

## Client Alert

### In the bag (for now): Hermès survives motion to dismiss in MetaBirkin NFT lawsuit

June 13, 2022

Earlier this year, Hermès filed a trademark infringement suit against Los Angeles-based designer Mason Rothschild for creating and selling faux-fur digital renditions of the luxury Hermès Birkin handbags and using a collection of 100 NFTs, titled “MetaBirkins,” to authenticate the digital images.<sup>[1]</sup> In response, Rothschild filed a motion to dismiss Hermès’ trademark infringement claim under the *Rogers test* on the basis that the digital images of the Birkin bags are “art” and, therefore, receive First Amendment protection.<sup>[2]</sup> Hermès opposed, arguing that the *Polaroid factors*— instead of the *Rogers test*—should apply, to assess likelihood of confusion.<sup>[3]</sup> On May 18, 2022, the court denied Rothschild’s motion to dismiss, concluding that: (1) the *Rogers test* applies to the trademark infringement analysis of the “MetaBirkins” title, and (2) the *Polaroid factors* apply to the explicit misleadingness analysis.<sup>[4]</sup>

#### Application of *Rogers* to “MetaBirkins”

Rothschild argued for First Amendment protection under the *Rogers test* for his use of the Hermès’ Birkin mark because he used “MetaBirkins” as the title of his artwork.<sup>[5]</sup> Hermès countered that *Rogers* does not apply here because Rothschild used the “MetaBirkins” mark as a source identifier when he sold the MetaBirkins on several different social media and marketing channels.<sup>[6]</sup> The court found that because Rothschild’s creation and sale of the digital images could be a form of artistic expression, application of the *Rogers test* is necessary to balance free expression with Lanham Act protection.<sup>[7]</sup> The court also clarified that Rothschild’s use of NFTs to authenticate the images does not change the applicability of *Rogers*.<sup>[8]</sup> NFTs, in the court’s view, are simply code pointing to the location of a digital image for authentication and do not transform an image to a commodity without First Amendment protection under *Rogers*.<sup>[9]</sup>

Despite applying *Rogers*, the court still found that the use of “MetaBirkins” may not be “artistically relevant” to the digital images, and even if they were, the use of “MetaBirkins” may be explicitly misleading as to the source of Rothschild’s artwork.<sup>[10]</sup> The court pointed to allegations in the complaint showing that Rothschild intended to associate “MetaBirkins” with the popularity of Hermès’s Birkin mark, rather than as an artistic association with his own artwork.<sup>[11]</sup> These allegations were sufficient for the court to deny Rothschild’s motion to dismiss Hermès’ trademark infringement claim.<sup>[12]</sup>

#### Polaroid Factors to Rothschild’s Explicit Misleadingness

Even if Rothschild’s use of “MetaBirkins” were “artistically relevant” under the *Rogers test*, the court found the use of “MetaBirkins” could still be explicitly misleading as to the source of the artwork and, therefore, actionable under the Lanham Act.<sup>[13]</sup> Applying the *Polaroid factors*, the court found that Rothschild’s use of “MetaBirkins” could be considered misleading if it induced members of the public into believing that Hermes had authorized

the infringing use.<sup>[14]</sup> To that end, the court determined that there were sufficient allegations to support a conclusion of explicit misleadingness, to overcome the motion to dismiss, based on the strength of the Birkin trademark and trade dress, Rothschild’s alleged bad faith in adopting the “MetaBirkins” mark, and evidence of actual confusion.<sup>[15]</sup> Indeed, the court highlighted instances of consumers posting on the “MetaBirkins” Instagram page expressing actual confusion that Hermès is somehow affiliated with Rothschild’s NFT “MetaBirkins” collection.<sup>[16]</sup> Magazines such as *Elle*, *The New York Post*, and *L’Officiel* also have mistakenly reported that Hermès partnered with Rothschild to unveil the “MetaBirkins” NFT collection.<sup>[17]</sup>

### **Key considerations for fashion brands entering the virtual fashion marketplace**

With the emergence of the metaverse and NFTs, the global marketplace is experiencing unprecedented digital transformation, and fashion brands are tuning in. Adapting synchronously, brands are beginning to offer digital replicas of their corresponding real-life products to be worn in the metaverse and further leveraging NFTs to create and sell these virtual fashion items. As fashion brands explore new digital mediums to sell and market traditionally physical clothing items, it is critical to ascertain the boundaries and context of intellectual property protection in this newly emerging virtual fashion marketplace.

So far, the “Metabirkins” case shows us that digital images interpreted as artwork may be entitled to free expression, and the use of NFT authentication irrelevant to the question of trademark infringement. But NFTs attached to a digitally wearable clothing item for sale may not be entitled to the same protections of free expression under the First Amendment extended to certain artworks. This suit is still in its early stages and so is the movement into a virtual fashion global marketplace. Hermès survived the motion to dismiss, but only time will tell if they have the next win in the bag.

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[1] *Hermès International and Hermès of Paris, Inc. v. Mason Rothschild*, 22-cv-00384-JSR, at \*1 (S.D.N.Y. May 18, 2022).

[2] *Id.* at \*8.

[3] *Id.*

[4] *Id.* at \*8-9.

[5] *Id.* at \*10.

[6] *Id.* at \*5, 11-12.

[7] *Id.* at \*11.

[8] *Id.* at \*12.

[9] *Id.*

[10] *Id.* at \*13.

[11] *Id.* at \*14.

[12] *Id.*

[13] *Id.* at \*15.

[14] *Id.*

[15] *Id.* at \*16.

[16] *Id.* at \*6.

[17] *Id.*

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For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

**Preetha Chakrabarti**

Partner – New York

Phone: +1.212.895.4327

Email: [pchakrabarti@crowell.com](mailto:pchakrabarti@crowell.com)

**Suzanne Trivette**

Associate – New York

Phone: +1.212.895.4312

Email: [strivette@crowell.com](mailto:strivette@crowell.com)

**Risa Rahman**

Associate – Washington, D.C.

Phone: +1.202.624.2542

Email: [rrahman@crowell.com](mailto:rrahman@crowell.com)