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Swiss IP News We provide you with updates on new decisions, the relevant legislative process and other trends in the fields of intellectual property and unfair competition law from a Swiss perspective.

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Hermès vs. Rothschild – Are Virtual and Physical Goods Similar?

The din has quieted down after a jury in the Southern District Court of New York awarded Hermès USD 133,000 in damages due to trademark infringement and dilution, as well as cybersquatting by the artist Mason Rothschild and his MetaBirkin NFTs. Meanwhile, the case has entered the next stage as both parties have filed various motions since the jury's judgement. The weeks to come will show how this dispute will end. Nevertheless, Hermès vs. Rothschild shed light on whether virtual and physical goods might be considered similar from a trademark law perspective.

Jury's Judgement

The French luxury fashion brand Hermès is famous for its Birkin leather bags. Over the years, the bag has attained cultural importance as a symbol of wealth and exclusivity. Birkin bags sell for thousands of dollars, with individual bags even selling for more than USD 100,000. Hermès' trademark protection extends to the word mark "BIRKIN" as well as to a trade dress mark (form mark).

The defendant, Mason Rothschild, minted and sold 100 MetaBirkin NFTs as an "art project" (as he calls it) supposedly criticizing animal cruelty in luxury goods. The MetaBirkin NFTs are inspired by and depict Hermès Birkin bags. Unlike the original Hermès bags made of leather, the virtual bags feature colourful fur covers. To promote its NFTs, Rothschild used the domain name "metabirkin.com" and related social media tags.

Hermès sued Rothschild, invoking trademark infringement and dilution, cybersquatting, and unfair competition. It alleged that the use of the "BIRKIN" sign by Rothschild created confusion among the relevant public, implying a non-existing relationship between Hermès and Rothschild's MetaBirkin NFTs. Hermès further argued that the MetaBirkin NFTs were not about art but an attempt to profit from its trademarks and the goodwill associated therewith. Rothschild defended himself by claiming that the MetaBirkin NFTs were an artistic work and, as such, lawful under the First Amendment to the United States Constitution, which, inter alia, prevents the abridging of free speech. Additionally, Rothschild asserted that the MetaBirkin NFTs had disclaimers displayed alongside them explicitly denying a connection and supposedly proving that he had no intent to profit from Hermès' reputation.

Hermès Birkin Bag	MetaBirkin NFTs
	

Nevertheless, the jury ruled in favour of Hermès awarding it USD 133,000 in damages and concluding that the MetaBirkin NFTs constituted an infringement and dilution of Hermès' trademarks in its Birkin bag. It also affirmed the cybersquatting allegations.

Further Developments

Shortly after the jury's verdict, Hermès sought a permanent injunction to ban Rothschild from marketing his MetaBirkin NFTs as, apparently, Rothschild continued with his infringing behaviour even after the jury's verdict. Rothschild, on the other hand, filed a reply to Hermès' motion for permanent injunction as well as a motion for a judgement by the judge instead of the jury or a retrial of the case with a new jury. For the latter, Rothschild argued that the court had provided erroneous jury instructions, which had also been improperly applied by the jury and led to serious error and misconduct during the first trial. Most importantly, Rothschild asserted that the court unlawfully excluded the expert testimony of art critic Blake Gopnik from the trial – who would have testified that the MetaBirkin NFTs are art comparable to Andy Warhol's "Campbell's Soups". In its latest submission, dated 28 March 2023, Hermès rejected all allegations made by Rothschild.

Indications of Similarity Between Virtual and Physical Goods

While the battle between Hermès and Rothschild continues to rage fiercely, a second look at the jury's verdict provides interesting insights into the latest controversies in trademark law. In particular, the jury's verdict allows for the interpretation that, in some instances, virtual and physical goods may be considered similar and thus may imply a likelihood of confusion among the relevant public in case of identical or similar marks.

Upon initiation of the proceedings against Rothschild, Hermès' trademarks were limited to leather goods and did not

extend to virtual goods. Only in August 2022 did Hermès seek to register its marks for virtual goods as well. Therefore, the question arises whether a virtual Birkin bag is considered similar to a real-world leather bag from a trademark law perspective. It remains unknown to us whether the jury dealt with this question at all. However, the fact that the jury found that Rothschild was liable for trademark infringement and dilution suggests that the jury at least tacitly assumed similarity of virtual and physical goods without explicitly addressing the issue. Nevertheless, even though the verdict in Hermès vs. Rothschild implicitly advocates for a respective similarity, the issue seems not resolved by a long shot under US law.

What Does This Mean for Swiss Trademarks?

If virtual and physical goods were considered similar, trademark holders would not be required to additionally register their trademarks for virtual goods. Rather, the existing registrations would provide protection for the virtual counterparts of the registered goods. However, it remains to be seen whether international trademark law practice will indeed accept similarity of virtual and physical goods.

So far, Swiss courts have not addressed the matter, leaving market participants with a degree of uncertainty. If you are active in the NFT space, you are certainly advised to file trademark applications specifically designed for virtual goods (c.f. [Markus Frick/Michael Lysakowski, Nice Classification Will Include NFTs – What Does This Mean for Your Trademarks?](#)) However, even if you are not particularly active in the virtual world, it may be wise to also register main brands for virtual goods to be able to better fend off certain attacks from the virtual spheres. In case of a lack of genuine use, there is of course a risk that such trademarks become vulnerable after the expiry of the grace period.

The Walder Wyss Newsletter provides comments on new developments and significant issues of Swiss law. These comments are not intended to provide legal advice. Before taking action or relying on the comments and the information given, addressees of this Newsletter should seek specific advice on the matters which concern them.

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