Trademarks, NFTs*, TFL (Dec. 29, 2023), https://www.thefashionlaw.com/Hermès-v-rothschild-a-timeline-of-developments-in-a-case-over-trademarks-nfts/ [https://perma.cc/ZS6K-JHGJ] [https://web.archive.org/web/20240308220158/https://www.thefashionlaw.com/hermes-v-rothschild-a-timeline-of-developments-in-a-case-over-trademarks-nfts/].

5. *See* Memorandum of Law in Support of Defendant Mason Rothschild's Motion for Summary Judgment at 8, *Hermès Int'l*, 590 F. Supp. 3d 647 (No. 22-cv-00384-JSR) [hereinafter Rothschild's Motion for Summary Judgment] (referring to Hermès's characterization of MetaBirkin as "digital knockoffs").

6. *See infra* p. 624 for further explication of the *Polaroid* factors.

such as whether the law should consider an "NFT'd" version of a trademarked good with artistic relevance to be a form of legal artistic expression.

I. PART I: A NOVEL PROBLEM

A. BACKGROUND

Much of the confusion surrounding the proper legal treatment of NFTs comes down to the difficulty in understanding what, exactly, an NFT is. Technically, NFTs are "units of data stored on a blockchain that are created to transfer and authenticate ownership of either physical things or digital media."[7] Functionally, this means that an NFT can serve as a "digital certificate[] that authenticate[s] the ownership of assets."[8] Those assets can be digital (e.g., a video, image, music file) or physical (e.g., real estate).

Perhaps the widespread and false impression that NFTs are art themselves exists because NFTs have largely been discussed in the digital art context. The reason for this, however, is not that NFTs themselves are art, but because NFTs gave digital artwork a new significance due to their ability to authenticate it.[9] Previously, digital art was of limited value because the impossibility of demonstrating exclusive ownership made buying and selling it a risky endeavor. However, since the advent of NFTs, ownership can be authenticated through code.

The backdrop against which NFTs are emerging is one of an increasingly relevant metaverse.[10] Though lacking a single definition, the metaverse has been defined as anything from an "all-encompassing space in which all digital experience sits; the observable digital universe made up of millions of digital galaxies" to "a nebulous, digitally mixed reality with both non-fungible and infinite items and personas not bound by conventional physics and limitations" to "a mass delusion that assumes that the future should look like Ready Player One for some reason."[11] Though the future trajectory of the metaverse is uncertain, brands such as Gucci, Louis Vuitton, and Balenciaga have already launched projects to establish their place in this virtual realm.[12]

7. *Id.* at 3.

8. 2 GILSON ON TRADEMARKS § 7A.18 (2023).

9. Smita Tripathi, *How NFTs Are Disrupting the Art World*, BUS. TODAY (Feb. 20, 2022), https://www.businesstoday.in/magazine/luxury-lifestyle/story/how-nfts-are-disrupting-the-art-world-321706-2022-02-15 [https://perma.cc/J3YG-MWRU] [https://web.archive.org/web/20240308221444/https://www.businesstoday.in/magazine/luxury-lifestyle/story/how-nfts-are-disrupting-the-art-world-321706-2022-02-15].

10. Cathy Hackl, *Defining the Metaverse Today*, FORBES (May 2, 2021), https://www.forbes.com/sites/cathyhackl/2021/05/02/defining-the-metaverse-today/?sh=45869ec76448 [https://perma.cc/NP8R-UGZ3] [https://web.archive.org/web/20240309034608/https://www.forbes.com/sites/cathyhackl/2021/05/02/defining-the-metaverse-today/?sh=137eb4866448].

11. *Id.*

12. Memorandum of Law in Support of Plaintiffs' Motion for Summary Judgment at 5, Hermès Int'l v. Rothschild, 590 F. Supp. 3d 647 (S.D.N.Y. 2022) (No. 22-cv-00384-JSR) [hereinafter Plaintiffs' Motion for Summary Judgment].

In this case, Rothschild created (or "minted") NFTs which are attached to digital images.[13] While each image is not itself the NFT, in colloquial parlance the tokens themselves and the assets they authenticate are often both referred to as an NFT.[14] As explained by Jeff Trexler for *Vogue Business*, "the NFT is not the image, it's metadata pointing to the image."[15] However, for the purposes of the inquiry at hand, this Note uses the term MetaBirkin to refer to the combined entity of the underlying NFT and the digital image it points to.

In May 2021, Rothschild created a predecessor to the MetaBirkin, an NFT entitled "Baby Birkin."[16] The Baby Birkin consisted of an animation of a Birkin bag featuring a depiction of a gestating fetus.[17] The Baby Birkin was met with commercial success, selling for the equivalent of $23,500 and later re-selling for $47,000.[18] Soon thereafter, Rothschild created and sold NFTs from a 100-piece collection entitled "MetaBirkins," which he considered to be a follow-up art project to the Baby Birkin.[19]

B. DETERMINING A LEGAL STANDARD

At the outset of the case, Hermès and Rothschild put forth opposing contentions as to what legal standard should apply to Hermès's trademark infringement claims. Hermès argued that the MetaBirkins have no discernible artistic intent, and thus should

13. Anthony J. Dreyer & David M. Lamb, *Can I Mint an NFT with That?: Avoiding Right of Publicity and Trademark Litigation Risks in the Brave New World of NFTs*, THOMSON REUTERS (May 10, 2021), https://www.skadden.com/-/media/files/publications/2021/05/canimintannftwiththatavoidingrightofpublicityandtr.pdf?rev=2430b95861e2489a9175ebb54a7e8028 [https://perma.cc/7KM8-S3QX] [https://web.archive.org/web/20240309035456/https://www.skadden.com/-/media/files/publications/2021/05/canimintannftwiththatavoidingrightofpublicityandtr.pdf?rev=2430b95861e2489a9175ebb54a7e8028].

14. Shanti Escalante-De Mattei, *2021 Has Been the Year of the NFT. But What Exactly Is an NFT?*, ARTNEWS (Dec. 28, 2021), https://www.artnews.com/art-news/news/nft-guide-1234614447/ [https://perma.cc/7TY6-CL6E] [https://web.archive.org/web/20240215165742/https://www.artnews.com/art-news/news/nft-guide-1234614447/].

15. McDowell, *supra* note 3.

16. Mario Abad, *Hèrmes Wins MetaBirkins Lawsuit*, PAPER (Feb. 8, 2023), https://www.papermag.com/hermes-metabirkins-lawsuit#rebelltitem10 [https://perma.cc/V4MN-NSZ8] [https://web.archive.org/web/20240309040135/https://www.papermag.com/hermes-metabirkins-lawsuit].

17. Mason Rothschild, *Baby Birkin*, BASIC SPACE, https://basic.space/products/baby-birkin [https://perma.cc/Y2E8-FL6D] [https://web.archive.org/web/20240215171201/https://basic.space/products/baby-birkin] (last visited Feb. 20, 2024).

18. *Id.*; Cassell Ferere, *Digital Artist Mason Rothschild Drops 100 'MetaBirkins' NFTs Through Basic.Space*, FORBES (Dec. 13, 2021), https://www.forbes.com/sites/cassellferere/2021/12/13/digital-artist-mason-rothschild-drops-100-metabirkins-nfts-through-basicspace/?sh=7c6d97f42000 [https://perma.cc/F5UB-ND5R] [https://web.archive.org/web/20240410172858/https://www.forbes.com/sites/cassellferere/2021/12/13/digital-artist-mason-rothschild-drops-100-metabirkins-nfts-through-basicspace/?sh=7c6d97f42000].

19. Rothschild's Motion for Summary Judgment, *supra* note 5, at 3.

be treated as commercial speech under *Gruner + Jahr USA Publishing v. Meredith Corp.*[20] Rothschild argued that the MetaBirkin is artwork and thus entitled to the legal protections given to expressive works of art under the *Rogers* framework.[21] Hermès, in turn, made a counterargument that the use of the Birkin trademark is a mere indicator of source.[22] The threshold question for whether *Rogers* applied was whether an NFT is an "expressive work," which Judge Rakoff answered in the affirmative, allowing the case to proceed under *Rogers*.[23]

The *Rogers* test originates from a 1989 Second Circuit case, *Rogers v. Grimaldi*, involving the use of actress Ginger Rogers's name in the film *Ginger and Fred*.[24] At issue was whether the movie title was commercial speech or artistic expression, which would determine whether the Lanham Act would prohibit the use of her name in the title.[25] The Second Circuit ultimately ruled that the Lanham Act should only apply to artistic works "where the public interest in avoiding consumer confusion outweighs the public interest in free expression."[26] *Hermès v. Rothschild* is ostensibly one such case, as consumer confusion seems to have outweighed Rothschild's First Amendment interest in promulgating his art.

Of course, an NFT is not a "traditional" expressive or artistic work. It may be impossible to broadly hold all NFTs to be expressive works. Although some, like a MetaBirkin, may be linked to a digital image which is clearly art, other NFTs are not affiliated with art or used for artistic purposes. In this case, however, the MetaBirkin certainly seemed to be expressive in at least some respects, and the fact that it can be traded or sold likely did not diminish its expressiveness any more than selling a painting would diminish the painting's value as art. Indeed, Rothschild made extensive arguments at trial about the relationship between MetaBirkins and a long tradition of "Business Art" which intentionally seeks to blur the lines between commerce and art.[27] He called upon experts who claimed that Rothschild's MetaBirkins render him an "artistic heir" to artists including Andy Warhol and Marcel Duchamp.[28]

Today, the *Rogers* test is not applied just to the titles of various works, but serves as a framework for assessing works themselves.[29] Fundamentally, *Rogers* requires a

20. Plaintiffs' Motion for Summary Judgment, *supra* note 12, at 15.

21. Rogers v. Grimaldi, 875 F.2d 994 (2d Cir. 1989); *see infra*.

22. *Grimaldi*, 875 F.2d 994.

23. Hermès Int'l v. Rothschild, 603 F. Supp. 3d 98, 103 (S.D.N.Y. 2022).

24. *Grimaldi*, 875 F.2d 994.

25. *Id*; *see also* John Villasenor & Sam Albright, *NFTs and Birkin Bags: A Hermès Lawsuit Tests the Limits of Trademark Rights*, BROOKINGS (Apr. 21, 2022), https://www.brookings.edu/blog/techtank/2022/04/21/nfts-and-birkin-bags-a-Hermès-lawsuit-tests-the-limits-of-trademark-rights/ [https://perma.cc/H5QN-M7RC] [https://web.archive.org/web/20240308223831/https://www.brookings.edu/articles/nfts-and-birkin-bags-a-hermes-lawsuit-tests-the-limits-of-trademark-rights/].

26. *Rogers*, 875 F.2d at 999.

27. Rothschild's Motion for Summary Judgment, *supra* note 5, at 6.

28. *Id.*

29. Cliff Notes, Inc. v. Bantam Doubleday Dell Publ'g Grp., Inc., 886 F.2d 490, 495 (2d Cir. 1989) (holding that the *Rogers* balancing approach is generally applicable to Lanham Act claims against works of artistic expression).

showing that the disputed use holds (1) no artistic relevance and (2) if there is artistic relevance, the use is "explicitly misleading."[30] In May 2021, Judge Rakoff ruled that the "explicitly misleading" analysis should be resolved by an application of the *Polaroid* factors, as laid out by Judge Friendly in *Polaroid Corp. v. Polarad Electronics Corp.*[31] These factors include: the strength and similarity of the marks, the competitive proximity of the products in the market, bad faith of the junior user, evidence of actual confusion, quality of the products, and the sophistication of the relevant consumers.[32]

Hermès contended that while there may be artistic elements involved in creating an NFT, the use of the Birkin trademark is to indicate source and brand the products, and is not primarily expressive.[33] The Second Circuit, however, held in *Rogers* that even where titles might serve as a source indicator, "this function is 'inextricably intertwined' with their communicative, artistic functions" and thus warrants First Amendment protections.[34]

The court's decision to proceed with the claim under the speech-protective framework of the *Rogers* test was a win for Rothschild, because the test leans in favor of shielding creators from infringement claims so long as the use of the trademark is an artistic expression that does not explicitly mislead consumers.[35] However, Judge Rakoff's decision to consider MetaBirkins as expressive works has drawn criticism, as several amici note that *Rogers* has been limited to "traditionally expressive or artistic works like movies, art, books, and the like" in every circuit but the Ninth.[36] Such critics fear that considering the MetaBirkin NFT to be an "expressive work" in this sense marks an "unwarranted expansion beyond the roots of *Rogers*" and "threatens a trademark infringement framework that has been intact and applied for nearly a century."[37]

1. Artistic Relevance

Although Judge Rakoff held that the MetaBirkin is, indeed, an expressive work, it does not necessarily follow that the use of the Birkin mark in the MetaBirkin had artistic relevance.

30. *Rogers*, 875 F.2d at 999.

31. Hermès Int'l v. Rothschild, 590 F. Supp. 3d 647, 653 (S.D.N.Y. 2022).

32. Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).

33. *See* Redacted Reply Memorandum of Law in Further Support of Plaintiffs' Motion for Summary Judgment at 2–3, *Hermès Int'l*, 590 F. Supp. 3d 647 (No. 22-cv-00384-JSR).

34. Hermès Int'l v. Rothschild, 603 F. Supp. 3d 98, 104 (S.D.N.Y. 2022) (quoting *Rogers*, 875 F.2d at 998).

35. *See id.* (standing for the proposition that where artistic expression does not explicitly mislead consumers, trademark use will not be considered infringement).

36. *See, e.g.*, *Amicus Curiae* Brief of the International Trademark Association in Support of Petitioner at 4, Jack Daniel's Properties, Inc. v. VIP Prods. LLC, 599 U.S. 140 (2023) (No. 22-148), 2022 WL 4370152, at *4.

37. *Id.*

Rogers holds that "a misleading title with no artistic relevance cannot be sufficiently justified by a free expression interest."[38] The bar for "artistic relevance" is meant to be low.[39] Despite this low threshold, Judge Rakoff noted that based on Rothschild's commentary about the MetaBirkin (as quoted above, stating that he sought to "capitalize" on the social capital of the Birkin), it is possible that Rothschild intended to associate his product with Hermès, rather than being driven by artistic purposes.[40] Rothschild originally stated that his collection was a "tribute" to the Birkin, but later asserted that the MetaBirkins are also commentary on animal cruelty in the fashion industry.[41] He also argued that the underlying NFT itself actually has its own artistic significance, independently of the digital image, because the fact that NFTs "get traded, and what that trading means" are part of the commentary posed through the MetaBirkin project.[42]

What the analysis seems to be getting at, here, is whether or not Rothschild *primarily* acted to create art, or simply to create a valuable commodity by capitalizing off of Hermès's mark. This inquiry, however, becomes both speculative and subjective. It is entirely possible that Rothschild used Hermès's mark both for its artistic relevance and to capitalize on it.

2. Explicitly Misleading

Under *Rogers*, once Rothschild's use of the Birkin trademark had been found to have sufficient artistic relevance, the use still needed to avoid being "explicitly misleading" to survive.[43] As mentioned above, Judge Rakoff required that the "explicitly misleading" analysis be guided by the *Polaroid* factors.[44] The *Polaroid* test aims to determine whether the likelihood of confusion is sufficiently compelling to outweigh the public interest in free expression.[45] The following application of the *Polaroid* factors to the case at hand will demonstrate that NFTs are not well suited to the *Polaroid* framework.

a. Applying the Polaroid Factors

The *Polaroid* factors include the strength of the plaintiff's mark, the similarity of the marks, the competitive proximity of the products in the marketplace, the likelihood that the senior user will "bridge the gap" by moving into the junior user's product market, evidence of actual confusion, the junior user's bad faith in using the

38. *See* Rogers v. Grimaldi, 875 F.2d 994, 999 (2d Cir. 1989).
39. *Id.*
40. Hermès Int'l v. Rothschild, 603 F. Supp. 3d 98, 105 (S.D.N.Y. 2022).
41. In Defendant's Rule 56 Statement, Defendant claims the MetaBirkin is "both a fanciful tribute to the Birkin bag, which has become a cultural object signifying extreme wealth, and a reference to the fashion industry's fur-free initiative." Rothschild's Motion for Summary Judgment, *supra* note 5, at 6.
42. *Id.* at 7.
43. *See Rogers*, 875 F.2d at 999.
44. *Hermès Int'l*, 603 F. Supp. 3d at 105.
45. *See* Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir. 1961).

mark, the respective quality of the products, and the sophisitcation of consumers in the relevant market.[46]

i. Strength of the Plaintiff's Mark

This factor most likely cuts in favor of Hermès because a showing of a stronger mark will lend credibility to a Plaintiff's claim of infringement. There are two different conceptions of the strength of a mark.[47] First, "inherent" distinctiveness, which looks to how "fanciful, arbitrary, and suggestive" the trademark is.[48] The word "Birkin" itself might be fanciful because it is made up. In addition, courts also consider "secondary meaning," which refers to the additional meaning a mark has acquired over time.[49] An example might be "Bed & Bath."

The Birkin name and trade dress have come to possess secondary meaning over time, owing to the significant cultural attention the Birkin has acquired.[50] Hermès contended that the Birkin is a world-renowned status symbol, and Rothschild acknowledged as much in promoting his MetaBirkins, in statements such as "I mean, for me, there's nothing more iconic than the Hermès Birkin bag."[51]

46. *Id.*

47. Lawrence G. Townsend, *Trademarks Need Inherent Distinctiveness or Secondary Meaning*, LAWRENCE G. TOWNSEND (Dec. 10, 2018), https://www.lgt-law.com/blog/2018/12/trademarks-need-inherent-distinctiveness-or-secondary-meaning/ [https://perma.cc/BX9Y-HTE5] [https://web.archive.org/web/20240217034036/https://www.lgt-law.com/blog/2018/12/trademarks-need-inherent-distinctiveness-or-secondary-meaning/].

48. *Id.*

49. *Id.*

50. Jasmine Yu, *It's Not a Bag, It's a MetaBirkin!*, YORK U. (Mar. 2, 2022), https://www.iposgoode.ca/2022/03/its-not-a-bag-its-a-metabirkin/ [https://perma.cc/6S5F-BLU9] [https://web.archive.org/web/20240308233237/https://www.yorku.ca/osgoode/iposgoode/2022/03/02/its-not-a-bag-its-a-metabirkin/].

51. *NFT Artist: 'MetaBirkins' Project Aims To Create 'Same Kind of Illusion that It Has in Real Life,'* YAHOO! FIN. (Dec. 6, 2021), https://news.yahoo.com/nft-artist-metabirkins-project-aims-200930209.html [https://perma.cc/K5U6-6SVH] [https://web.archive.org/web/20211206205429/https://finance.yahoo.com/video/nft-artist-metabirkins-project-aims-200930209.html?guccounter=1].

ii. Similarity of the Marks

Figure 1: BIRKIN trademark image

Figure 2: A MetaBirkin

Figure 1 is the image associated with Hermès' "BIRKIN" trademark.[52] Figure 2 is a MetaBirkin, and a side-by-side comparison makes it clear that the two designs are extremely similar.[53] This is no surprise, given that Rothschild has been explicit about the MetaBirkin being based off of the Birkin.

iii. The Competitive Proximity of the Products in the Marketplace

Right now, MetaBirkins and Birkins do not seem to exist in the same marketplace. This does not, however, mean that MetaBirkins are not causing confusion, or impacting the Birkin marketplace. As noted by Judge Rakoff when denying Rothschild's motion to dismiss, "fashion brands are beginning to create . . . digital replicas of their real-life products to put in digital fashion shows or otherwise use in the metaverse."[54] Though Hermès may not have taken such action yet, it seems possible that they might. Until that point, however, we can also ask to what degree the MetaBirkin is the digital equivalent of a real Birkin, and to that end, the degree to which the two products might be in competition. Indeed, Rothschild himself stated that one of his goals was to "transfer the Birkin bag, with all its real-world cultural baggage, into a digital world where virtuality reigns—that is, into what is often called the 'metaverse.'"[55]

If we view the Birkin as an indicator of status, a MetaBirkin can also serve as an indicator of status. On the other hand, if the Birkin is a primarily practical accessory, the NFT hardly serves a comparable function. The fact that the MetaBirkins garner comparable prices to Birkins cuts in favor of a showing of competitive proximity, but price alone is insufficient. Moreover, when promoting the MetaBirkin, Rothschild

52. Complaint at 9, Hermès Int'l v. Rothschild, 603 F. Supp. 3d 98 (S.D.N.Y. 2022) (No. 22-cv-00384-JSR).

53. *Id.* at 17.

54. *Hermès Int'l*, 603 F. Supp. 3d at 101.

55. Expert Report of Dr. Blake Gopnik at 16, *Hermès Int'l*, 603 F. Supp 3d 98 (No. 22-cv-00384-JSR).

himself stated that "there's not much difference" between owning a MetaBirkin and "having . . . the crazy handbag in real life because it's . . . that showing of like wealth . . . ."[56] Rothschild's statement arguably indicates an intention for the two to compete.

Rothschild's own expert, Dr. Gopnik, described the MetaBirkins as an "elite metaversal commodity . . . the kind of deluxe Hermès bag a MetaKardashian might carry, in the virtual reality we will all inhabit."[57] The existing MetaBirkins were not wearable, but the Court seemed to indicate that if they were, the case at hand would be markedly different.[58]

It remains unclear whether "wearability" should be outcome-determinative, or even relevant, if Rothschild intends for MetaBirkins to serve as an "NFT'd Birkin."[59] Rothschild's statement that "there's not much difference" between the MetaBirkin and the Birkin[60] implies his own belief that a Birkin may serve as a status indicator rather than a functional item.[61] Of course, the bag can be both, just as an expensive car can be both functional and a status indicator. Whether the MetaBirkin can be "worn" in a metaverse seems unlikely to change its value to consumers or its functionality. A digitally "wearable" Birkin and a MetaBirkin NFT might serve the same purpose—to allow the user to flaunt ownership of a valuable asset in a digital space. Unlike the physical Birkin, neither the "wearable" nor the MetaBirkin NFT can serve a utilitarian function such as carrying objects. Whether or not they can be "worn" by an avatar, they arguably serve identical functions.

The possibility that Rothschild creates "wearable" MetaBirkins may only be speculative, but ultimately, the distinction is of little importance. A digitally wearable Birkin arguably occupies the same market as a MetaBirkin NFT, but the more difficult determination is whether or not the MetaBirkin NFT and the real Birkin occupy the same market. It remains unclear whether the digital fashion market would be the same as the marketplace for physical fashion items.

iv. The Likelihood that the Senior User Will "Bridge the Gap" by Moving into the Junior User's Product Market

This factor asks us whether it is likely that Hermès will move into the digital space, either to mint and sell their own NFTs or to sell digitally "wearable" products. While Hermès may seem unlikely to do so, it also seems problematic to posit that Rothschild can essentially take Hermès's place in the metaverse simply because Hermès has yet to do so itself. If we someday arrive at a world where most, or many, brands develop a digital presence, it seems intuitive that each brand should have the right to control their digital footprint (or maintain a lack of one).

56. *See Hermès Int'l*, 603 F. Supp. 3d at 101.
57. Plaintiffs' Motion for Summary Judgment, *supra* note 12, at 14.
58. *Hermès Int'l*, 603 F. Supp. 3d at 104 n.3.
59. Plaintiffs' Motion for Summary Judgment, *supra* note 12, at 12.
60. *See Hermès Int'l*, 603 F. Supp. 3d at 101.
61. *See id.*

Judge Rakoff expressed a belief which would seem to be in accordance with this idea in his opinion in *UMG Recordings v. MP3.com, Inc.*[62] There, he wrote that "[a]ny allegedly positive impact of defendant's activities on plaintiffs' prior market in no way frees defendant to usurp a further market that directly derives from reproduction of the plaintiffs' copyrighted works."[63] Although, of course, the Birkin is not a copyrighted work, this Note argues that this principle would be valuable here. The MetaBirkin cannot credibly be claimed to substantially benefit the market for the real Birkin, and it very plausibly might harm Hermès. Either way, irrespective of confusion, Rothschild should not be free to "usurp" the further market that directly derives from the reproduction of the Birkin.

v. Evidence of Actual Confusion

Hermès presented evidence of actual confusion, demonstrating that many consumers believed that MetaBirkins were produced in collaboration with Hermès.[64] Several reputable magazines made the same error, actually reporting that Hermès was involved in the creation of MetaBirkins.[65] Given the affiliation of NFTs with the metaverse, Rothschild may have improperly led consumers to believe that just as other brands such as Gucci, Balenciaga, and Louis Vuitton have, Hermès too had taken a step into the metaverse by creating the MetaBirkin. Rothschild's own advertising also likely contributed to confusion; he promoted MetaBirkin through the use of slogans such as "Not Your Mother's Birkin," which arguably implied that the MetaBirkin is *some* kind of Birkin.[66]

The parties disagreed about whether the studies Hermès commissioned showed scientifically reliable evidence of actual confusion. At trial, Hermès relied on a survey by Dr. Bruce Isaacson which attempted to measure consumer confusion.[67] Using the "Eveready" method, the study showed respondents various versions of the MetaBirkins website and asked them questions including what brand they believed created the product. Dr. Isaacson concluded that based on the studies, there was a substantial likelihood of confusion.[68] Rothschild provided expert testimony which found those studies to be unreliable on the basis of alleged design flaws.[69]

62. 92 F. Supp. 2d 349 (S.D.N.Y. 2000).

63. *Id.* at 352.

64. *Hermès Int'l*, 603 F. Supp. 3d at 102.

65. *Id.*

66. *Id.*

67. Expert Report Submitted by Dr. Bruce Isaacson Measuring the Likelihood of Confusion Between MetaBirkins and Birkin Handbags at 38, *Hermès Int'l*, 603 F. Supp. 3d 98 (No. 22-cv-00384-JSR).

68. *Id.*

69. Expert Rebuttal Report of David Neal, Ph.D., in Response to Expert Report of Dr. Bruce Isaacson at 5–6, *Hermès Int'l*, 603 F. Supp. 3d 98 (No. 22-cv-00384-JSR).

vi. The Junior User's Bad Faith in Adopting the Mark

If the relevant question here is whether Rothschild intended to create consumer confusion by capitalizing on the fame of the Birkin, his own comments are highly relevant to his state of mind. In December 2021, Rothschild stated that "I wanted to see as an experiment if I could create that same kind of illusion that [the Birkin] has in real life as a digital commodity."[70] Whether or not this is in bad faith depends on whether creating an "NFT'd" Birkin is an impermissible aim. If a consideration of intent and bad faith, however, is cabined by a singular focus on determining confusion, this inquiry becomes limited. It could have been the case that consumers were not be confused, and Rothschild still may have acted in bad faith. In short, the incorporation of the bad faith inquiry under the *Polaroid* test is limited to a means to the end of determining confusion.

vii. The Respective Quality of the Products

This factor asks us to make a somewhat impossible determination by comparing apples and oranges. A digital work of art and a physical bag cannot be compared along the same metrics. It hardly seems appropriate to compare the quality of leather goods and skills of leather artisans, to the skills of the digital illustrator and the know-how to mint an NFT.

viii. The Sophistication of the Consumers in the Relevant Market

The users in either market are arguably quite sophisticated in their respective markets. The consumer of the Birkin, for example, must necessarily be familiar with Hermès's selling practices and the processes necessary to acquire one. At the same time, we might presume the buyer of an NFT to be relatively sophisticated in the digital realm, given that many members of the public are still confused as to what an NFT is.

However, the possibility remains that a sophisticated cryptocurrency investor might buy a MetaBirkin under the false assumption that they are buying a product endorsed or created by Hermès in part because they are unfamiliar with the Hermès brand. The reverse is just as plausible—the sophisticated Hermès customer might be familiar with the Birkin bags themselves, but notice the media attention surrounding MetaBirkins and believe that the two are affiliated. It is not clear to what degree the two groups of consumers overlap, and how many consumers would be sophisticated in both the physical luxury goods market and the NFT market.

70. *NFT Artist: 'MetaBirkins' Project Aims To Create 'Same Kind of Illusion that It Has in Real Life*, *supra* note 51.

b. Outcome

Although the means by which the jurors came to their decision remain relatively unknown, it can be assumed that they found a significant chance of consumer confusion needed to satisfy the trademark infringement claim.

II. PART II: THE CURRENT LEGAL STANDARD

A. VIABILITY OF THE *POLAROID* TEST

After emphasizing the low threshold of artistic relevance needed to survive the first prong of the *Rogers* test, Judge Rakoff seemed to shift the focus of the remaining litigation to a fact-intensive application of the *Polaroid* factors.[71] This Note argues, however, that the *Polaroid* factors are not well suited to assessing emerging digital commodities such as NFTs. A focus on the *Polaroid* factors misses other critical inquiries and results in a circular analysis.

The *Polaroid* factors are poorly adapted to assessing not only NFTs but also a broad range of cases. Critiques of the *Polaroid* factors have been expressed many times before, for varying reasons.[72] This Note argues that there are two fundamental and related reasons why the *Polaroid* factors are ill-suited to address the case at hand. First, the factors solely aim to determine the likelihood of consumer confusion, and this singular focus on consumer confusion is inadequate to address the harms at hand. And secondly, the *Polaroid* factors do not efficiently deal with confusion in cases evolving emerging markets.

1. Focusing Solely on Confusion

As Robert Bone expressed in the *Northwestern Law Review*,

> that premise assumes that the ultimate goal of trademark law is to prevent consumer confusion. But this makes no sense. People are often confused in their ordinary lives and the law does not intervene to help. Before a likelihood of confusion can trigger trademark liability, there must be a good reason why the law should prevent confusion when it involves consumers responding to marks.[73]

Why do we care to prevent confusion in trademark law? There are several valid perspectives which emerge in answering this question. First, because we recognize a strong interest in preventing consumer confusion in commercial settings, where consumers may hold less power than sellers if sellers are free to mislead as to the nature of their products. Second, because we recognize an interest held by sellers in protecting their brand images and reputations. The second interest can also be understood as

71. *Hermès Int'l*, 603 F. Supp. 3d at 105.

72. *See* Robert G. Bone, *Taking the Confusion Out of "Likelihood of Confusion": Toward a More Sensible Approach To Trademark Infringement*, 106 NW. U.L. REV. 1307, 1348 (2012).

73. *Id.* at 1309.

recognizing that the owners and creators of trademarks have made a valuable contribution in some way, and that contribution should not be freely taken advantage of by others—what we might characterize as an "anti-free riding" value. This is a value strongly protected by copyright law—that a creator of a work shall not have their creative output infringed upon by others, save in exceptional circumstances. Bone phrased it thusly: "Put simply, liability should depend on the moral character of the defendant's conduct or the expected trademark-related harm from confusion."[74]

Looking to the "moral character" of conduct ultimately would lead back to the same considerations found in the copyright fair use doctrine. In assessing "moral character," we would look to more than just the intentions possessed by Rothschild, but whether or not we find those intentions permissible in a trademark context. For example, if Rothschild believed in good faith that his actions were within the realm of legality, we could say he possessed "moral character." We could also say that if his intention was to profit from Hermès's goodwill, he lacked such moral character. In order to make this normative determination, we must have a foundation for what constitutes "moral" behavior.

Yet, most trademark doctrine seems devoid of this consideration. Perhaps this is because trademarks are often words or titles, and the United States has a strong presumption against regulating "pure" speech unless absolutely necessary.[75] It is a simple observation that regulating an individual's ability to say "Coca-Cola" feels distinct from regulating that individual's ability to copy an artist's painting and sell it for profit.

The discomfort and tension here are at their height in cases involving goods which are not subject to copyright protection but involve a strong artistic element. The leather craftsmen who create the Birkin put in labor and skills which are comparable to those of an artist who creates a sculpture, say, out of leather. Yet the Supreme Court has continued to affirm this differentiation, most recently in *Star Athletica, L.L.C. v. Varsity Brands, Inc.*[76] In *Star Athletica*, the Court addressed the copyrightability of "features" of clothing, such as two-dimensional designs. The Court held that "[i]f the feature could not exist as a pictorial, graphic, or sculptural work on its own, it is simply one of the article's utilitarian aspects."[77] This "separability" requirement renders it nearly impossible that Hermès could get copyright protection for the Birkin, as the Court held that "[t]he decisionmaker must determine that the separately identified feature has the capacity to exist apart from the utilitarian aspects of the article."[78] One might, then, wonder if the Birkin's trade dress can "exist apart" from the utilitarian aspects of the bag—in the form of an NFT or "meta" version of the bag. Rothschild

74. *Id.* at 1348.

75. *See, e.g.*, Clarkson v. Town of Florence, 198 F. Supp. 2d 997, 1000 (E.D. Wis. 2002) (explaining that regulations of pure speech are subject to strict scrutiny, the highest level of judicial scrutiny).

76. 580 U.S. 405 (2017).

77. *Id.* at 406.

78. *Id.* at 414.

himself claimed that he wished to "transfer" the Birkin bag, "with all its real-world cultural baggage, into a digital world . . . into what is often called the 'metaverse.'"[79]

However, the Court seems to have dismissed this possibility by finding that neither "could someone claim a copyright in a useful article merely by creating a replica of that article in some other medium—for example, a cardboard model of a car."[80] In that example, the Court determined that the creator of the replica could copyright the replica, but not the underlying work. A Birkin requires meticulous labor from trained artisans who work by hand.[81] While one might imagine that this degree of artisan handiwork implicates artistic significance, the *Star Athletica* decision means that Birkins are nonetheless ineligible for copyright protection.

If the jury had found for Rothschild, the decision could have had absurd consequences. It would have been the case that while Hermès cannot copyright the Birkin (as the Birkin's design can hardly be separated from the "utilitarian" aspect of the bag itself), Rothschild would theoretically be able to copyright the MetaBirkin (though he, of course, would not be able to hold a copyright of the Birkin bag itself by virtue of having created MetaBirkin). And indeed, Rothschild already complained of "fake" MetaBirkins, a fact Hermès believed cut in favor of their contention that Rothschild is simply using the Birkin trademark as a source indicator. Because the Court in *Star Athletica* seems to have eliminated the possibility of copyright protection for a commodity like the Birkin, Hermès was forced to rely solely on trademark law.

However, the background of *Polaroid* itself is telling as to why the test is poorly suited to address emerging questions pertaining to digital commodities. The *Polaroid* test originates from litigation regarding whether *Polarad* Corp was infringing on *Polaroid* Corp by titling their corporation as such. The case was relatively straightforward—a trademarked title compared to a very similar trademarked title—apples and apples, one might say.

The MetaBirkin versus Birkin dilemma at hand is hardly analogous—rather than two titles of two corporations, we are faced with a digital non-fungible token linked to an image of an iconic handbag, versus the handbag itself. The two comparisons are worlds apart. Polaroid and Polarad were comparable; the MetaBirkin and the Birkin are, in many ways, apples and oranges. This does not, however, indicate that the MetaBirkin does not create consumer confusion—it may, but in a manner entirely different from the confusion between Polarad and Polaroid. Unsurprisingly, then, the *Polaroid* test seems to ask us the wrong questions.

For example, take the second *Polaroid* factor—the degree of similarity between the marks. The degree of similarity is high in one respect, in that the MetaBirkin is (arguably) a digital version of the original. The question at hand should not be whether the marks are similar, but whether or not similarity matters here: Essentially, whether

79. Rothschild's Motion for Summary Judgment, *supra* note 5, at 11.

80. *Star Athletica, L.L.C.*, 580 U.S. at 415.

81. *See* Plaintiffs' Rule 56.1 Statement of Material Facts in Support of Plaintiffs' Motion for Summary Judgment at 39, Hermès Int'l v. Rothschild, 590 F. Supp. 3d 647 (S.D.N.Y. 2022) (No. 22-cv-00384-JSR). (demonstrating artistic significance by explaining the labor that goes into crafting a single Birkin—more than seventeen hours of an artisan's time).

it is permissible to have an NFT which bears a resemblance to a trademarked entity. This becomes a mere restatement of the problem which the *Polaroid* factors are being applied to address. If the Court had answered yes, it would have allowed nearly anyone to take physical goods and "NFT" them into digital versions without intellectual property protections for the creators of the original, surely an undesirable outcome.

The third *Polaroid* factor (competitive proximity in the marketplace) also misses the heart of the problem here. It remains unclear whether the MetaBirkin and the Birkin are competitors. Moreover, the MetaBirkin and the Birkin may not exist in the same marketplace. One could argue that both commodities are signifiers of wealth, but it remains unclear whether or not consumers who would otherwise purchase a Birkin would purchase a MetaBirkin instead, and there seems to be insufficient evidence to conclude that the virtual markets in which the MetaBirkin is traded are really the same marketplace that the physical Birkin is bought and sold in.

With respect to the fourth *Polaroid* factor, bridging the gap to "move into" the marketplace may not be relevant because we have yet to understand how exactly the Birkin marketplace overlaps with the MetaBirkin marketplace. The *Polaroid* test seems ill-equipped for the recognition that even though the MetaBirkin and the Birkin may currently exist in distinct "marketplaces," a trademark violation may still exist. The MetaBirkin may still create consumer confusion by creating the impression that Hermès has moved into a new market when (as of yet) it has not.

The *Polaroid* factors are focused on confusion, and in doing so, they allow us to only ask tangentially several key questions about the MetaBirkin, such as whether it is permissible to "translate" goods into their digital, metaverse counterparts, what kind of "intent" is acceptable in such cases, and what degree of transformation renders the "NFT'd" products not merely derivative versions of their originals. The next question, then, is what a more suitable legal standard would be to assess trademark violation cases involving expressive NFTs.

III. PART III: A POTENTIAL SOLUTION

A. A NEW ADDITION: THE COPYRIGHT FAIR USE EXCEPTION

Incorporating principles of copyright law into the realm of trademarks is admittedly a controversial and bold proposition. Many have objected to this kind of "blurring" of the line between the two intentionally distinct areas of law.[82] However, *Hermès v. Rothschild* demonstrates trademark law's failure to present the proper considerations.

Considering the four prongs in the copyright law exception of fair use would be informative in future cases similar to *Hermès v. Rothschild*. The fair use test as found in copyright law consists of four prongs: (1) purpose and character of the use; (2) nature of the copyrighted work; (3) amount and substantiality of the portion used in relation

82. Jessica Bohrer, *Strengthening the Distinction Between Copyright and Trademark: The Supreme Court Takes a Stand*, 2 DUKE L. & TECH. REV. 1, 7 (2003).

to the copyrighted work as a whole; and (4) effect of the use upon the potential market for or value of the copyrighted work.[83]

If the courts were to adopt such an exception, there are numerous ways they could incorporate the test. One potential route would be to fit the fair use exception within the *Rogers* framework by considering whether a fair use exception should apply under the "artistic relevance" analysis.[84] Upon a finding of fair use, the courts might then apply a categorical test as to explicit misleadingness, eliminating the need to rely heavily on the *Polaroid* factors.

The more likely possibility would be that if an "art NFT" were found to violate the *Polaroid* factors, the courts could then turn to the possibility of a copyright fair use exception to justify such violation. Though this would still require some incorporation of the *Polaroid* factors, they would no longer be the sole determiner of the outcome.

Trademark law only contains a very constrained conception of fair use, which is ultimately inapplicable to the case at hand. The two established types of trademark fair use are "classic" fair use, where a party uses a third party's trademark to describe their own goods and services, and "nominative" fair use, where a party uses a third party's trademark referentially or in comparison to its own product.[85] The Second Circuit has left open the question of whether or not a fair use exception (as understood in copyright) might be appropriate in the trademark realm in at least two cases.[86] In the 1996 case *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, the Second Circuit addressed the question of whether fair use as found in copyright doctrine should apply to trademark law, but ultimately ruled that "it is unlikely that the fair use doctrine is applicable to trademark infringements; however, we need not reach that question."[87] While "unlikely," the court notably did not rule out the possibility.[88]

This Note argues that the critical element of *Hermès v. Rothschild* which warranted an expanded fair use exception is the potential emergence of a new marketplace, namely, digital "metaverses" or other spaces. If online spaces become digital "versions" of real-world spaces and objects, there are novel considerations at play, and the focus of trademark law on avoiding consumer confusion may be *insufficient* to protect intellectual property rights. Imagine, for example, that an individual creates NFTs which link to digital "versions" of various Porsche cars. They might advertise the NFTs as assets which are digital Porsches, while also clearly stating that Porsche has not created them. Someone might sell an NFT of a digitized Rothko painting, while being clear that Rothko did not create the NFT. Because the Rothko would (presumably) be given copyright protection, the NFT would likely be a copyright violation. Meanwhile,

83. *U.S. Copyright Office Fair Use Index*, U.S. COPYRIGHT OFF. (Nov. 2023), https://www.copyright.gov/fair-use/ [https://perma.cc/U7R6-LAZJ] [https://web.archive.org/web/20240211074027/https://www.copyright.gov/fair-use/].

84. See *supra* part I.B.1 for a discussion of "artistic relevance" analysis.

85. Cairns v. Franklin Mint Co., 292 F.3d 1139, 1150 (9th Cir. 2002).

86. *See* Girl Scouts of the U.S. v. Personality Posters Mfg. Co., 304 F. Supp. 1228, 1235 (S.D.N.Y. 1969); Dall. Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 467 F. Supp. 366, 375–76 (S.D.N.Y. 1979).

87. Dall. Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F.2d 200, 206 (2d Cir. 1979).

88. *Id.*

the digital Porsche NFT might survive because it would ostensibly avoid consumer confusion. The right of brands to control their digital presence and to protect their ability to move into the metaverse in a profitable manner would be completely lost.

Nor does the possibility of bringing a trademark dilution claim adequately address the harm here. Indeed, it is quite feasible that the MetaBirkin may not "blur" or "dilute" the Hermès brand, but might still capitalize off of its fame and recognizability in an impermissible way. Though diluting the Hermès brand is a legitimate concern, the concern that is unique to NFTs and the metaverse is the possibility that Rothschild will impermissibly "take" Hermès's place in the metaverse.

Allowing for a fair use exception would have shifted the focus of the inquiry from whether or not the MetaBirkin confused consumers, to whether the MetaBirkin is merely derivative or adds some aesthetic or other value to the Birkin such that it is more than the digital "version" of a Birkin. Moreover, the fourth factor of the fair use test would likely preclude a work which was "explicitly misleading" from counting as fair use. This is because examining the effects of an explicitly misleading use upon the value of the copyrighted work would allow for a consideration of the negative impacts that would likely result .

Judge Rakoff's own application of the copyright fair use exception in *UMG Recordings v. MP3.com* is informative here. Although in a copyright case, Judge Rakoff explored the possibility that a fair use exception might save MP3.com's otherwise infringing technology, which allowed a user to scan a CD and then listen to that music via MP3.com.[89] Judge Rakoff ultimately found, after applying the four factors of the fair use test, that the exception did not apply.[90] While, again, it may be fraught to draw comparisons between trademark and copyright cases, if that fundamental distinction is put aside for a moment, there are many parallels between the two cases. *UMG Recordings* involved the digitization of CDs into MP3 files, just as *Hermès v. Rothschild* involved the digitization of the Birkin bag.[91] Judge Rakoff noted that MP3.com added "no new . . . 'aesthetics' to the originals . . .but simply repackages those recordings to facilitate their transmission through another medium."[92]

This analysis strikes at the heart of what should have been the question asked in *Hermès v. Rothschild*. Just as Judge Rakoff asked in *UMG Recordings* whether or not the MP3 files had "transformed" the underlying works, Judge Rakoff should have been able to ask whether or not the MetaBirkin "transformed" the Birkin, or whether it is merely a derivative work. For example, Rothschild's expert, Dr. Gopnik, referred to the MetaBirkins as "Rothschild's NFT'd 'MetaBirkins.'"[93] But instead of focusing on this question of "digital translation," the ultimate question posed to the jury hinged not on transformation but on consumer confusion.

89. UMG Recordings, Inc. v. MP3.Com, Inc., 92 F. Supp. 2d 349 (S.D.N.Y. 2000)

90. *Id.* at 352.

91. *Id.*

92. *Id.* at 351 (citation omitted).

93. Expert Report of Dr. Blake Gopnik at 5, Hermès Int'l v. Rothschild, 603 F. Supp. 3d 98 (S.D.N.Y. 2022) (No. 22-cv-00384-JSR).

Trademark law functions primarily to prevent consumer confusion. Preventing consumer confusion serves not only the interests of consumers, but also the interests of producers who wish to maintain their brand reputation and image. The consumer confusion test does little to protect those interests in a trademark infringement claim where consumers may not be confused, but a brand's right to expand into a new marketplace may be infringed upon nonetheless. In these cases, with a product that involves such a heavily artistic element, a copyright fair use analysis would provide far more utility than the consumer confusion test.

a. Application of the Copyright Fair Use Test

i. The Purpose and Character of the Work

If a court were to apply the copyright fair use test in future cases, the court would first look to factors such as Rothschild's own comments about his goals in creating the MetaBirkin, the "character" of an NFT, what function it serves, and to what degree the images function as a hybrid of art and commodity. This strikes directly at the heart of a critical question in NFT cases—is it a permissible aim to "translate" a physical good into an "NFT'd" version of itself?

More specifically, the court would look to the character of the MetaBirkin, and whether it imbues the original work with "a further purpose or different character, altering the copyrighted work with new expression, meaning or message."[94]

Under a consumer confusion analysis, Rothschild's arguments about Business Art seem to have held little sway. One can see why—whether Rothschild was following an art tradition in the footsteps of Warhol and Duchamp has relatively little bearing on whether he confused consumers. Under the copyright test, however, Rothschild's arguments about his artistic commentary on consumption and commerce would have borne a higher degree of relevance. Instead of merely answering whether consumers were confused, the court or the jury would have had to take a stance on the permissibility of what seems to have been Rothschild's ultimate aim in creating an "NFT'd Birkin." Without this consideration, we seem to be left with the impression that, had Rothschild not confused consumers but managed to create a digital "equivalent" of the Birkin nonetheless, the court would have accepted such an outcome under the *Polaroid* factors.

ii. Nature of the Work

Again, this prong of the test would have allowed a jury to assess the nature of the Birkin to determine whether or not it functions merely as a commercial good, or whether it has an artistic expressiveness such that it is more akin to an expressive work of art. Adopting this test would acknowledge the nuanced reality that many fashion products are more akin to art than to mere functional objects, though they can certainly

94. Google LLC v. Oracle Am., Inc., 593 U.S. 1, 29 (2021) (internal quotations omitted).

fulfill both purposes. Acknowledging an expressive element to the real-world Birkin would further strengthen the need for an application of copyright principles when considering the digital-world version of the Birkin.

iii. Amount and Substantiality of the Work Used

This factor also gets at the difficult questions posed by a digital "version" of a physical item. In one sense, everything about the MetaBirkin is sourced from the Birkin, save the added faux fur. The cultural capital of the bag, the design, and the inspiration all originate with Hermès. But in another sense, the MetaBirkin is composed of pixels, and not a single pixel comes from the original Birkin. This factor might allow the court to consider the degree of artistic input and technical skill involved in creating an NFT, and what degree of transformation should be required to make the work sufficiently original rather than a mere copy of a Birkin.

The court needs to address these core issues and set precedent for what rights brands have to "translate" their products into digital assets. Acknowledging the artistic elements present in trademarked goods which are being "translated" or "NFT'd" into the digital realm is of key importance if the metaverse continues to expand.

iv. Effect on the Potential Market.

This fourth factor would allow the court to incorporate the same consumer confusion analysis as under a trademark case, but incorporate other relevant factors as well, including how many consumers move between the two marketplaces and how distinct they are. This allows for some consideration of consumer confusion, but avoids it as a singular, central consideration.

b. Justifying a Copyright Fair Use Exception

After Hermès filed their complaint, Rothschild claimed that the relationship between the MetaBirkin and the Birkin is akin to that of Andy Warhol's Campbell soup paintings and Campbell soup cans themselves.[95] Though interesting, this argument does not acknowledge the growing digital "realm" being created through metaverses and other online spaces. So long as brands continue to transition to digital assets and offerings, the *Polaroid* factors fail to answer critical questions about *what* marketplace we consider in assessing confusion, what it means for a digital and physical product to "compete," and who should be able to create digital "versions" of real-life goods.

More fundamentally, the fact that the *Polaroid* factors only address confusion means that we are prevented from asking an arguably more critical question, which is not

95. Mara Siegler, *Hermes Suing Artist over Birkin Bag NFTs*, PAGE SIX (Jan. 20,2022), https://pagesix.com/2022/01/20/hermes-suing-artist-over-birkin-bag-nfts/ [https://perma.cc/K6RL-D9C7] (quoting an Instagram post from Rothschild stating "The First Amendment gives me the right to make and sell art depicting Birkin bags, just as it gave Andy Warhol the right to make and sell art depicting the Campbell's soup cans.").

merely whether consumers are confused, but whether Rothschild is using something *which is not his to use*. This emphasis on exclusive ownership rights has traditionally been limited to copyright law but has been alluded to in trademark law as well. For example, in *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, the Second Circuit acknowledged that the Lanham Act was "designed to prevent a competitor from such a bootstrapping of a trademark owner's goodwill by the use of a substantially similar mark."[96]

The problem, then, seems to be that confusion alone does not actually prevent a competitor from "bootstrapping." Imagine, for example, a fake (physical) Birkin bag which is marketed and sold by a retailer claiming that the bags are real Birkin bags. Consumers may not believe the storeowners and may not be confused at all, but may feel they are presented with a good opportunity to get an authentic-looking Birkin at a much lower cost. If the retailer were reported to authorities, nobody would doubt that illegal trademark infringement was occurring (despite the lack of consumer confusion). Similarly, here, even if consumers were not confused as to whether or not the MetaBirkin is produced by Hermès, there may still be "bootstrapping" of Hermès's goodwill. But despite the Second Circuit's acknowledgement that we seek to avoid this outcome, the *Polaroid* test seems to leave little room for the situation in which consumers are not confused yet bootstrapping has occurred.

Trademark tests of confusion seem ill-equipped to address this concern, but copyright doctrine focuses on avoiding infringement on owners' rights. For an illustrative comparison, if there were a painting of a Birkin bag which was then digitized and sold with an NFT, the NFT would likely infringe on the copyright of the original painter. However, the bag itself is not given the same protection, because it is not considered a copyrightable work. The leather craftsmen and artists who work for Hermès and create the Birkin are not afforded the same protections that a painter who might paint the same bag would be. This is hardly a new complaint; the fact that fashion designs are not given copyright protection has long been a source of controversy.[97]

The example of the Birkin illustrates the dilemma—it is at once utilitarian, because it serves a functional purpose as a bag, but for many consumers it functions as a piece of art or an investment. Many Birkin owners display their bags without ever using them or justify purchasing them by their investment value.[98]

Where other fashion brands have sold digital "versions" of their goods, there is a much greater potential of consumer confusion and misbelief that Hermès created the

96. Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 872 (2d Cir. 1986).

97. Tori Telfer, *Why Fashion Designs Aren't Protected by Copyright*, BUSTLE (Sept. 3, 2013), https://www.bustle.com/articles/4527-fashion-designs-arent-protected-by-copyright-law-so-knockoffs-thrive-as-designers-suffer#:~:text=So%20why%20isn't%20fashion,aren't%20protected%20by%20copyright [https://perma.cc/5QSA-DBSB]
[https://web.archive.org/web/20240309014053/https://www.bustle.com/articles/4527-fashion-designs-arent-protected-by-copyright-law-so-knockoffs-thrive-as-designers-suffer].

98. Leonie Goerke, *An Expert Guide To Investing in the Hermès Birkin Bag*, SACLÀB (Apr. 18, 2023), https://saclab.com/hermes-birkin-bag—investment/#:~:text=And%20compared%20to%20art%20or,Chanel%20handbags%20of%20%2B11.8%25* [https://perma.cc/4ZHN-ZPKD]
[https://web.archive.org/web/20240309014408/https://saclab.com/hermes-birkin-bag-investment/].

MetaBirkin as the digital "version" of the Birkin, whereas no such possible confusion existed between the Campbell soup cans and Warhol's painting. However, even if there is no confusion here, the creation of digital "versions" of physical goods involves more risks than just consumer confusion about source. As stated above, there is the significant risk of bootstrapping. Along those lines, there should also be concerns about the rights of brands to control their creative presence in the digital realm, and those concerns are addressed better through a fair use analysis than the *Polaroid* factors.

The four factors of the copyright fair use exception strike directly at the heart of the questions which arise in the "translation" of physical goods to digital spaces, whereas the *Polaroid* factors can only yield these determinations tangentially. The fair use factors could allow the court to get at the fundamental question—if Rothschild was merely seeking to create a digital asset which is an "equivalent" of the real-life Birkin, should he have been permitted to do so? Just as a painter who seeks to sell a copy of another painter's copyrighted painting cannot do so, neither should Rothschild be permitted to. On the other hand, if Rothschild's art constitutes a fair use of the Birkin trademark because it adds artistic value and commentary in a permissible manner, some confusion might be worth tolerating.

There is an obvious concern here that the expansion of a fair use exception in trademark law impermissibly blurs the line between copyright and trademark law. Although the Second Circuit has not foreclosed the possibility of a fair use exception in trademark, the Supreme Court has made it clear that the law must distinguish the different sources and aims of trademark and copyright.[99] Nonetheless, the concern here may be mitigated by a constrained application of the copyright fair use exception in cases involving digital "versions" of trademarked goods with strong artistic relevance.

Ultimately, if Rothschild's MetaBirkin constituted fair use, the court should have been willing to tolerate a degree of consumer confusion, and simple measures such as disclaimers would likely have sufficed. On the other hand, if Rothschild's MetaBirkins had been found to be merely derivative digital "versions" of the Birkin, a lower tolerance for confusion would have been justified.

B. REMEDIES

Finally, a question arises as to what the proper remedy ought to be in NFT cases. In this particular case, the jury awarded Hermès $133,000 in damages.[100] Hermès has already moved for a permanent injunction to stop Rothschild from continuing to promote and sell MetaBirkins, which they allege he has continued to do even following

99. Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003) (emphasizing that copyright law seeks to promote progress and innovation, while trademark law seeks to protect commerce).

100. Shalini Nagarajan, *Hermès Says Trademark Lawsuit Win Over MetaBirkins NFTs Isn't Enough*, BLOCKWORKS (Mar. 7, 2023), https://blockworks.co/news/hermes-trademark-lawsuit-metabirkins-nfts [https://perma.cc/H6HN-3L3K] [https://web.archive.org/web/20240309015227/https://blockworks.co/news/hermes-trademark-lawsuit-metabirkins-nfts].

the recent jury finding of liability.[101] The unique structure of NFTs and the Blockchain raises questions as to what equitable relief the court is even able to order. NFTs cannot be "destroyed" or "deleted" from the Blockchain, but there are a few potential options.[102] One such option would be putting the MetaBirkin NFTs in a wallet belonging to, perhaps, the court or a third-party holder. This would prevent the NFT from being traded, although the art itself would still be viewable.

It is also worth noting that NFTs raise difficult questions as to secondary liability, which lie beyond the scope of this Note. MetaBirkins were first sold on OpenSea, an NFT trading platform.[103] OpenSea then removed the MetaBirkins from their platform, but Rothschild has continued to sell them on the MetaBirkin website, as well as other NFT marketplaces, including Rarible.[104] After their recent victory, Hermès might have an interest in considering whether or not to bring secondary liability claims against these platforms.

IV. CONCLUSION

There are many who believe that NFTs and the metaverse are a passing trend, destined to fizzle out as quickly as they rose to prominence.[105] Even if that turns out to be the case, the accelerating digitization of our world will bear legal significance in the coming decades, whether in the context of digital art, digital fashion, or digital commodities in a virtual reality.

With this in mind, the court should refine the legal standards used to assess digital reproductions of physical objects and consider that these cases may be better solved through the adoption of the copyright fair use test than the *Polaroid* test, especially where the original object has a strong artistic or creative element. Where there are dual concerns of preventing consumer confusion and protecting intellectual property rights in the digital realm, the *Polaroid* test places too much emphasis on avoiding confusion and leaves unanswered several critical questions about the rights of brands to control their digital presence and avoid bootstrapping. Though confusion is a relevant consideration, trademark law alone seems ill-suited to assess artistic works being translated into a digital realm. Adopting a fair use exception would have shifted the focus in *Hermès v. Rothschild* beyond confusion alone to whether or not Rothschild's so-called "Business Art" really added transformative value to the original such that his art constituted fair use.

101. *Id.*

102. Katie Rees, *No, You Cannot Remove Data From the Blockchain. Here's Why*, MAKE USE OF (Aug. 4, 2022), https://www.makeuseof.com/no-you-cannot-remove-data-from-the-blockchain-heres-why/#:~:text=The%20shortest%20answer%20to%20this,cannot%20be%20altered%20or%20deleted [https://perma.cc/6SXR-JHM3] [https://web.archive.org/web/20240309015629/https://www.makeuseof.com/no-you-cannot-remove-data-from-the-blockchain-heres-why/].

103. Abad, *supra* note 16.

104. *Id.*

105. Sean Sullivan, *'NFTs: Future or Fad?' Excerpts from a Practical Discussion of NFT Use Cases and Copyright Concerns Raised by NFT Offerings*, 45 COLUM. J.L. & ARTS 365 (2022).

In an ideal world, the emergence of metaverses should be accompanied by a consistent legal framework that allows for considerations not just of consumer confusion, but of brands' rights to control their emergence into the metaverse. Admittedly, the incorporation of copyright principles into trademark law is a bold proposition, and the negative impacts might outweigh the positive. A more suitable solution might have been to reconsider the eligibility of artistic commodities such as a Birkin for copyright protection. However, given the Supreme Court's apparent reluctance to do so,[106] adopting a copyright fair use exception in certain trademark cases might be a suitable middle ground, and prove useful for future NFT and metaverse cases which are almost certain to follow. Indeed, it might be a first step in creating a framework that acknowledges the novel considerations arising in a digital realm where all parties have an interest in maintaining a balance between free speech and digital intellectual property rights.

106. *See* Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003).