RETHINKING TRADEMARK LAW DOCTRINES IN THE VIRTUAL ENVIRONMENT

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ABSTRACT

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The commercialisation of digital content has prospered in the past few years, with the concept of non-fungible tokens (NFTs) coming up and capturing the attention of everyone. However, the interplay between physical and digital goods introduces complexities and challenges in determining the scope of trademark protection. The emergence of the concept of the virtual environment, or 'metaverse', which is thought to be a medium for trademark infringement, further complicates this situation. Against this background, this article concentrates on whether the trademark framework applicable in the real world can be transposed to the NFTs and virtual goods in virtual spaces (VGIVS).

The thesis analyses this issue by first discussing the establishment of NFT-related trademark rights, i.e., the registration and use of trademarks. The article identifies the risk of an unduly broad monopoly and suggests issuing further guidelines to fill the gap. It also points out the current ambiguity and best practice on the demonstration of trademark use.

It also focuses on trademark infringement in virtual environments. Through the analysis of the landmark case of Hermès Int'l v Rothschild (the MetaBirkins case), this thesis captures the hybrid nature of VGIVS, which can usually be both expressive and commercial. The expressiveness in the VGIVS is protectable and the Rogers test can be applied to different types of VGIVS. To better reflect the characteristics of the virtual space and VGIVS, it proposes a refined 'reasonable expressiveness' threshold test specifically in the context of virtual environments, considering the content of use, the context of use and the type of product to determine if a work in the virtual environment is protectable under the Rogers test. Additionally, it clarifies the Jack Daniel's impact on the free creation in the virtual space and reconsiders the likelihood of confusion in light of virtual spaces.

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CNIPA	China National Intellectual Property Administration
EUIPO	European Union Intellectual Property Office
INTA	International Trademark Association
NCL	Nice Classification
NFT	Non-fungible tokens
TMEP	Trademark Manual of Examining Procedure
UKIPO	United Kingdom Intellectual Property Office
USPTO	United States Patent and Trademark Office
VGIVS	Virtual goods in virtual spaces
WIPO	World Intellectual Property Organisation

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1 INTRODUCTION

The commercialisation of digital content has prospered in the past few years, with the concept of non-fungible tokens (NFTs) coming up and capturing everyone's attention.[1] As a tool for authenticating goods and promoting sales, NFTs implicate many aspects of trademarks and brands. So far, NFTs have been squeezed into existing trademark legal frameworks.[2] However, the interplay between physical and digital goods introduces complexities and challenges in determining the scope of trademark protection.[3] The emergence of the concept of the virtual world (such as the metaverse),[4] which is thought to be a medium for trademark infringement,[5] further complicates this situation.

It is against this background that this thesis concentrates on whether the trademark law doctrines applicable in the real world can be directly transposed to the NFTs and virtual

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1 Tyler T. Ochoa, 'NFTs and Copyright Law', in: Packin NG (ed), *The Cambridge Handbook of Law and Policy for NFTs. Cambridge Law Handbooks* (Cambridge University Press 2024), 217.

2 International Trademark Association (INTA), Non-Fungible Tokens (NFTs) White Paper (12 April 2023) 8 <https://www.inta.org/wp-content/uploads/public-files/perspectives/industry-research/NFT_REPORT-070323.pdf> accessed 20 Aug 2025.

3 Enrico Bonadio and Rishabh Anjay Mohnot, 'Chapter 10: Trade marks and image rights in the metaverse'. in Larry A. DiMatteo and Michel Cannarsa (eds), *Research Handbook on the Metaverse and Law*. (Edward Elgar Publishing 2024), 177.

4 There are various definitions of the metaverse and a representative one is an 'immersive and constant virtual 3D world where people interact through an avatar to enjoy entertainment, make purchases and carry out transactions with crypto-assets, or work without leaving their seat'. See European Parliamentary Research Service, 'Metaverse. Opportunities, risks and policy implications' (2022) <https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733557/EPRS_BRI(2022)733557_EN.pdf>. See also UKIPO, PAN 2/23: The classification of non-fungible tokens (NFTs), virtual goods, and services provided in the metaverse <https://www.govuk/government/publications/practice-amendment-notice-223/pan-223-the-classification-of-non-fungible-tokens-nfts-virtual-goods-and-services-provided-in-the-metaverse> accessed on 3 Feb 2025 ('The metaverse is a form of digital reality, where people can access virtual worlds and interact with others.').

5 INTA, Non-Fungible Tokens (NFTs) White Paper (n 2) 8.

environment. To better clarify the problem, the article cuts into the question respectively from the side of NFTs and virtual goods in virtual spaces (VGIVS).

In Chapter 1, the thesis discusses establishing NFT-related trademark rights. It firstly focuses on trademark registrations, which can confirm that a trademark has been officially recognised by the public authority in most jurisdictions. In this regard, debate has occurred on the appropriate classification when filing an NFT-related trademark application. Clarification from the Nice Classification system and current practice in many jurisdictions adopt a substantialist approach - to put digital goods authenticated by NFT in Class 9. While the current practice marks a global harmonisation among trademark offices, this chapter argues that some concerns remain with this approach. From consumers' perception, it fails to capture the dual nature of NFTs as both digital certificates and potential extensions of physical products. After analysing the pros and cons of two alternative approaches, the thesis draws to the conclusion that the NCL's approach is the most reasonable and aligns best with public interest, and trademark offices are suggested to issue policy guidelines to fill the gap.

Next, this chapter goes on to trademark use, a concept intertwined with establishing trademark rights, and in many jurisdictions relevant to trademark right obtaining, maintenance and cancellation. Through the trademark use examples in the US, the thesis suggests that it is sufficient to place the mark on electronic displays with basic NFT-related elements including relevant platforms, crypto wallets and currencies on the webpage to

satisfy proof of trademark use. It further summarises the best practice for the brand owners to proactively release and update their NFT digital goods.

The next chapter takes a step forward to consider trademarks related to virtual goods in virtual spaces (VGIVS), specifically used for avatars. It argues to broadly understand the term 'virtual goods' and uses a 2×2 matrix to divide them into different types in order to contextualise the legal and conceptual challenges in trademark protection within virtual environments.

In the last chapter, the thesis continues to focus on the VGIVS-related trademark infringement. The landmark case of *Hermès International v Mason Rothschild* (commonly known as the MetaBirkins case) has brought these issues into sharp focus.[6] In this case, the application of the famous speech-protective test Rogers became the main source of contention. While the tension between the two is not a new problem in trademark law, we are facing some novel challenges due to the emergence of the virtual space as a medium for artistic expression. Due to the hybrid nature of VGIVS itself, the lines between infringement and artistic expression are even blurred. VGIVS can simultaneously serve as works of art and as digital commodities more easily than ever. The paper cuts in from the threshold requirement of the Rogers test, analysing the expressiveness of VGIVS.

The new development of Jack Daniel's undoubtedly limits the application of the Rogers test and threatens the free creation and expression in the virtual environment, which is a uniquely fertile ground for parody culture. The thesis tries to apply the Jack Daniel's

[6] *Hermès International v Rothschild* 654 F Supp 3d 268, 282 (SDNY 2023).

to the MetaBirkins case and make some critiques on Jack Daniel's from the Perspective of VGIVS. Additionally, it proposed a 'reasonable expressiveness' threshold test based on the features of virtual spaces to supplement Rogers in the context of virtual environments and to replace Jack Daniel's. This test considers the content, the context and the product provided under the mark to determine the application of Rogers, in order to fill the gap left by the Jack Daniel's and maintain the balance between free expression and trademark rights.

Finally, the paper discusses the likelihood of confusion in the virtual environment. The thesis holds that the Polaroid test, employed in the judgement, is insufficient for the NFT-related trademarks. The legal standards for assessing the likelihood of confusion need to be reconsidered, clarifying whether and how the divide between physical and digital goods will affect the consumers' perception. The court should be more prudent when weighing the evidence of consumers' confusion to identify their view: natural expansion of physical goods or digital distinctiveness in the new product.

By developing these perspectives, this research will help bridge the gaps in trademark law within the virtual world, providing a new perspective for judicial consideration, as well as solutions for policymakers to enhance the virtual trademark protection mechanisms.

2 ESTABLISHING NFT-RELATED TRADEMARK RIGHTS

2.1 Challenges and Opportunities Brought by NFTs to the Trademark Law

NFT is a unit of data that certifies a digital asset (e.g. a piece of digital art) as unique and provides proof of ownership, which is stored using blockchain technology and traded online using cryptocurrency.[7] The application of NFTs makes trading digital assets possible and reliable, and thus promotes the commercialisation of digital content in a new way. NFTs are usually associated with digital content, i.e., expressive content like images, videos or texts. Trademarks can be incorporated into the digital content when NFTs are minted and displayed when NFTs are traded.

Trademarks related to NFT digital goods are of little difference in form, function or feature from those applied to physical goods. Trademarks related to NFT digital goods can also be categorised into word marks, graphic marks, sound marks or colour marks, etc. Plus, they function just the same in the real world – indicating the origin, preventing consumers from confusion and protecting the goodwill of businesses. When people purchase Top Shots, collectible NFT-based digital trading cards launched by the National Basketball Association (NBA) and Dapper Labs,[8] the sign of NBA plays its traditional role in the promotion of sales. Actually, NFT digital content is generated based on blockchain

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7 'non-fungible token, n.' (OED online, Oxford UP, March 2025) <https://doi.org/10.1093/OED/1144688160.> accessed 20 May 2025.

8 David Gerard and Amy Castor, 'NBA Top Shot: A Short History of the Largest Mainstream NFT Project' (April 17, 2020) <https://davidgerard.co.uk/blockchain/2022/04/17/nba-top-shot-a-short-history-of-the-largest-mainstream-nft-project/> accessed 20 May 2025.

technology, characterised by unique identities and immutability. Every NFT, once minted is tied to a specific token ID on the blockchain, functioning as an unchangeable certificate of authenticity. This can address one of the central concerns in trademark law - whether consumers can reliably identify the source of a product. It allows consumers to confirm authenticity directly, enhancing consumer confidence and minimising the risk that they will be deceived by unauthorised copies. Moreover, the uniqueness of NFTs introduces a new dimension of distinctiveness that aligns with trademark policy. Distinctiveness is concerned with whether a mark can serve to 'identify and distinguish…goods…and…indicate the source'[9] NFTs' very technological infrastructure can support differentiation. Even if two NFTs carry visually similar artworks, the blockchain record ensures that they are not legally or technologically the same. Therefore, with NFTs' support, the related trademarks can naturally fulfil the requirements for registrability. In one word, NFTs seem to perfectly fit into the current trademark law.

However, when the digital space meets the real world, things can become problematic. The trademark protection relates to the entire message communicated by a sign instead of exclusive rights in the front-end word or symbol per se.[10] When the digital content like images related to NFTs contains physical-world trademarks, the real-world trademark holders may not care if NFT's underlying technology can help distinguish goods.

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9 Lanham Act § 45; 15 U.S.C. § 1127

10 Dev Gangjee, 'Trade Marks and Allied Rights' in Rochelle Dreyfuss and Justine Pila (eds), *The Oxford Handbook of Intellectual Property Law* (online edn, Oxford Academic 2017), 520.

Therefore, it matters how we understand the nature of NFTs and the virtual environment, and how we correspondingly consider NFTs under the physical world's trademark law.

This kind of discussion is nothing new to us – In the 1990s, when electronic commerce emerged, there was a broad discussion on trademarks, analysing how existing trademark doctrines may be applied to online business usage.[11] At that time, a lot of physical products from the real world started being traded through a new medium. With the application of the Internet, consumers could purchase these real-world goods online. This remains the case. When consumers consider purchasing Nike sneakers on Amazon, they are presented with the same information as in a Nike offline store and their utility and value in the real world are contemplated. Therefore, it is necessary to make sure that the sneaker consumer ordered online refers to a genuine Nike-branded product of the same look and quality. We cannot stand someone selling some inferior and counterfeit sneakers using Nike's sign. As a result, the trademark doctrines naturally apply to electronic commerce and need no adjustment in most cases.

However, NFTs have presented us with a different situation. They are created, kept and sold exclusively online. Consumers, accordingly, order goods online and noticeably, enjoy them online. They may buy RTFKT x Nike digital collectible sneakers as a unique certificate of authenticity for their physical counterparts, an access to exclusive content, an investment for value appreciation over time or simply as a collection to enjoy. This means it is not merely an innovation in sales channels; rather, it represents a transformation in the

[11] See for example Dan L. Burk, 'Trademark Doctrines for Global Electronic Commerce' (1998) 49 S C L Rev 695. See also Sally M. Abel, 'Trademark Issues in Cyberspace: The Brave New Frontier' (1998-1999) 5 Mich Telecomm & Tech L Rev 91.

nature, form and utility of goods themselves. The NFT itself is a set of data recorded on the blockchain operated by a smart contract that updates the blockchain ledger when the NFT is traded.[12] Unlike the traditional digitised or informational goods like music or movies, NFT is the ownership of private keys to allow access and control of the smart contract rather than the digital collections that are transferred. NFTs are not inherently expressive, except that the crypto community interprets the marketing in the listing of certain NFTs as implying a promise that the ownership of the NFT equates to the ownership of the digital object it represents.[13] It is hard to view a set of code that links to digital Nike sneakers as the same thing that we try to promise to consumers in the physical world. Hence, it is not as inevitable and right to automatically expand the existing trademark framework as in e-commerce.

The feature of NFTs complicates the identification of goods associated with trademarks, thereby introducing complexities in the establishment of trademark rights.[14] In most jurisdictions, registration signifies the legal recognition of trademark rights, though unregistered marks can also legally sustain based on long-term use and the goodwill built upon. Therefore, this chapter will discuss how the NFT-related trademarks should be registered and whether they require a separate trademark registration for NFTs when the marks contained have been registered for physical goods. If not, why is the expansion reasonable? If so, how to deal with the risks of the mark being used and registered in bad

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12 Alistair Cavan, 'Why do I Need a Crypto Wallet for NFTs?' (ELECTRIC ARTEFACTS June 4, 2021) <https://www.electricartefacts.art/news/why-do-i-need-a-crypto-wallet-for-nfts> accessed 5 May 2025.

13 Michael D. Murray, 'Trademarks, NFTs, and the Law of the Metaverse' (2022-2023) 6 Ariz LJ Emerging Tech 1, 16.

14 Bonadio and Mohnot, 'Trade marks and image rights in the metaverse' (n 3) 177.

faith? After this, the thesis will discuss the trademark use regarding the NFT digital goods, summarising the trademark offices' attitude and exploring the best practice of the trademark holders to secure the consistent use in commerce and maintain the NFT-related trademark rights. The answers to these questions will contribute to an ideal framework for establishing the NFT-related trademark rights.

2.2 NFT-related trademark registration

Most jurisdictions adopt a registration system for trademarks, which means the acquisition of a trademark is determined on a first-to-file basis. Registration conveys the information that a trademark has been officially recognised by public authority, and establishes the proprietary interests and rights in marks.[15] Filing an application for registration is usually the first step in obtaining trademark rights, and this naturally applies to NFT-related trademarks as well. Most trademark registration requirements are determined by the inherent characteristics of the mark itself, such as type of mark being applied for (a standard, certification or collective mark), a representation of the mark (a graphical depiction of the word or logo) and an additional written description of the mark, especially relevant for non-conventional marks, [16] which will not vary with the type of goods or market environment, hence not requiring substantive adjustments. However, the thing that may be

15 Gangjee (n 10) 522.

16 Ibid 523.

concerning here is the inappropriate substrate for marks, namely, the ambiguous classification of NFTs.

2.2.1 Nice Classification's Approach

According to the principle of specialty in trademark law, trade mark protection was limited to the prevention of subsequent uses of marks on identical or very similar goods or services.[17] Under this principle, a trademark registered for a specific class of goods or services will not automatically extend protection to unrelated categories. The Nice Classification (NCL) system, established by the Nice Agreement in 1957 and widely adopted globally and forms the basis for trademark classification in over 150 countries, implements the principle of specialty by providing a structured framework for identifying and categorising goods and services and ensuring trademarks are registered in appropriate classes. If a firm's trademark is registered for Class 25 (Clothing, footwear, and headgear), normally it cannot prevent others from using or registering a similar mark for Class 9 (Electronic goods, computers, and software). The two classes of goods are hardly proximate and strictly restricted by the specialty rule. An NFT, in essence, is a unique set

[17] Ilanah Simon Fhima, 'Introduction' in Ilanah Simon Fhima (ed) Trade Mark Law and Sharing Names: Exploring Use of the Same Mark by Multiple Undertakings. (Edward Elgar Publishing 2009), 7.

of data made up of 1s and 0s, which belongs to 'recorded and downloadable media' in the Class Headings of Class 9.[18]

However, NFT is commonly used to certify authenticity and ownership of a specific digital asset and specific rights relating to it,[19] and many digital goods authenticated by NFTs make reference to the physical world. It is easy to find digital Nike sneakers or Birkin bags that look identical or very similar to their real-world counterparts. For these kinds of goods, it becomes problematic to determine their classification. To address this, an obvious approach is to just classify all NFTs as media and software under Class 9, based on purely material considerations related to their nature. An alternative is to place them in their physical counterparts' classes, taking them as a digital reproduction of the product they represent. There is also an option to set up a new category specifically for goods authenticated by NFTs. These approaches, and their pros and cons, are discussed below. The 12th Edition of NCL addresses the classification of digital assets by updating certain classes with the applicable goods and services. In the 2023 version, Class 9 has been updated to include 'downloadable digital files authenticated by non-fungible tokens [NFTs].'[20] In the 2024 version, NFT goods are further subdivided into downloadable digital image files authenticated by NFTs (090918), downloadable virtual clothing (090929) and downloadable digital music files authenticated by NFTs (090933), all of which are

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18 WIPO, Nice Classification, 12-2024 (Ed-Ver), Class 9, Class Headings, <https://nclpub.wipo.int/enfr/?class_number=9&explanatory_notes=show&gors=&lang=en&menulang=en&notion=class_headings&version=20240101> accessed 10 Dec 2024.

19 'NFT, n.' (Merriam-Webster Online Dictionary) <https://www.merriam-webster.com/dictionary/NFT> accessed 10 Dec 2024.

20 WIPO, Nice Classification, 12-2023 (Ed-Ver), Class 9, Modifications, 090918 <https://nclpub.wipo.int/enfr/?class_number=9&gors=&lang=en&menulang=en&mode=flat&notion=modifications&version=20230101> accessed 10 Dec 2024.

included in Class 9.[21] NCL delimitates NFTs authenticating digital assets and those authenticating physical goods. All the digital assets belong to Class 9 based on the mention of 'recorded and downloadable media' and by analogy with downloadable image files.[22] As for physical goods, clothing authenticated by NFTs belongs to Class 25, as that is the appropriate class for clothing. Other physical goods that are authenticated by an NFT would be classified in their normal class by analogy with this entry.[23] It can be concluded that the NCL Committee of Experts adopts a substantialist approach to deal with NFTs. The committee prioritises the subject matter assets that NFTs authenticate rather than NFTs themselves, which are merely transactional medium.

Currently, this approach is followed by many jurisdictions' trademark offices. The United Kingdom Intellectual Property Office (UKIPO) has published Statutory guidance PAN 2/23 to inform customers applying for UK trademarks about its approach to the classification of NFTs, which is completely in line with NCL's above update.[24] Similarly, the United States Patent and Trademark Office (USPTO) and European Union Intellectual Property Office (EUIPO) have provided guidelines stating that 'an ID must specify the nature of the goods being authenticated by the NFTs' and 'terms referring to NFTs will be

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21 WIPO, Nice Classification, 12-2024 (Ed-Ver), Class 9, Modifications, 090918, 090929, 090933, <https://nclpub.wipo.int/enfr/?class_number=9&gors=090918&lang=en&menulang=en&mode=flat&notion=modifications&version=20240101> accessed 10 Dec 2024.

22 WIPO, Nice Classification, 12-2025 (Ed-Ver), Class 9, 090918, Definition of Good or Service and Classification Criteria <https://nclpub.wipo.int/enfr/?version=20250101&notion=information_files&gors=090918&lang=en> accessed 29 August 202510 Dec 2024 ('For the provision of non-downloadable online images or music authenticated by NFTs are considered to be a service in Class 41 because this service is generally for educational, cultural or entertainment purposes.').

23 Ibid.

24 UKIPO, PAN 2/23: The classification of non-fungible tokens (NFTs), virtual goods, and services provided in the metaverse.

classified according to what the NFT is linked to'.[25] Even for the China National Intellectual Property Administration (CNIPA), which is known for being conservative, it approved some trademarks filed for NFTs into Class 9, albeit giving no guidance on their classification.[26]

This approach respects the initial intent of policy makers and gives interpretations (explanatory note) based on the original regulations to clarify the nature of this new type of goods. It aligns with precedents for digitised goods like electronic publications and music, avoiding fragmentation and leveraging established principles for digital goods. More importantly, it can reflect the applicant's intention to file for digital content or physical products. Undoubtedly, this interpretation establishes a clear standard, allowing applicants to easily determine the appropriate class based on whether their NFT products are downloadable and whether the NFT authenticates physical or digital goods. By doing this, it maintains the consistency, clarity and stability of trademark law and NCL, in an efficient way. Though it has become a consensus to put all digital goods in Class 9, it does not mean this approach is flawless.

This approach may be lack of precision and clarity. The term 'NFTs' is really broad and ambiguous. If an applicant registers its trademark as 'digital image file authenticated

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25 USPTO, Registering trademarks for newer technologies: NFTs, blockchain, cryptocurrency, and virtual goods <https://www.uspto.gov/sites/default/files/documents/TM-Newer-Technologies-handout.pdf?utm_source=chatgpt.com> accessed 3 Feb 2025. See also EUIPO, Trade mark guidelines, 4.4.3 EUIPO, Non-fungible tokens (NFTs) <https://guidelines.euipo.europa.eu/2214311/2215372/trade-mark-guidelines/4-4-3-non-fungible-tokens--nfts-> accessed 3 Feb 2025.

26 Li Zhu, '*China Starts Registering Trademarks Filed for NFTs and Virtual Goods in the Metaverse*' (JDSUPRA, 21 September 2023) <https://www.jdsupra.com/legalnews/china-starts-registering-trademarks-3739292/?utm_source=chatgpt.com> accessed 3 Feb 2025.

by NFTs', it can enjoy an unduly broad monopoly over all the NFT digital images and it is clearly unacceptable. This is an inevitable side effect of placing NFT-authenticated goods of different natures into a single class. Therefore, trademark offices' further interpretation and guidelines are necessary in this regard. EUIPO and USPTO have made quite comprehensive supplements, requiring in their guidelines that the type or nature of the goods being authenticated by the NFTs must be specified.[27] For instance, identifications like 'Downloadable image files containing trading cards authenticated by non-fungible tokens (NFTs)' in Class 9 or 'Digital collectibles in the nature of downloadable multimedia files containing artwork in the field of Native American culture authenticated by non-fungible tokens (NFTs)' in Class 9 will be accepted.[28] It can be observed that in practice, western countries have been very strict on the degree of specificity, while it remains a risk

[27] See EUIPO Trade mark guidelines, 4.4.3 Non-fungible tokens (NFTs). See also USPTO, Registering trademarks for newer technologies: NFTs, blockchain, cryptocurrency, and virtual goods.

[28] Ibid USPTO.

for those jurisdictions which have no policy guidelines like China and Brazil. In a sample which has been approved by the Brazilian INPI:

> ***CLASS 9: ARCANE LEAGUE OF LEGENDS®****: Digital music available to be downloaded through the internet; digital materials, to be known as, non-fungible tokens (NFTs); downloadable software for computer lock screens; …*[29]

The goods are simply claimed as 'digital materials, to be known as, non-fungible tokens (NFTs)' and present no further specification. Therefore, it reminds us that the risk of overbroad protection can occur when the application wording is not properly guided.

There can also be potential misalignment with consumer perception. According to General Remarks of NCL, if a finished product cannot be classified with the aid of the List of Classes, the Explanatory Notes and the Alphabetical List, it is in principle classified according to its function or purpose.[30] For the music, photograph or video authenticated by NFTs, their function or purpose truly aligns with Class 9's heading 'recorded and downloadable media'. They can and are meant to be downloaded and accessed. But for a

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29 WIPO, Global Brand Database, ARCANE LEAGUE OF LEGENDS, REGISTERED TRADEMARK - INPI (Brazil)

<https://branddb.wipo.int/en/similarname/brand/BR500000923207880?sort=score%20desc&start=0&rows=30&asStructure=%7B%22_id%22:%22e495%22,%22boolean%22:%22AND%22,%22bricks%22:%5B%7B%22_id%22:%22e496%22,%22key%22:%22brandName%22,%22value%22:%22ARCANE%20LEAGUE%20OF%20LEGENDS%22,%22strategy%22:%22Simple%22%7D,%7B%22_id%22:%22e499%22,%22key%22:%22designation%22,%22value%22:%5B%7B%22value%22:%22BR%22,%22label%22:%22(BR)%20Brazil%22,%22score%22:95,%22highlighted%22:%22(BR)%20%3Cem%3EBra%3C%2Fem%3Ezil%22%7D%5D,%22strategy%22:%22any_of%22%7D%5D%7D&fg=_void_&_=1748185759599&i=0> accessed 25 May 2025.

30 WIPO, Nice Classification, 01-2025 (Ed-Ver), General Remarks <https://nclpub.wipo.int/enfr/?gors=&lang=en&menulang=en&notion=general_remarks&version=20250101> accessed 25 May 2025.

lot of NFTs in the market like sneakers or handbags, they are perceived by the public as virtual images representing works of art or products based on their aesthetic functions rather than their 'downloading' function.[31] In this sense, the current classification scope of Class 9 might not fully capture the source-identification function that trademarks are supposed to serve.[32] Some might argue that the classifications are created only to streamline the administrative process for trademark registration and what consumers perceive is not relevant here. Actually, courts and regulatory authorities consider consumer perception in enforcement and in determining the overall scope of protection. If a significant portion of consumers views NFT sneakers as collectible art or even the goods themselves rather than mere downloadable content, there could be compelling arguments for aligning the classification more closely with that perception. This alignment can enhance trademark protection and reduce the likelihood of confusion in the market. In fact, there are scholars suggesting a rethinking of the traditional classification system to better reflect the way consumers engage with these new types of goods.[33] Some commentators further argue that Class 9 cannot reflect the nature of an NFT transaction.[34] Since the NFT can only be stored on a third-party platform like OpenSea after purchasing, what an NFT buyer really gets is a ledger entry maintained by software deployed to a blockchain that associates their blockchain address with the NFT through the owner function and the

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31 Lucie Dolla, Milena Dreyfus and Nathalie Dreyfus, *'Trademark law v NFT practice'* (Global Legal Post, 2 December 2024) <https://www.globallegalpost.com/news/trademark-law-v-nft-practice-313636552?utm_source=chatgpt.com> accessed 25 May 2025.

32 Sara Sachs, 'Trademark Infringement: The Likelihood of Confusion of NFTs in the US and EU', (2024) 49 Brook J Int'l L 330.

33 Michelle Gery, 'Understanding the MetaBirkin: Trademark Law and an Appropriate Legal Standard for NFTs' (2024) 4 The Columbia Journal of Law & The Arts 619, 630.

34 USPTO, 'Roundtable: Trademarks and non-fungible tokens' (31 January 2023) 98 <https://www.uspto.gov/sites/default/files/documents/NFT-Roundtable-TRADEMARK-Jan24-TRANSCRIPT.pdf> accessed 5 May 2025.

transaction can be considered as 'providing online non-downloadable software deployed to a blockchain for creating NFTs that store links to metadata associated with digital files and maintaining the chain of possession.'.[35] Therefore, purchasing NFTs can be seen as paying for services, which makes Class 42 an appropriate option. Indeed, this understanding is interesting. But if we live on accepting that NFT digital goods are actually services, the very foundation of NFT transactions, namely the commodity nature of NFTs can be destroyed. On this premise, the digital economy would face a slow demise, as shifting the focus of NFT transactions onto large-scale platforms goes against the very principle of decentralisation in the virtual space.

Moreover, following this approach, the Class 9 can be overcrowding, placing additional strain on the already congested Class 9 and examination backlogs. As the amount of NFT digital goods grows, this class would be over-crowding with different kinds of digital products, mixed with preexisting computer software and programmes. Class 9 risks becoming a catch-all for diverse digital items and this makes things even worse since Class 9 is already very crowded. And with so many different goods of various functions like digital clothing, artwork, music, gaming and even real estate listed in the same class, it is hard to say we make the trademark classification system clearer. Especially when the similarity of trademarks is assessed for relative grounds for refusal or infringement, during which the classification of goods is taken into account, the risk of confusion will be easier to demonstrate, which results in an unduly broad protection. A massive influx of new NFT-related applications in Class 9 will add to the existing backlog of unreviewed trademark

[35] Ibid 75.

applications at trademark offices and will continue complicating trademark owners' and practitioners' clearance searches.[36]

Another concerning issue is trademark enforcement. One of the main questions faced by existing brands is whether their preexisting registrations for physical goods are sufficient, or if it is necessary to apply separately for trademark rights for virtual counterparts.[37] Under the current approach, the answer is quite clear: the prior trademark holders have to file new applications under digital-specific classes. But since NFTs usually embody digital goods linked to handbags (Class 18) and clothing (Class 25), Brands with physical-world registrations in these classes may find it difficult to enforce rights against infringing NFTs that sit solely in Class 9. For example, when a brand's sneakers are unauthorisedly tokenised, minted and launched online, the firm cannot accuse such action based on trademark infringement unless it has registered its sneaker trademarks under Class 9 in the corresponding jurisdiction or it is famous enough to be entitled to an anti-dilution claim. Actually, in the past few years, clothing and fashion giants like Nike and Hermès

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36 INTA, Non-Fungible Tokens (NFTs) White Paper (n 2) 22.

37 INTA, Non-Fungible Tokens (NFTs) White Paper (n 2) 17. For the backlogs, see WIPO, 'IP Facts and Figures 2024 - Trademarks' <https://www.wipo.int/web-publications/ip-facts-and-figures-2024/en/trademarks.html> The trademark applications has continuously increased in the past years and 62% of all trademark filing worldwide was concentrated at just five offices in 2023, demonstrating the high concentration, large base, and rapid growth of trademark applications. See also UKIPO, 'Facts and figures: patents, trade marks, designs and hearings: 2024' (26 June 2025) <https://www.gov.uk/government/statistics/facts-and-figures-patents-trade-marks-designs-and-hearings-2024/facts-and-figures-patents-trade-marks-designs-and-hearings-2024>. The UK's number of trademark registrations has consistently exceeded the number of applications, and the growth rate has also been faster. This indicates the office has undertaken some pressure. See also USPTO, 'Trademark processing wait times' <https://www.uspto.gov/trademarks/application-timeline> The current average waiting time is 6 months, significantly higher than five years ago.

have taken legal action against counterfeit NFTs. An analysis of these cases is provided in Chapter 2.

2.2.2 Can the Doctrine of Natural Zone of Expansion Apply?

A possible explanation for this problem may be to argue that NFT digital goods are within the natural zone of expansion of their physical counterparts. The 'zone of natural expansion' doctrine permitted the senior trademark owner to exercise rights both in the area in which it used the mark and in the zone of natural expansion.[38] The newly expanded area must be a natural extension of prior use. Consumers should believe that use of the mark in the new area is by the same source using that mark in the old area. It should also be clear that the prior user planned to expand its operations and use of the mark into the newly claimed area prior to the opposing party arriving in the same area.[39] Under this theory, a trademark right holder can establish enforceable common-law rights based on its natural zone of expansion.[40] If we can draw a conclusion that NFT digital 'twins' are the extension of their physical counterparts, brands can enforce their trademark rights in many cases.

Under a traditional theory of zone of expansion, a court generally would not find that downloadable digital goods are in the natural zone of expansion of physical-world

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38 J. Thomas Mccarthy, *Mccarthy on Trademarks and Unfair Competition* (4th edn, West Group 1998), § 26:2, 26-6.

39 'Zone of Natural Expansion (Trademark) Law and Legal Definition' (USLEGAL) <https://definitions.uslegal.com/z/zone-of-natural-expansion-trademark/> accessed 6 Jun 2025.

40 Ibid.

items like clothing or collectibles.[41] Indeed, a fashion brand's sale of its physical clothing as virtual clothing in the virtual space seems entirely different from a situation where a clothing brand transitions to offering software. *Hermès International v Mason Rothschild* has tentatively shown the US courts' attitude - to acknowledge big brands' preexisting physical-world rights expanding to NFTs.[42] Admittedly, there seems to be no reason to permit a third party to use sales of digital images of recognisable goods to profit from the preexisting goodwill developed by sales of the physical goods shown in the images. After all, recalling the rationale of intellectual property rights, where the value of a virtual good is derived from its physical-world value, it only makes sense for the physical-world owner to reap the benefits.

To assess this issue, a starting point can be as simple as: what would consumers think or what do NFTs mean to them? The heated controversy over how NFTs should be treated essentially stems from the difficulty in understanding the nature of NFTs. And in essence, the question of natural expansion hinges on whether consumers associate a digital asset with the same source and quality signals as its physical counterpart.[43]

As suggested above, it is inconceivable that consumers would take NFT sneakers as software. For some consumers - especially loyal customers of well-established brands or luxury - may indeed view a digital asset that faithfully replicates a physical product's key characteristics (like design, style, and branding) as a natural digital extension of that

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41 INTA, White Paper Trademarks in the Metaverse (April 2023), 18 <https://www.inta.org/wp-content/uploads/public-files/perspectives/industry-research/METAVERSE_REPORT-070323.pdf> accessed 21 Aug 2025.

42 *Hermès International v Mason Rothschild* (n 6).

43 Gery (n 33) 632.

physical product. For instance, when an NFT is explicitly marketed as a "digital twin" or as a certificate of authenticity for a tangible product, consumers who value the brand's legacy may perceive it as an extension of the physical good.

However, many consumers approach NFTs for different reasons. Some see them primarily as collectible items or investment vehicles with intrinsic digital value, independent of any physical counterpart. In these cases, the NFT is valued more for its uniqueness, speculative appeal, or as an art object in its own right rather than as a mere digital replication of a physical item. Studies such as 'What Decides My Purchase of Non-Fungible Tokens?' highlight that purchase decisions for NFTs are driven by a mix of factors—including novelty, exclusivity, and perceived future value—which do not always align with the consumer expectations tied to physical products.[44] This indicates that while a segment of the market might see digital assets as natural extensions, many consumers do not.

If current consumer surveys and market research demonstrate that buyers perceive the NFT as a digital evolution of the physical product, that would support extending trademark protection under the 'natural expansion' theory. However, current evidence shows mixed perceptions, meaning the extension is not automatically applicable across all digital assets. To summarise, the natural expansion doctrine is not mature enough to apply. And a single MetaBirkins case, which may happen to temporarily protect a big brand's

[44] Vishnu Prasad V, Meta Dev Prasad Murthy, Joshy Joseph and Atanu Adhikari, 'What decides my purchase of non-fungible tokens?' (2023) 1 Journal of Consumer Behaviour 586, 597.

interest is never sufficient to tell whether the doctrine prevails. Therefore, for brand owners, the best practice for obtaining trademark protection now is to file in Class 9 for their NFTs.

2.2.3 Two Possible Alternatives to NCL's Approach

There are mainly two possible alternatives to NCL's approach. One approach is to set a new class (class 34A) specifically for NFT digital goods.[45] This method can set clear differentiation between digital and physical goods and avoid mixing existing Class 9 goods like software with NFTs. And most importantly, it is beneficial to the adaptation to market evolution. As NFTs and virtual goods continue to evolve and become a significant part of the global marketplace, having a new class acknowledges that these digital products have distinct characteristics and market dynamics. This aligns trademark protection more closely with consumer behaviour in the digital realm. However, the problems of overburdening and complicating a single class and requiring dual filings for prior brands still exist. What's worse, given NCL's approach has now been established and widely applied worldwide, creating a new class would entail significant legislative and procedural costs and could result in protection gaps due to inconsistencies in national practices, which goes completely against the purpose of NCL. At the same time, given that the development of NFTs and virtual goods remains in flux and is likely to undergo transformative changes, and that consumer demographics and perceptions have yet to stabilise, the establishment

[45] In NCL, Class 1 to Class 34 are for goods and Class 35 - Class 45 for services. In order to distinguish the two subject matter, we may call it a class 34A here.

of a wholly new classification may prove economically inefficient and practically unworkable at this stage.

The second option is to permit applicants to file for NFT digital goods in the same class as the actual goods they authenticate or relate to, if any. This approach better captures consumers' intuition and the future trend. This method proposes stronger trademark protection as well, allowing brands to protect both physical and virtual versions under one trademark filing. Also, the issue that trademark offices will face with countless new applications for a single class will be perfectly sorted. However, the problem is also obvious – it contradicts NCL's principles and previous practice. It should never be forgotten that not all digital goods have direct physical counterparts and vice versa (apparently a virtual land NFT has no clear physical equivalent). Additionally, if allowing the trademarks in the real world to be directly transplanted into the virtual space, there can be many limitations to the free creation in the virtual space, posing risks to the freedom of speech.

To conclude, the NCL's approach, albeit with some risks remaining, is nevertheless the most reasonable and with the highest level of international harmonisation, thus aligning best with public interest. In order to mitigate the risks contained in this approach, it is suggested to release policy guidelines, establishing clear boundaries between NFTs and allied goods (and as illustrated before, the standard should be based on consumers' perspective), giving recommendations on appropriate filing wordings, and providing best

practice samples for reference. Implementing these will effectively promote the NFT commerce and facilitate trademark applications.

2.3 Trademark Use for NFT-related goods

Trademark use is a fundamental concept in trademark law, serving as the basis for acquiring and maintaining trademark rights. In many jurisdictions, trademarks are maintained through trademark use and will otherwise be cancelled when out of use.[46] Naturally, the use constitutes a vital part of establishing NFT-related trademark rights.

The US Lanham Act defined 'use in commerce' as being placed on goods, their containers, or displays associated with the goods, and the goods are sold or transported in commerce.[47] In the UK, similarly, use of a sign includes affixing it to goods or packaging, offering or exposing goods for sale, importing or exporting goods under the sign, or using it on business papers and in advertising.[48] Article 48 of the Chinese Trademark Law 'Use of a trademark' refers to the use of a trademark on goods, packaging, containers, trade documents, or in advertising, exhibitions, and other commercial activities to identify the origin of goods.[49] It can be summarised that the trademark use at least entails two indispensable parts: use on associated goods and use in commercial activities. There are at least two basic elements concerning the 'use on associated goods': firstly, a mark in

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46 UK Trade Marks Act 1994, Section 46(1)(a) ('A trademark may be revoked if it has not been put to genuine use in the UK for a continuous period of five years following registration.') See also Chinese Trademark Law, Article 49 (If a registered trademark is not used for three consecutive years without a valid reason, any entity or individual may apply for its cancellation.)

47 15 U.S.C. § 1127.

48 UK Trade Marks Act 1994, Section 10(4).

49 Chinese Trademark Law, Article 48.

consistent appearance; secondly, certain specified goods or services, aligning with the identification of marks. Only after fulfilling this precondition can we consider what 'commercial activities' or 'in commerce' implies.

2.3.1 NFT-related Trademark Use on Associated Goods

The complex nature of NFTs poses uncertainties to the tie between mark and good, both to registration and use. Most NFT digital goods on NFT marketplaces will simply display the title or name of the artwork or collectible, with no explicit reference to 'NFT'. And it is common to find only a 'Buy Now' button on the sales webpage, with no 'Download' button. However, when brand owners wish to file their marks under Class 9, offices will examine whether the goods related to the mark are displayed as 'downloadable digital files or images authenticated by non-fungible tokens [NFTs]'. How to determine whether the goods in question are 'downloadable' and 'authenticated by NFTs' as specified in NCL in both filing and non-use proceedings is, without doubt a problem for trademark offices and examiners.

USPTO has provided us with some good examples of this problem. Under the US law, notably, trademark rights are established through actual use of the mark in the ordinary course of trade.[50] That means if registrants filed their applications on an "in use" basis, they will be required to file specimens (usually the screenshots) showing use of the mark on the goods or services of relevant classes.[51] Due to this peculiar mechanism, the question of

[50] 15 U.S.C. § 1051(d) ('Applicants must file a statement of use demonstrating the mark's use in commerce before registration is granted').

[51] 15 U.S.C. §1051(a)(1).

what trademark use will look like on NFTs has already faced some scrutiny in the US, thus providing some samples for us to understand how major trademark offices define and assess 'use'. NFTs are mostly sold through online channels, hence the USPTO refers to the TMEP §904.03(i) 'Electronic Displays' [52] when giving practice tips on registering trademarks for NFTs, [53] which is the traditional guideline on electronic point-of-sale displays as specimens. Under this guideline, applicants are required to show that something could be downloadable so as to have a proper specimen in Class 9.[54] But if following this, brand owners will inevitably encounter some ambiguities due to NFT's unique nature. Here are some specimens of use that, to some extent show the attitude of USPTO.

On April 30, 2021, Creatd, Inc. filed to register the trademark *OG* in connection with 'providing online publications in the nature of [NFTs].' The applicant supported the application with a screenshot of its website promoting the clips with a button that read "BUY ON OPEN SEA." The examiner rejected the screenshot as a specimen of trademark use on the grounds that it did not reference NFTs. The applicant finally included 'NFT' in the service description and then got approved.[55]

However, the mark *FIDENZA* that Anticlassic Studios LLC filed on Oct 21, 2021, had its specimen in Class 9 approved without stating that they are selling something

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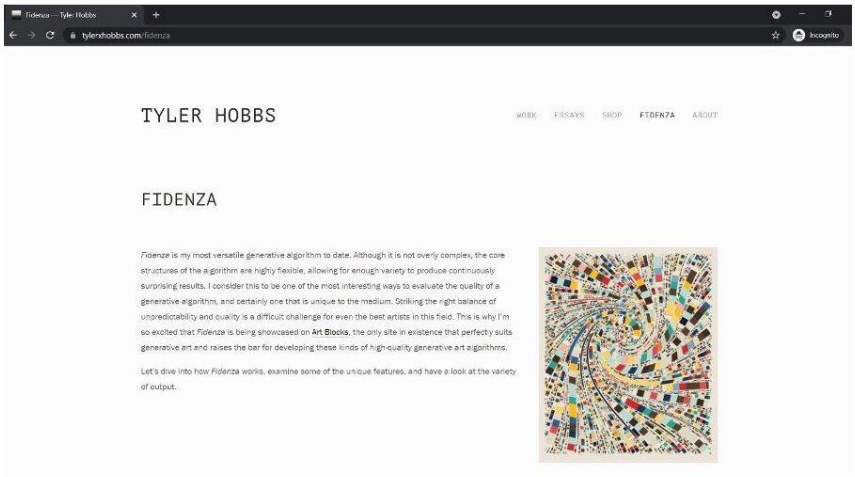
52 USPTO, TMEP 904.03(i) Electronic Displays <https://tmep.uspto.gov/RDMS/TMEP/current#/current/TMEP-900d1e882.html> accessed 5 May 2025.

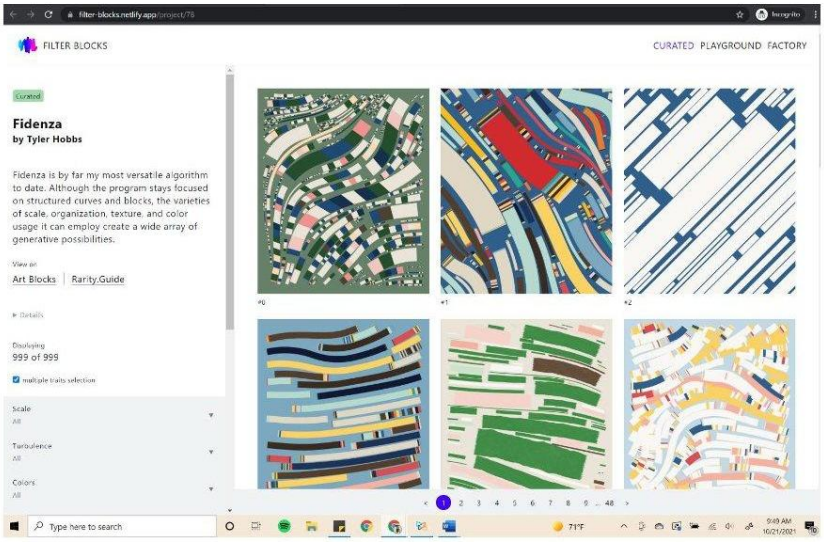
53 USPTO, Registering trademarks for newer technologies: NFTs, blockchain, cryptocurrency, and virtual goods 1.

54 US TMEP 904.03(e) Specimens for Trademarks Identifying Computer Programs, Movies, and Videos, or Audio Recordings.

55 USPTO, U.S. Serial No. 90684262 (as cited in INTA, White Paper Trademarks in the Metaverse 25).

authenticated by ‘NFT’. Instead, it included in its description the words ‘Fidenza is being showcased on Art Blocks’, an Ethereum-based NFT platform enabling artists to create and sell generative arts.[56]

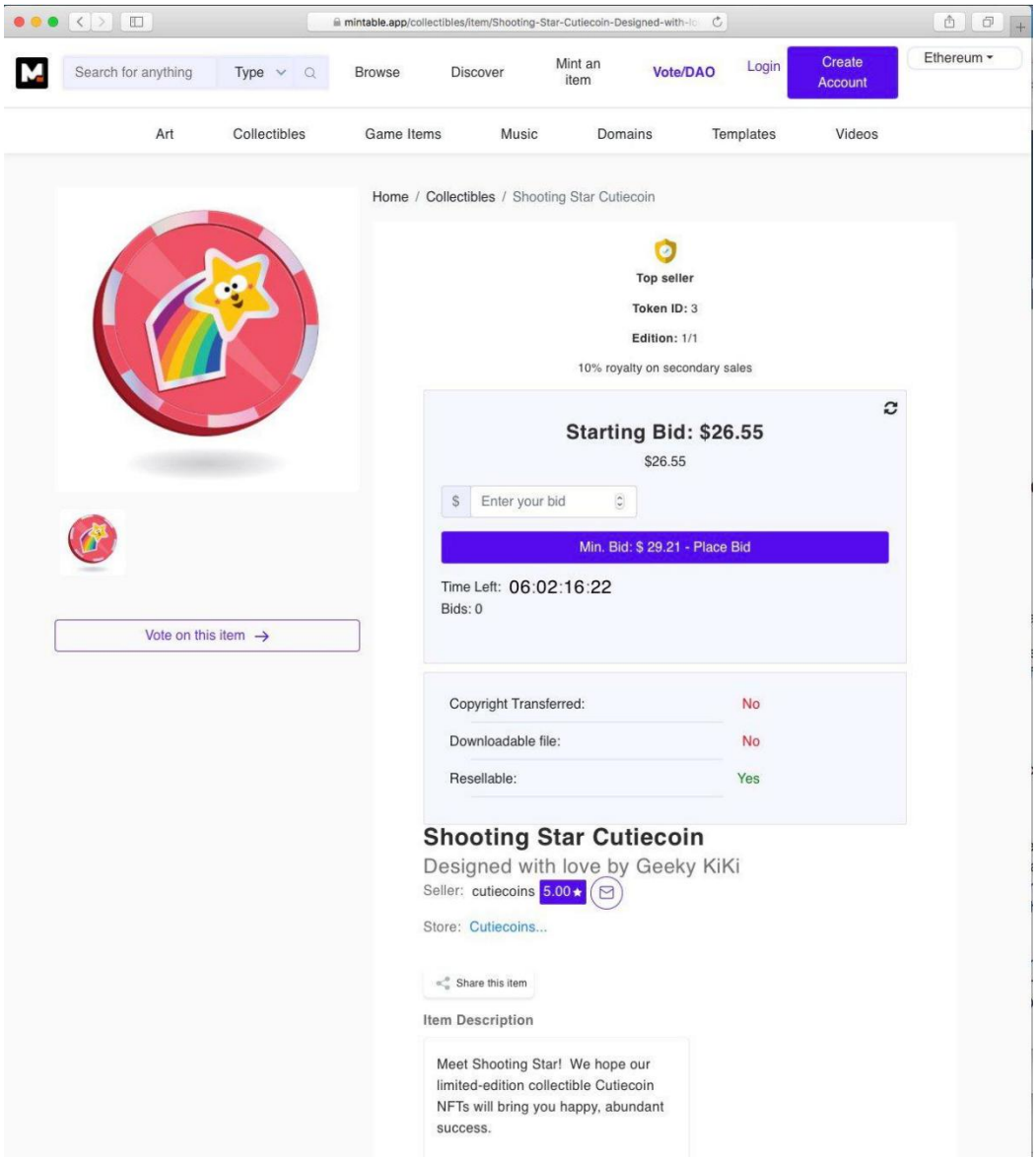




On June 4, 2021, Dream Big Kiddo LLC’s filing to the trademark *CUTIECOIN* for the identification ‘digital tokens, cryptographic tokens, non-fungible tokens (NFTs), and

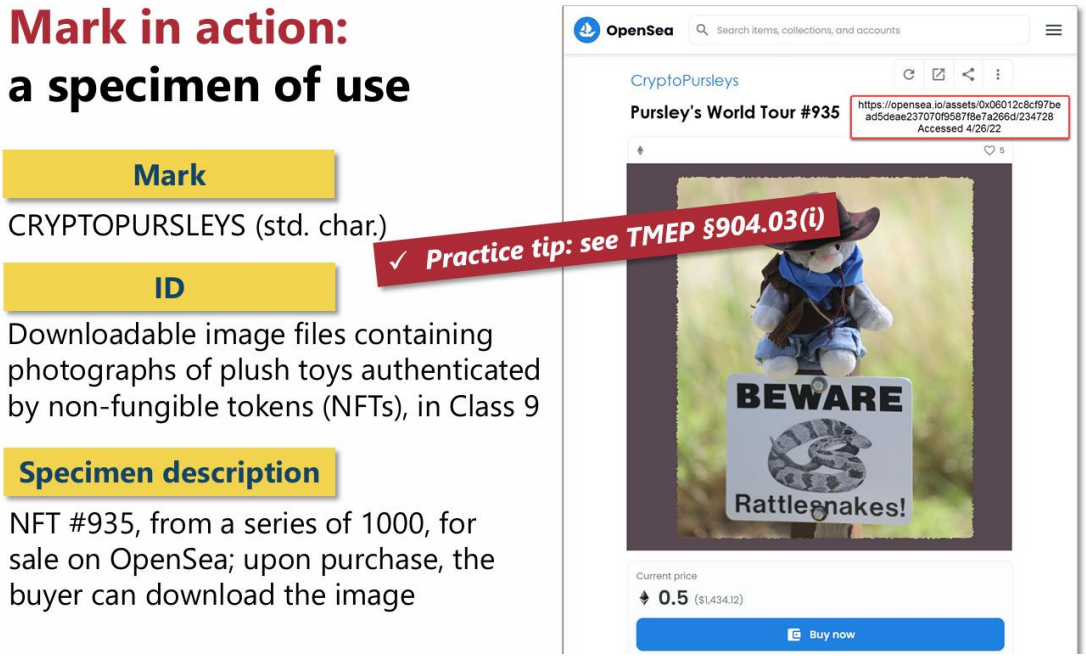
56 USPTO, Serial No. 97085596, Application - FIDENZA <https://uspto.report/TM/97085596/APP20211025083322/> accessed 25 May 2025.

digital artworks' in Class 9 was approved by USPTO despite the screenshot expressly showing 'Downloadable file: No', which contradicts the NCL's interpretation on Class 9.[57] The image below is the final accepted specimen of its trademark.



The USPTO, in its training webinar on Registering trademarks for newer technologies: NFTs, blockchain, cryptocurrency, and virtual goods, gave an example to illustrate the proof of use (see below).[58] From this standard specimen, the 'NFT', NFT

marketplace (OpenSea) and ‘download’ are all included in the specimen description, with a link and a ‘Buy now’ button on the webpage for purchasing as ordering information.



Though the example that USPTO showed at the training webinar is quite clear, we cannot help but ask if it is really comprehensive and practical enough for applicants. It is obvious that a straightforward way to demonstrate the use of NFT-related trademarks would be to display them visibly and consistently on every good and offer them with a ‘buy here’ button. Unfortunately, the NFT ecosystem is dynamic – not all cases come as straightforward as this example does. That being said, marketplaces look quite different across different chains. Platforms on the Ethereum like OpenSea have E-commerce style webpages with visible ‘Buy’ or ‘Add to Cart’ buttons, while Solana Marketplaces such as Magic Eden or Solanart present different UIs, may host custodial wallets, and often lack conventional buy buttons. Other Chains and Platforms (Flow, Tezos, BNB Chain) have their own galleries or peer-to-peer dApps, sometimes with only an on-chain transaction

link or QR code—no embedded commerce UI at all. Buyers can even interact via MetaMask or Phantom wallets with a minting contract; the only "proof" is a blockchain transaction record, not a web-UI specimen. There is no doubt that further guidance on non-traditional specimens needs to be issued to give applicants more certainty. Since there are so many differences among the platforms, what we can and need to do is to focus on the nature of NFT and NFT-related goods and identify what is in common.

It can be observed that there is much uncertainty in proving the trademark use and unpredictability in the USPTO's review. In some cases, it requires the goods or services to expressly display the 'NFT' on the webpage, but sometimes it eases up this requirement. It sometimes requires specifying the act 'download' in the description but sometimes does not care, even when the screenshot shows 'non-downloadable' for an applied-for mark in Class 9. Though the determination of NFT-related trademark use can be very fact-specific, at least there should be some basic principles and certain specific standards for applicants to rely on. The understanding of 'use on associated goods' should be based on the nature of NFT and consistent with the rules on NFT-related trademark registration, as they are two sides of the same coin, both of which are inseparable parts of trademark right establishment.

The article argues that, including 'NFT' in the ordering information is not necessary if some of the typical NFT elements have appeared. It is widely acknowledged to focus on the goods or services authenticated by NFTs instead of the NFT itself. Considering from the lens of user experience, it is reasonable to believe that consumers are placing orders based on the quality and rarity of the digital artworks or other collectibles, rather than

focusing on the NFT or the certificate itself, which is more of an accompanying good. More importantly, consumers of such goods or services typically conduct transactions on specific marketplace platforms using dedicated crypto wallets, tokens, and smart contracts. This means that most of these consumers have a certain level of background knowledge – neither would they take OpenSea as the origin of goods nor can they realise the goods are associated with NFTs. Not including 'NFT' in the specimen screenshot does not contradict the purpose and principles of trademark law.

In addition, the URLs or websites shown in the NFT-related trademark specimens are usually widely known NFT marketplaces (such as OpenSea or Rarible) or the goods are traded via mainstream blockchain tokens (like Ethereum). In such cases, it is not necessary to bother explaining the goods being transacted authenticated by the NFTs. This thesis argues that identifying such information falls within the scope of the trademark office's examination authority, since in most cases these elements are essential transaction media for NFT-related goods. While in the early stage of the NFT market, the USPTO might have taken a conservative stance and required applicants to clarify the use of platforms like OpenSea, the NFT market has now evolved over the years, and such elements can be considered common knowledge. Recognising them as typical elements of NFT specimens and treating them as common practices will better facilitate NFT-related trademark applications and benefit applicants and brand owners. Therefore, explicitly listing 'NFT' on the transaction webpages is unnecessary and will not affect the determination of trademark use in the relevant product category. In the US, even though the TMEP 904.03 (i) requires providing a means of ordering the goods directly from the applicant's webpage instead of merely providing a link to the websites of online

distributors, [59] the USPTO has broken this limit for NFT, approving specimen screenshotting from the marketplace webpages. That is because NFTs' unique nature – issuers of the work must mint their NFTs on the blockchain and release them on the major marketplace, so it is common practice for creators to redirect the consumers to the corresponding platforms, even if they have their own webpages. Strictly demanding that applicants offer NFTs on their own platforms or channels is pointless and impractical. Therefore, the traditional principles for the Internet or the pre-metaverse era must be updated to adjust to the new ecosystem of NFTs and virtual worlds.

Also, it does not make sense to include 'download' in the ordering information of the specimen. It is true that the digital files, especially the digital images, are usually available for download, but download is never an essential part of NFT trading. Normally, after confirming the transaction, a record (code) will be created, pointing to the location the NFT is stored on the blockchain and that record (code) is then stored within the buyer's own crypto wallet, while the actual digital content (such as a JPG, MP3, or Gif) of the smart contract associated with the NFT is stored on the web and not the blockchain is because of the size and cost.[60] This process is different from what we define as 'download', which is to copy or move programs or information into a computer's memory from the Internet,[61] it is more appropriate to call it 'transfer'. After the NFTs have been transferred

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59 USPTO, TMEP 904.03 (i) ('Merely providing a link to the websites of online distributors is not sufficient. There must be a means of ordering the goods directly from the applicant's web page, such as a telephone number for placing orders or an online ordering process.')

60 'Where Is An NFT Stored? – A Simple And Comprehensive Breakdown' (NFTexplained.info) <https://nftexplained.info/where-is-an-nft-stored-a-simple-and-comprehensive-breakdown/> accessed 5 August 2025.

61 'download, n.' (Cambridge Online Dictionary) <https://dictionary.cambridge.org/dictionary/english/download> accessed 5 May 2025.

to the personal wallet, the users are free to go to the web where the digital content is hosted to download them for any one of them that they are interested in.[62] In a word, the tokenised goods are downloadable (the certificates themselves are not), but the 'download' button will not determine the NFT transaction by marking the completion of delivery. Therefore, download is not the key feature of the goods authenticated by NFTs. Anyone can download the image file associated with an NFT even though their 'owners' may never bother to do so. [63] The famous 'Right-Click, Save As' meme and argument, albeit implying misunderstanding and bias against the value of NFTs, has nevertheless revealed the fact that anyone can download the image files referenced by NFTs.[64] In fact, what distinguishes NFT-related goods from other electronic content or assets is the 'transfer and store' process. As a result, there is no need to have the 'download' appear in the specimen of use as it is not relevant to the transaction process, despite that we accept the Class 9's formulation of 'downloadable digital files authenticated by NFTs' for now.

To summarise, trademark offices are advised not to pedantically follow the Class 9's wording to set requirements regarding the proof of NFT-related trademark use. It is sufficient to place the mark on electronic displays with basic NFT-related elements including relevant platforms, crypto wallets and currencies on the webpage. The term 'NFT'

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62 USPTO, 'Roundtable: Trademarks and non-fungible tokens' (31 January 2023), 99 Line 1-2 <https://www.uspto.gov/sites/default/files/documents/NFT-Roundtable-TRADEMARK-Jan24-TRANSCRIPT.pdf> accessed 5 May 2025.

63 Alfred 'Dave' Steiner, 'Fidenza Fugazi?: NFTs and Trademark Prosecution' (May 12, 2024), 3 < https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4825660> accessed 5 May 2025.

64 'Right-Click, Save As' (KYM) <https://knowyourmeme.com/memes/right-click-save-as>. This meme The Right-Click, Save As argument is a stance of people who do not believe in the value of internet art (specifically crypto art). The meme is often used in a satirical nature by those who want to ridicule people who claim that NFTs are worthless because it is possible to download the image.

and the ‘Download’ button need not be included in the description of the goods or the ordering information.

2.3.2 NFT-related Trademark Use in Commercial Activities

The question then comes to demonstrate the use of NFT-related mark ‘in commerce’. Though ‘use in commerce’ is a US term, it is easy to understand that trademark offices take a generally similar understanding of this requirement – the trademark must continuously engage in the ordinary commercial activities including sale, transport, advertising and exhibition.[65] While most of NFT issues come with little difference from the Internet ones, as it has been three to five years since the first wave of NFTs were released and associated trademarks registered in 2021 or 2022, the trademark renewal deadlines are approaching, how to appropriately demonstrate continued use in commerce after one-of-a kind or limited-edition assets tied to NFTs have been sold or discontinued is without doubt a noteworthy problem.[66] Currently, most of the NFT-authenticated goods are digital arts or collectibles, meaning that they are probably in limited supply, which can sell out in hours or even minutes. The NFT creators (brand owners) may keep minting and issuing NFTs under the same mark. But what if they discontinue to release and the primary sales come

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65 In the US there are only sale and transport.

66 See USPTO and United States Copyright Office, ‘Non-Fungible Tokens and Intellectual Property: A Report to Congress’ (March 2024) 50 <https://www.copyright.gov/policy/nft-study/Joint-USPTO-USCO-Report-on-NFTs-and-Intellectual-Property.pdf#:~:text=By%20letter%20dated%20June%209%2C%202022%2C%20Senator%20Leahy,NFTs%20to%20secure%20and%20manage%20intellectual%20property%20rights.>. See also USPTO, ‘Roundtable: Trademarks and non-fungible tokens’ (n 55) 81, Line 14–17 (Jacquelyn Knapp, ASICS) (‘It's also not clear that we would be able to use the same NFTs that were minted with our maintenance and renewal applications if the company decided to discontinue releasing new collections.’)

to an end (actually, most of them will probably not choose to sell more than a limited number that they originally advertised or they can pervert the edition size, reduce scarcity of goods and be subject to claims for breach of contract or unfair business practices)[67]? It is clearly not possible for brand owners to establish use in commerce through secondary market sales on platforms like OpenSea because resales by third parties do not inure to the applicant's benefit.[68] If registered in Class 9, it is quite clear that the absence of ongoing sales or marketing efforts may lead to claims of non-use, risking cancellation of the trademark registration. If registered in Class 41 or 42, the creators who maintain control of the smart contract can arguably be considered as continuously performing the service, but also face many uncertainties. After all, it makes no sense for NFT creators if they only maintain a service mark but abandon the goods mark.

The question seems to leave creators no option but to maintain their trademark rights through proactively minting and releasing related and updated series of NFTs under the registered trademark, though it is an interesting mechanism that trademarks are incentivising the creation and innovation.

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67 Steiner (n 63) 7-8.

68 See *Adamson Systems Engineering Inc v Peavey Electronic Corp* 35 (TTAB 2023).

3 TRADEMARK LAW OF VIRTUAL GOODS IN VIRTUAL SPACES (VGIVS)

3.1 The Definition and Classification of VGIVS

This chapter will extend the discussion to trademark issues related to virtual goods in virtual spaces (VGIVS), a concept frequently conflated with NFTs. While the industry appears to use the two terms interchangeably without deliberate distinction, they are in fact substantively different things. The VGIVS are with digital utility or aesthetic content and meant to be experienced or consumed. They can be virtual objects such as items, avatar clothing, weapons, virtual furniture, currencies, characters and tokens that commonly exist solely within a variety of virtual environments where they are usable.[69] On the other hand, the subject matter that is mostly seen, deployed and discussed now – NFTs, are authenticating digital goods, primarily digital collectibles or artworks, instead of virtual goods. Whereas digital goods such as images, video and music can be duplicated, virtual goods are rivalrous, implying that they can't be freely copied but are rather regulated by the rules of the given virtual economy.[70] This distinction reminds us that it is not appropriate to assume the normative analysis on NFT-related trademarks can be applied to the trademarks of VGIVS due to their different nature. It is necessary to conceptualise the

69 See Joshua Fairfield, 'Virtual property' (2005) 4 Boston University Law Review 1047. See also Vili Lehdonvirta, 'Virtual item sales as a revenue model: identifying attributes that drive purchase decisions' (2009) 9 Electron Commer Res 97, 102.

70 Ibid.

relationship between NFTs and VGIVS so as to understand how the trademark law develops and connects with one another in the context of Web 3.0.

The very first step is to determine the definition of virtual goods in the trademark law. According to the USPTO guideline, virtual goods are digital objects for use in online virtual worlds, especially by avatars.[71] The accompanied examples of acceptable identifications, notably, all highlight the term 'for use in virtual environments'.[72] It seems that the USPTO binds the elements of virtual goods, virtual environment and avatars together. The question then comes to what the 'use in virtual environments' implies. Seeing from the examples of sunglasses, jewellery, handbags and retail stores given by USPTO, the 'use' refers to the functional attribute of VGIVS. For instance, the clothing and jewellery can be put on and the retail stores can be visited and shopped in. It is uncertain whether mere aesthetic content is accepted as VGIVS in the USPTO's definition. Considering the examples shown in the guideline, it could be hard to view digital goods like artworks or collectibles as VGIVS. IP Australia also adopts this kind of definition.[73] In EUIPO's definition, the virtual goods refer to non-physical items intended to be used in

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71 USPTO, Registering trademarks for newer technologies: NFTs, blockchain, cryptocurrency, and virtual goods 4.

72 Ibid. See Examples of acceptable identifications involving virtual goods: 'Downloadable virtual goods in the nature of image files of sunglasses, jewelry, and handbags for use in online virtual worlds,' in Class 9; 'Online retail store services rendered in a virtual environment featuring virtual goods, namely, furniture for use in online virtual worlds,' in Class 35; 'Entertainment services, namely, providing online, non-downloadable virtual boats and airplanes for use in virtual environments created for entertainment purposes,' in Class 41; 'Computer programming of virtual goods for use in virtual worlds,' in Class 42.

73 IP Australia, Trade mark classification guidance: Virtual goods, metaverse, NFTs, and blockchain, 1 ('Virtual goods are digital objects used in online virtual environments.') <https://www.ipaustralia.govau/trade-marks/what-are-trade-marks/what-are-classes-of-goods-and-services/~/-/media/Project/IPA/IPAustralia/PDF/Trade-marks/Guidance_document_virtual_goods_metaverse_NFTs_blockchain.pdf?rev=6330cfe344ee470aa74c3a94b4b7f7ce> accessed 10 July 2025.

the course of trade in online or virtual environments.[74] Nevertheless, it further divides VGIVS into three categories, saying they could, for instance: [75]

> 'merely depict real-world goods (e.g. virtual fruit – a digital image of a piece of fruit to make a supermarket in an online game appear more realistic);
>
> depict and emulate the functions of real-world goods (e.g. virtual fruit – a digital image of a piece of fruit that is somehow 'eaten' by an avatar);
>
> represent objects with no equivalent in the real world (e.g. virtual time machines).'

The EUIPO guideline indeed touches on the three natures that different kinds of VGIVS encompass and includes all the mentioned goods in its trademark protection system.

This thesis argues to broadly understand the term 'for use in virtual environments' in trademark law. Generally speaking, there can be two kinds of 'use' of VGIVS in the virtual space – appearance use and functional use. Lehdonvirta suggested that virtual goods can be categorised into appearance, social and functional based goods as early as 2009.[76] Appearance based goods only affect the appearance of the virtual environment or avatar, whereas functional goods can contain game items such as more powerful weapons, armour or other boosts that increase various character attributes.[77] There can be a lot of virtual items which are appearance based only and correspond to the real world, for example, a

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74 Trade mark guidelines, 4.4.1 Virtual goods.

75 Ibid.

76 Lehdonvirta (n 62) 102.

77 Ibid.

McDonald-branded fast food store by the street which is just a digital image and not available for entering and dining, just to make the virtual world more authentic. Some VGIVS can also be appearance-based but digitally distinctive (prime examples would be BAYC and FIDENZA), which are mostly used for artistic appreciation or collection. Therefore, appearance-based VGIVS have their own place in the virtual world and constitute an indispensable part of it. There is no reason to exclude them from trademark protection. Below is a 2×2 matrix of different types of VGIVS. This framework highlights the diversity of VGIVS and helps contextualise the legal and conceptual challenges in trademark protection within virtual environments. The different kinds of VGIVS may lead to different treatment in the trademark law regime.

VIGIVS	Real-world correspondence	Digital native
Appearance-based goods	A digital image of real-world food or drink	A digital image of artwork (like FIDENZA)
Function-based goods	Wearable Virtual sneakers	Virtual time machine

Vertically, the table categorises virtual goods based on their primary consumer value—whether they are appearance-based or function-based. For appearance-based goods are more of a 'static' commodity and exhibit visual and aesthetic value. To be more specific, they can be subdivided into mimicking objects (such as a digital image of a banana) and creative objects (such as a digital collection of a famous brand). Most digital artwork and

collections authenticated by or related to NFTs in the market belong to this kind. Moreover, in the virtual environment, trademarks are not just seen but lived with—worn, interacted with, and embedded in social or economic behaviour. This makes brand use less static (like on a product) and more experiential. In fact, as virtual space technologies continue to advance and platform interactivity grows, many static VGIVS may turn into dynamic ones. Thus, appearance-based and function-based goods are not entirely separate but may transform into one another. For example, a pair of virtual sneakers in the image form could very well become part of an avatar's outfit.

Therefore, there are more and more function-based VGIVS, which are dynamic and available for consumers' hands-on experience, valued for the interaction they offer. This distinction helps understand the purpose and user expectations of VGIVS so that we can examine whether the existing doctrines of trademark use, infringement and defence can still apply in the virtual environment.

Horizontally, it distinguishes between goods that have real-world correspondence and those that are digital native, i.e., existing purely in virtual environments without physical-world analogues. This distinction helps us understand the type of consumer perception and market context involved in trademark use and infringement, specifically assessing whether existing frameworks can still work for digital native VGIVS.

3.2 Treatment for Different Kinds of VGIVS under Trademark Law

An important reason for classifying virtual goods in this way is that, when clarifying legal standards, it allows for the efficient adoption of different strategies.

Compared to the analysis of NFTs in the last chapter, the classification of VGIVS is way more straightforward. Whether relating to the real world or not, VGIVS will typically be classified in Class 9 because they essentially consist of data and codes. Physical items that are authenticated by NFTs are not considered virtual goods since it is not possible for them to be used by avatars. Therefore, based on the discussion in Chapter 1, it is undisputable to classify VGIVS under Class 9.

However, the trademark use assessment for VGIVS will not be the same as NFT digital goods. Due to the complex nature of NFTs, the analysis of NFT-related trademark use largely focuses on ensuring that such use aligns with the meaning of NFTs as defined under the NCL system. When the background transfers to the fully immersive 3D virtual spaces, the considerations of trademark use can undergo a significant transformation. The principle remains valid that trademark use must be both commercial and source-identifying. Function-based VGIVS, whether with real world correspondence or not, tend to trigger trademark use more readily because consumers view branding as part of their reliability, even though the actual utility may never exist. Appearance-based ones, especially the ones with digital distinctiveness, require closer scrutiny to determine whether the mark is a genuine badge of origin or simply part of artistic expression without engaging in commerce.

By grounding analysis in these factors, courts can maintain consistency with established doctrine while adapting to the distinctive features of virtual goods.

Another important issue is infringement. Among different types of VGIVS, the function-based goods with real world reference are most likely to invite trademark disputes, as they may be perceived as leveraging the goodwill of certain real-world trademarks for marketing purposes. Although virtual products may differ substantially from physical goods in terms of their 'function,' the issue ultimately depends entirely on how relevant consumers perceive this. Imagine if a virtual wearable Dior-style jacket were launched, there would inevitably be a considerable number of consumers who deem the function-based VGIVS as a substitute for real world products and make purchases in order to become holders of luxury goods. While the consumers may be fully aware that the trademark does not identify the real-world luxury brand but indicates a different source, the purchasing decision will not be changed whatsoever. As in the MetaBirkins case, Hermès' evidence showed a potential consumer on social media who begged Rothschild to 'whitelist him' so that he could 'own his first Birkin.'[78] This illustrates a phenomenon where confusion may be difficult to establish, but trademark owners nevertheless suffer substantial harm. The following sections will examine this issue in detail, focusing on whether traditional confusion-based tests for trademark infringement can be sustained in

[78] *Hermès International v Rothschild* (n 6) 282.

virtual spaces, and what defences may be available for the creators in the virtual environment.

4 TRADEMARK INFRINGEMENT IN THE VIRTUAL ENVIRONMENT

As outlined above, there are many NFTs and VGIVS which have connections the goods from the real world. Therefore, trademarks in the virtual environment can also relate to or contain real-world ones. It is easy to imagine someone applying another's real-world trademark to their own NFTs or VIGIVS without obtaining approval. The inclusion of another's trademark in VGIVS can indeed confuse the origin. These years have witnessed multiple NFT-related trademark infringement cases, mostly in the US and a few in the EU. Since the protectability issues like class coverage and commercial use have been settled in the above chapters, it becomes clear that the brands have to take steps to register their NFT or VGIVS-related trademarks under any possible new class and put them into commercial use on the digital platform or virtual space, in order to establish justifiable virtual-world trademark rights. But when the trademarks are actually put into unauthorised use, it is essential to consider the likelihood of confusion and relevant defences. The landmark case of Hermès Int'l v. Rothschild has offered us some insights into how courts determine the likelihood of confusion and apply fair use doctrines for VGIVS-related trademark infringement.[79]

4.1 Speech-protective Test in the Virtual Environment

[79] *Hermes Int'l v Rothschild* (n 6).

4.1.1 A Case Brief of MetaBirkins Case

Hermès is the creator and owner of the brand Birkin handbag, which was named after the actress named Jane Birkin. It is one of the most iconic bags in the fashion world. In 2021, an artist named Mason Rothschild created and sold a series of NFT collection depicting Hermès Birkin handbags covered in colourful fur.[80] Each NFT in the 'MetaBirkins' collection is titled with a number from 0 to 99 and not the 'MetaBirkins' name and they have sold for prices comparable to real-world Birkin handbags.[81] By minting and selling these NFTs, Rothschild made about $125,000 from initial sales and royalties from secondary sales.[82] In January 2022, Hermès officially sued Rothschild for trademark infringement, dilution, and cybersquatting, filing their complaint in the United States District Court in the Southern District of New York. It claimed that 'Defendant is a digital speculator who is seeking to get rich quickly by appropriating the brand METABIRKINS for use in creating, marketing, selling, and facilitating the exchange of digital assets known as non-fungible tokens. Defendant's METABIRKINS brand simply rips off Hermès' famous BIRKIN trademark by adding the generic prefix "meta" to the famous trademark BIRKIN. "Meta" and "metaverse" refer to virtual worlds and economies where digital assets such as NFTs can be sold and traded.' The luxury brand further alleged that the artist was seeking to make his fortune by swapping out Hermès' real life rights for virtual

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80 *Hermes International v Mason Rothschild* 603 F Supp 3d 98, 101 (SDNY 2022).

81 Ibid.

82 Zachary Small, 'Hermès Wins MetaBirkins Lawsuit; Jurors Not Convinced NFTs Are Art, (New York Times, 2023) <https://www.nytimes.com/2023/02/08/arts/hermes-metabirkins-lawsuit-verdict.html> accessed 10 August 2025.

rights.[83] Regarding trademark infringement disputes, Rothschild argued that Hermès's trademark infringement claims fail as a matter of law based on the Second Circuit's test in Rogers v. Grimaldi.[84] This is because the digital Birkin bag images authenticated by the NFTs are 'art,' and he used 'MetaBirkin' as the title of the artwork - the digital images of the fur-covered Birkin bags - and not as a source identifier of his products.[85] Therefore, applying the Rogers test requires dismissing Hermès's claims on First Amendment grounds.[86] Hermès tried to distinguish Rogers on the ground that Rothschild uses the 'MetaBirkin' mark as a source identifier on social media to promote and advertise the NFTs, as a URL, and to identify a website, arguing that the First Amendment does not protect unauthorised use of another's mark as a source identifier. It then argued that the two-prong test of Gruner + Jahr should apply instead.[87]

Judge Jed Rakoff of the Southern District of New York denied both parties' summary judgment motions, finding that material factual disputes remained regarding whether the NFTs at issue qualified as artistic expression and whether they were likely to

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83 *Hermes International v Rothschild* (n 80) 103.

84 Ibid 4.

85 Ibid.

86 Ibid 3.

87 Ibid

mislead consumers, while he ruled that the Rogers test is applicable rather than the Gruner + Jahr standard.[88]

As the case proceeded to trial, Rothschild defended his MetaBirkins NFTs as artworks commenting on how people value status and luxury goods, as well as the animal cruelty involved in leather goods production.[89] On the other hand, Hermès emphasised how Rothschild's actions would impair its ability to enter the metaverse space itself and that consumers would be confused as to the source of the MetaBirkin NFTs.[90] The brand also submitted evidence indicating actual consumer confusion, including an independent study and reports that linked the project to the brand.[91] Finally, the jury found that the defendant was liable for trademark infringement and dilution, and cybersquatting, and that he was not shielded by First Amendment protections that apply to artistic and non-explicitly-misleading works because his MetaBirkins created a likelihood of consumer confusion and

88 Ibid.

89 John Woolley, 'MetaBirkin NFT Artist Appeals After Hermès Trademark Case Loss' (Bloomberg Law, 24 July 2023) <https://news.bloomberglaw.com/litigation/metabirkin-nft-artist-appeals-after-hermes-trademark-case-loss> accessed 10 August 2025.

90 Mikaela Keegan, Stefan Mentzer and Alexandra Valenti, 'MetaBirkins Post-Trial Ruling Clarifies Line Between Trademark Infringement and Free Expression and Grants Broad Injunctive Relief' (JDSUPRA, 29 June 2023) <https://www.jdsupra.com/legalnews/metabirkins-post-trial-ruling-clarifies-4534594/> accessed 10 August 2025.

91 Stuart D. Levi and Anita Oh, 'Jury Finds That 'MetaBirkin' NFTs Infringed Hermès' Trademark Rights' (Skadden, 16 February 2023) <https://www.skadden.com/insights/publications/2023/02/jury-finds-that-metabirkin-nfts-infringed-hermes-trademark-rights> accessed 10 August 2025.

were intentionally designed to mislead the public into believing that Hermès was associated with MetaBirkins.[92]

Later, Rothschild appealed the jury's verdict and certain legal rulings made by the District Court to the Second Circuit Court of Appeals and on October 23, 2024, the U.S. Court of Appeals for the Second Circuit heard oral argument in Hermès Int'l et al. v. Rothschild.[93] The decision is yet to be made.

4.1.2 The application of Rogers test to VGIVS-related trademark disputes

This case raises some issues concerning trademark infringement related to VGIVS, reminding us to reconsider whether the existing Rogers test and relevant legal standards for defences can be directly applied. All these challenges actually arise from the very nature of virtual environments. The first critical issue is – whether the Rogers test can apply to VGIVS.

The Rogers test is a two-part test to determine when the use of a trademark in an expressive work is permissible, balancing trademark rights with free speech under the First Amendment, especially artistic expression. The expressive work can pass the Rogers test unless the challenged use of the mark 'has no artistic relevance to the underlying work' or 'explicitly misleads as to the source of or the content of the work.'[94] Therefore, the only

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92 *Hermes International v Rothschild* (n 6).

93 Gina Bibby, 'The Second Circuit's Metabirkin Dilemma: Constitutionally Protected Artistic Expression or Trademark Misappropriation?' (IPwatchdog, 18 November 2024) <https://ipwatchdog.com/2024/11/18/second-circuits-metabirkin-dilemma-constitutionally-protected-artistic-expression-trademark-misappropriation/id=183288/#> accessed 10 August 2025.

94 *Rogers v Grimaldi* 875 F 2d 994, 999 (2d Cir 1989).

threshold for applying the Rogers test is as simple as to examine if the work is artistic. Rogers itself had no occasion to elaborate on which works qualified as 'artistic', but we can find insights from many cases on what constitutes 'artistic expression' – that is, for example, the Rogers test applies wherever the work is plainly expressive and the plaintiff's trademark is 'not [used as] a source identifier.'[95] That means the work involving the challenged trademark cannot just be a commercial one which uses the mark to advertise, but focus on the expression.

But note that this does not mean that the function of commercial promotion itself can exclude the application of the Rogers test. If we go back to Rogers v. Grimaldi itself, it can be found that the Second Circuit held that while titles can be source indicators, the defendant's use is 'of a hybrid nature,' where 'artistic expression and commercial promotion are inextricably intertwined.'[96] In other words, commercial aspects of a work can be intertwined with artistic content and source identifier and title are not mutually exclusive. Rogers test never works exclusively to the title of non-commercial artwork but 'is generally applicable to Lanham Act claims against works of artistic expression'.[97]

As Hermès alleged in this case, Rothchild was using the mark 'MetaBirkins' as a source identifier instead of an artwork title. But actually, digital images of handbags that Rothschild was selling could undoubtedly constitute a form of artistic expression, because

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95 See *Yankee Pub. Inc. v News Am Pub Inc*, 809 F Supp. 267, 276 (SDNY 1992).

96 *Rogers v Grimaldi* (n 94) 997-998.

97 *Cliffs Notes v Bantam Doubleday Dell Pub Group* 886 F 2d 490, 495 (2d Cir 1989).

the NFTs were digital content on which Rothchild expresses his thoughts.[98] The commercial aspects of the work intertwined with expressive content would not impact the application of the Rogers test. Therefore, as the court has found, there is no doubt that Rogers applies to the MetaBirkins case.

However, it indeed requires further discussion on different types of VGIVS. The MetaBirkins is a digital artwork authenticated by NFTs, or as illustrated in the last chapter, an appearance-based VGIVS. The situation may change when the subject matter is a function-based VGIVS. Function-based VGIVS can clothe avatars, provide tools or weapons, or affect gameplay mechanics. Though these items may have artistic dimensions, their primary purpose is utilitarian or commercial, not expressive speech, while the essence of the Rogers test is to balance free speech and trademark rights. In this regard, function-based digital goods can be rather tricky because their utility makes them seem more like non-speech commercial products. Current virtual environment naturally allows for the replication of marks and corresponding goods at a higher level of realism than was ever before possible. A virtual environment can reproduce not only the precise visual details of a trademark but also the practical functions and interactive experiences linked to the trademarked goods. In the past, a luxury handbag might only be rendered online as a flat, two-dimensional picture. But now, it can be recreated in virtual reality as a fully realised three-dimensional item, complete with interactive features. Users can grab, open, and close

[98] Just as Judge Jed Rakoff found, 'the court found that the Rogers test applies, at least in part, to the trademark infringement analysis of Rothschild's uses of 'MetaBirkins.' See *Hermes Int'l v Rothschild* (n 80) 103.

the bag much like in real life.[99] Such a hyper-realism feature makes it hard to consider this kind of handbag as an expressive work and as serving artistic purposes, but rather, a handbag which unauthorisedly involves others' trademarks would be more in line with traditional notions of counterfeiting.[100] Indeed, it can be very problematic for the application of Rogers if virtually wearable Birkin bags are unauthorisedly sold in the virtual environment.[101] Actually, the court added in a footnote that if the MetaBirkin NFTs were virtually wearable handbags, they might not be treated as expressive works subject to the Rogers test.[102] This footnote, though *dicta*, indicated that the treatment of VGIVS should be analogous to the physical world – a virtual artwork that is used and viewed as art in the virtual environment, it is entitled to the First Amendment protection under the Rogers test. However, if function-based VGIVS, like a virtual handbag are used by avatars in a manner that people would use such products in the physical world, they should be treated as commercial products and not qualify for Rogers protection. In fact, this stance is not necessarily accurate. A two-dimensional static artwork exhibits little difference between its existence in the virtual space and in the physical world; in both contexts, it can be regarded as an expressive work. Function-based VGIVS, however, do not hold the same status in virtual worlds as they do in the real world. In the physical world, a backpack is primarily a tool for carrying items (that is why it is a backpack) and only secondarily an

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99 James Yang, 'Trademark Law in the Virtual Realism Landscape' (2019) 2 NYU Journal of Intellectual Property And Entertainment Law 409, 431.

100 Ibid.

101 Actually, Rothchild has minted and sold another set of NFTs of wearable items, branded 'I Like You, You're Weird' (See <https://www.ilyyw.com/> accessed 20 July 2025). Hermes has submitted relevant evidence to prove that he might branch out into virtually wearable 'MetaBirkins' but was dismissed due to irrelevance. See *Hermes International v Rothschild* (n 80) 104.

102 Ibid.

accessory for aesthetic expression. By contrast, in a virtual environment, backpacks do not derive functional distinctions from their design; their primary attributes instead lie in aesthetic and cultural value (therefore, a virtual backpack is not necessarily a 'backpack'). Failing to distinguish between the two may overlook the boundary between the physical and virtual worlds - a boundary that current technological developments have not yet overcome.

This is not the first time we have dealt with the nature of functional virtual items in virtual spaces. Courts have in the past applied Rogers in the context of virtual worlds such as video games. In E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc., the court applied the Rogers test to the use of a strip club's trademark in the virtual world of the video game Grand Theft Auto and found that the mark was artistically relevant to Rockstar's artistic goal of 'developing a cartoon-style parody of East Los Angeles'.[103] Similarly, in Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc., which concerned the virtual depiction of a trademarked military morale patch in a military-based video game, the court applied the Rogers test and entered summary judgment for the defendant.[104] Besides these, a lot of function-based virtual items and virtual platforms are found by the courts to qualify as expressive works in video games.[105] Both a club and a military morale patch are functional-based items. They possess narrative features, high production values, and immersive gameplay elements that qualify them for expressive work status. Their main purpose is to

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103 *ESS Entertainment 2000 Inc v Rock Star Videos Inc* 444 F Supp 2d 1012, 1037 (CD Cal 2006), *aff'd*, 547 F 3d 1095 (9th Cir 2008).

104 *Mil-Spec Monkey Inc v Activision Blizzard Inc* 74 F Supp 3d 1134 (ND Cal 2014).

105 See for example *Sherwood 48 Assocs. v Sony Corp. of Am*., 213 F Supp 2d 376 (SDNY 2002) and *Brown v Elec Arts Inc* 724 F 3d 1235 (9th Cir 2013).

create a realistic environment, creating the most authentic experience. In other words, it is indisputable that realism is an expressive goal in these video games. Based on such a 'realism-enhancing' feature, the courts determine that they meet the artistic or expressive threshold.

From these precedents, it can be observed that functional virtual items in video games which promote players' immersive experience are possible to be considered expressive. Then the issue may turn to the degree of expression that can be found in the functional-based VGIVS or in the virtual environment. Currently, despite much technological immaturity and uncertainty, we can say that the virtual environment has some game-like goals, includes games, and involves gamification, even though it is not necessarily equivalent to a game.[106] The virtual environment is highly immersive (even more than video games), creating a continuous, 3D digital space experienced through avatars. Under most circumstances, video games and the virtual environment capture audiences in a similar way, as it is, in essence, an interconnected virtual 'game'. The value of the virtual environment as an entertainment platform will be linked to the success of its games, measured by sales, players, playtime, and overall community investment.[107] A lot of functional-based VGIVS are actually mimicking real-life experience because that is one of the purposes and value of the virtual environment – to introduce a virtual reality universe where people can connect, create, and explore immersive experiences beyond the

106 Mathew Ball, 'The Metaverse: What It Is, Where to Find it, and Who Will Build It' (EPYLLION, 13 Janunary, 2020) <https://www.matthewball.co/all/themetaverse> accessed 3 Aug 2025.

107 'Video Games and the Metaverse: How Are They Connected?' (NEOREACH, 10 July 2022) <https://neoreach.com/video-games-and-the-metaverse/#Video_Games_Have_Paved_the_Way> accessed 3 Aug 2025.

limitations of physical space.[108] Therefore, it can be said that the function-based VGIVS are also pursuing realism, just like in video games. However, there are arguments that the expressive goal of realism should be seen as a result of the technological limitations of the past and in the virtual realism era, hyper-realistic virtual depictions may not require any creative solutions.[109] This argument actually misunderstands the threshold of 'expressive' in the Rogers test. The US courts have indicated that the expressiveness threshold is minimal - the Rogers test applies wherever the work is plainly expressive, in order that judges will not become art critics and not scrutinise the artistic quality or depth of the work.[110] Such a fairly low threshold stems from the constitutional rights and ensures First Amendment protection does not collapse into case-by-case aesthetic judgment. As long as the work is a plain expression of the author, the threshold can be met. Currently, mimicking reality in the virtual world still has its place. Therefore, unless highly realistic virtual worlds and function-based VGIVS have completely become the norm, realism and lifelikeness are possible to be the expressive goal for function-based VGIVS.

Ultimately, the key factor in determining whether a work is expressive is not the type of product itself. Both appearance-based and function-based items can be expressive.

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108 Courtney Shuck, 'What Is The Purpose Of The Metaverse' (ROBOTS.NET, 19 September 2023) <https://robots.net/ai/what-is-the-purpose-of-the-metaverse/> accessed 3 Aug 2025.

109 Yang, 'Trademark Law in the Virtual Realism Landscape' (n 91) 432.

110 *Champion v Moda Operandi* Inc 561 F Supp 3d 419, 434 (SDNY 2021) (quoting *Yankee Pub. Inc v News Am Pub Inc* 276.) See *also United We Stand America Inc v United We Stand America NY Inc* 128 F3d 86, 93 (2d Cir 1997) (explaining that the First Amendment protects the use of trademarks to further ''commentary, comedy, parody, news reporting, or criticism,'' among other things). The gist of these holdings is that as long as the plaintiff's trademark is used to further plausibly expressive purposes, and not to mislead consumers about the origin of a product or suggest that the plaintiff endorsed or is affiliated with it, the First Amendment protects that use. See *Yankee Pub v News America Pub* (n 95) 276. Therefore, it can be observed that the requirement of expressiveness is fairly low.

The utility does not necessarily undermine expressiveness. What is truly relevant here lies in the commercial nature and extent of the work. While such an assessment can be made intuitively in the real world, it presents some challenges in the virtual space. A luxury branded handbag in the physical world will definitely be considered commercial rather than expressive. That is probably because they are physically manufactured in the factory and offered in the outlet - the production and sales are away from the crowd. Consumers commonly associate trademarks with business. If someone unauthorisedly includes the trademark from a famous brand in his or her own product, it is simple to tell that it is counterfeiting. In contrast, in the virtual environment, everyone is able to create, own, invest, sell, and be rewarded for an incredibly wide range of 'work' that produces 'value' that is recognised by others.[111] Such a fully functioning economy breaks the commercial tradition in the real world. This greatly blurs the expressive and commercial realms.

In immersive environments, avatars are the primary medium through which users interact with others. The customisation of avatars - through clothing, accessories, and skins - serves as an expression of identity, akin to 'fashion' in the physical world. However, these same items are often branded virtual goods sold by rightsholders or third parties, with a pronounced commercial character. A virtual Gucci jacket in Roblox may be purchased by a user to express style, but its presence in-game also operates as an identifier of the source for Gucci, with potential real-world sales implications. The question comes to how to

[111] Ball (n 98).

define the nature of this virtual Gucci jacket. In the real world, it is quite certain that this is a commercial product. But in the virtual space, the line is not that clear.

Also, unlike static use of trademarks on physical goods, virtual environments maintain a persistent brand presence—users can wear, display, or interact with a brand continuously across multiple contexts and platforms. Persistence amplifies brand exposure and potentially increases consumer association between the mark and its source. For example, if the morale patch in Call of Duty could be worn persistently in user-generated livestreams, the commercial implications might outweigh expressive relevance. These transactions further embed the item in commercial activity, even when the item itself has expressive potential.

Moreover, there is a massive amount of microtransactions going on every day in the virtual platforms.[112] VGIVS may be traded across platforms and resold in secondary markets. And these microtransactions may limit defendants' ability to argue that virtual marks are purely expressive works under Rogers. If a virtual platform allows users to purchase and sell items through individual transactions, those items can be treated as isolated products, independent from the platform as a whole.[113] This separability means that the expressive qualities of the platform itself do not need to be taken into account when determining whether the specific VGIVS in question are expressive in nature.

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112 Eddie Makuch, 'Microtransactions, Explained: Here's What You Need to Know' (GAMESPOT, 20 November 2018) ('Generally speaking, a microtransaction is anything you pay extra for in a video game outside of the initial purchase. The thesis extend this term to refer to the transactions between users in the virtual environment.') <https://www.gamespot.com/articles/microtransactions-explained-heres-whatyou-need-to/1100-6456995/> accessed 20 August 2025.

113 Yang, 'Trademark Law in the Virtual Realism Landscape' (n 91) 433.

Consequently, every VGIVS can be commercialised and fail to qualify as an expressive work if it is offered as part of a microtransaction.

Given all these discussions above, there seems to be no clear legal standard or plausible precedent for us to determine whether a piece of VGIVS qualifies as expressive content. Therefore, there is a pressing need for a method to assess the expressive and commercial nature of VGIVS so as to determine whether defences like the Rogers test for fair use can apply.

Here is a case to illustrate some elements to determine the expressiveness of VGIVS. In April 2022, Gucci launched Gucci Town on Roblox, complete with avatar apparel ('Good Game' collection) and brought in football player Jack Grealish as a brand ambassador, whose avatar wears a Gucci headband while hosting mini-games.[114] When Grealish's avatar dons the headband, is it 'use in commerce' or merely a creative expression? It is probably a commercial one, functioning as a source identifier since Gucci Town is an official brand-run space and Grealish, as a brand ambassador, is conducting brand-building and promotion. While in a user-generated world, the same headband could be fan-made—and arguably expressive. In 2020, a collab work of a virtual Gucci jacket was made and launched by a 19-year-old Roblox creator, @cSapphire.[115] Similarly, there are lots of creators designing avatar skins that mimic luxury brands - Gucci, Dior and

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114 Madeleine Schulz, 'Gucci brings footballer Jack Grealish to Roblox's Gucci Town' (Vogue Business, 24 January 2023) <https://www.voguebusiness.com/technology/gucci-brings-footballer-jack-grealish-to-robloxs-gucci-town?utm_source=chatgpt.com> accessed 20 August 2025.

115 'Why luxury brands are doubling down on Roblox' (Glossy, 7 June 2021) <https://www.glossy.co/fashion/why-luxury-brands-are-doubling-down-on-roblox/> accessed 20 August 2025.

Burberry among them, even when there's no official brand involvement. The users choose these closings to craft unique looks and signal status within their social circles - akin to wearing a custom outfit in real life. The fan-made digital Dior jacket pasted onto a screenshot for an Instagram post is actually a form of self-expression. For this kind of fan art or parody, it is hard to see it as a source identifier and more reasonable to consider it an expressive work. It can be concluded that for the same function-based VGIVS within the same virtual environment, their trademarks may exhibit different attributes. The divergence in these determinations may essentially stem from differences in the specific context in which the mark is used and the intent behind the use. If the virtual environment is characterised by a strong commercial orientation, with a focus on brand marketing and promotion, and is operated by a well-known real-world company - such as Nikeland or Gucci Town - the use of marks within that space is more likely to be deemed commercial in nature. VGIVS-related trademarks in these virtual spaces lack an expressive element implicating First Amendment values like mimicking realism. Rather, it clearly designates a work's source. On the other hand, a virtual Gucci product may also appear in other general Roblox virtual environments that are operated by non-brand entities, like a multiplayer online gaming space, where self-expression and simulating reality are the primary focus. A street-side Gucci outlet or a set of Gucci outfits or skin can be an approach to enhance the realism of the virtual environment and increase the immersive quality of the virtual worlds. In such a context, the use of the mark tends to resemble expressive rather than commercial use. The situation may change with the quick evolution of virtual space that one cannot foresee – if the realism of virtual environment were the norm and pursuing

realism is no longer the expressive goal. Regarding the test of expressiveness, the thesis will further conduct a normative analysis in the following section.

To summarise, it is possible to establish expressiveness in VGIVS, whether they are aesthetic-based or function-based. Due to the immersive experience that virtual spaces seek to create by imitating reality, not only artistic works but also various functional-based VGIVS within these environments can embody expressiveness. The determination of expressiveness is highly fact-intensive and context-specific, influenced by multiple factors such as the context of use and the underlying intent.

4.2 The New Development of Jack Daniel's and Its Implications to VGIVS-related Trademark Disputes

It is dramatic that right after the federal jury has determined that Rothschild had infringed on Hermès' trademark rights, the US Supreme Court decided to choose a 'narrower path' in *Jack Daniel's Properties, Inc. v. VIP Products LLC*, that 'without deciding whether Rogers has merits in other contexts, we hold that it does not when an alleged infringer uses a trademark in the way the Lanham Act most cares about: as a designation of source for the infringer's own goods.' In other words, it is established that the Rogers test does not apply when a mark is used as a source identifier for the infringer's own goods. This narrow decision is entirely opposite to the attitude of the Second Circuit in Rogers, where it cautioned against depriving speakers with mixed uses of First Amendment protections and fashioned the test as a means to sort out these cases. This new development can

undoubtedly affect the application of the Rogers test on VGIVS-related trademark infringement.

4.2.1 A Case Brief of Jack Daniel's

It is dramatic that right after the federal jury has determined that Rothschild had infringed on Hermès' trademark rights, the US Supreme Court decided to choose a 'narrower path' in Jack Daniel's Properties, Inc. v. VIP Products LLC, that 'without deciding whether Rogers has merits in other contexts, we hold that it does not when an alleged infringer uses a trademark in the way the Lanham Act most cares about: as a designation of source for the infringer's own goods.' [116] In other words, it is established that Rogers test does not apply when a mark is used as a source identifier for the infringer's own goods. This narrow decision is entirely opposite to the attitude of Second Circuit in Rogers, where it cautioned against depriving speakers with mixed uses of First Amendment protections and fashioned the test as a means to sort out these cases. [117] This new development can undoubtedly affect the application of Rogers test on VGIVS-related trademark infringement.

In Jack Daniel's, VIP Products LLC marketed a line of parody dog toys under the 'Silly Squeakers' brand. One of the toys resembled the iconic Jack Daniel's Old No. 7 whiskey bottle, with humorous modifications, replacing the words 'Jack Daniel's' with

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116 *Jack Daniel's Properties, Inc. v VIP Products LLC*, 143 S Ct 1578, 1587 (2023).

117 Christine Haight Farley, 'Trademark Fair Use Is No Joke' (2024) 42 Cardozo Arts & Ent LJ 725, 734.

'Bad Spaniels'.[118] According to VIP, its 'purported goal in creating Silly Squeakers was to reflect on the humanisation of the dog in our lives, and to comment on corporations that take themselves very seriously.'[119] At first, the district court ruled that Rogers test was not appropriate in this case because VIP was using the marks of Jack Daniel's 'to promote a somewhat non-expressive, commercial product' and therefore found VIP liable for infringement and dilution.[120] On appeal, the Ninth Circuit reversed partly, holding that, because VIP's use conveyed a humorous message, it did 'more than propose a commercial transaction' and it was thus non-commercial speech.[121] The court also vacated the district court's finding of infringement, reasoning that the Bad Spaniels' product, despite being a dog toy, was an expressive work.[122] The court later ruled that VIP not liable for infringement and dilution on remand.[123] The Supreme Court then reversed the Ninth Circuit. It stated that when it comes to preventing confusion that could arise from source-indicating uses, "trademark rights 'play well with the First Amendment.'[124] Therefore, when an alleged infringer uses a trademark 'as a mark', no 'threshold First Amendment filter' applies.[125] A parody that serves as a source-identifier should not receive the broad First Amendment protection that the Rogers test grants.[126] Instead, its humorous nature

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118 *Jack Daniel's v VIP* (n 116) 1580.

119 *VIP Products LLC v Jack Daniel's Properties Inc* 953 F3d 1170, 1172 (9th Cir 2020).

120 *VIP Products LLC v Jack Daniel's Properties Inc* 2016 WL 5408313, *5.

121 *VIP Products LLC v Jack Daniel's Properties Inc* (n 119) 1173–74.

122 Ibid 1174-76.

123 *VIP Products LLC v Jack Daniel's Properties Inc* 2022 WL 1654040 (9th Cir 2022).

124 *Jack Daniel's* 143 S Ct (n 116) 1590.

125 Ibid 1587.

126 Ibid 1591–92.

may merely be a factor that can reduce the likelihood of consumer confusion—the key test for infringement.[127]

As for dilution, the Court held that VIP's use conveying a non-advertising message was insufficient for it to fit within the non-commercial use exclusion.[128] Instead, applying this exemption to parodies that also function as source identifiers would directly contradict the specific parody provision in the Lanham Act, which was intended for non-source-indicating uses.[129] Thus, the Court held that the 'non-commercial exclusion does not shield parody or other commentary when its use of a mark is similarly source-identifying.'[130]

4.2.2 MetaBirkins Case under Jack Daniel's: A Source Identifier?

It can be summarised the Supreme Court did not overrule the precedent - the Ninth Circuit's rule that the Rogers test applies where the mark is used in 'part of an expressive work protected by the First Amendment' remains good law in that circuit and other jurisdictions that follow this approach, but with the new exception announced by the Court that the defendant must not use the plaintiff's mark 'as a mark' themselves.[131] In other words, Jack Daniel's sets a new prerequisite for the application of Rogers test. In the past, the courts only see if the alleged work is expressive to decide. But after Jack Daniel's, the focus partly transfer from works to the mark. Rogers can only apply when two thresholds are met: the

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127 Ibid.

128 Ibid 1592.

129 Ibid.

130 Ibid 1593.

131 Christine Haight Farley, 'Jack Daniel's Properties v VIP Products and the Current State of Trademark Fair Use' (2023) 23 Chi-Kent J Intell Prop 119, 121.

alleged work is expressive and the mark is not an identifier of source. Consequently, Rogers test survives - it remains a shield for the parody which is inside an expressive work, for example the title or the content of an artwork, but not for one using trademarks on the packaging or product itself as trade dress or commercial branding.

This latest development is very relevant to VGIVS, as virtual environments host a wide range of parody works similar to Bad Spaniels created and released by independent artists or creators (MetaBirkins is a prime example). Such works often incorporate elements of real-world trademarks to convey artistic concepts or to enhance realism. So it is important to clarify if the mark is used as a source identifier. However, in Jack Daniel's case itself, VIP has conceded that it used the Bad Spaniels trademark and trade dress as source identifiers.[132] This has led the court not to elaborate in detail on how to determine whether a mark is being used as 'a designation of source for the infringer's own goods'. It turns out to be not at all clear how one is supposed to know when the plaintiff's mark is being used by the defendant 'as a mark' such that Rogers categorically does not apply in light of Jack Daniel's. In fact, it is sometimes impossible to determine whether a defendant is using a mark to indicate its products' source without resorting to the type of consumer-perception analysis that sits at the core of the likelihood-of-confusion test.[133]

The Second Circuit's later decision in Vans, Inc. v. MSCHF Product Studio, Inc provides some insights on the determination of being used 'as a mark'.[134] The Vans case

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132 Jack Daniel's (n 116) 1590.

133 S. Dogan and M. Lemley, 'Grounding Trademark Law Through Trademark Use', (2007) 92 Iowa L. Rev 1669, 1674.

134 *Vans Inc v MSCHF Product Studio Inc* 88 F 4th 125 (2d Cir 2023).

involved a trademark and trade dress infringement lawsuit in which Vans claimed the design of MSCHF's 'Wavy Baby' sneaker infringed upon Vans' rights in the design of its iconic 'Old Skool' sneaker.[135] In Vans, the Second Circuit has applied Jack Daniel's and reached its conclusion based on three factors.[136]

First, MSCHF used Vans's marks in 'much the same way' that VIP used the Jack Daniel's marks, evoking 'myriad elements of the Old Skool trademarks and trade dress,' namely, the Old Skool black and white color scheme, the side stripe, the perforated sole, the logo on the heel, the logo on the footbed, and the packaging.[137] Even though MSCHF did include its own branding on the sneaker, 'even the design of the MSCHF logo evokes the Old Skool logo.'[138] The Second Circuit focused on the fact that "MSCHF used Vans' trademarks—particularly its red and white logo—to brand its own products, which constitutes 'quintessential trademark use' subject to the Lanham Act."[139] The second factor is that the Second Circuit noted that unlike VIP in Jack Daniel's, MSCHF did not include any disclaimer dissociating 'Wavy Baby' from Vans or Old Skool shoes.[140] And third, the court determined that MSCHF's use of Vans's marks traded on the good will associated with Vans's brand. MSCHF had argued that it built the Wavy Baby product on Vans's marks because of those marks' specific cultural significance, in that '[n]o other shoe embodies the dichotomies—niche and mass taste, functional and trendy, utilitarian and

135 Ibid 129-130.

136 Ibid 138-139.

137 Ibid 138.

138 Ibid.

139 Ibid.

140 Ibid.

frivolous—as perfectly as the Old Skool.'[141] The Second Circuit concluded that this argument indicated an intention to benefit from the 'good will' that Vans had built over decades, citing language from Jack Daniel's to the effect that the use of a mark is source-identifying where 'the alleged infringer was "trading on the good will of the trademark owner to market its own goods."'[142] To conclude, the three factors that the Court take into consideration in Vans are trade dress and name, disclaimers and if the use of alleged mark is traded on the good will of the original source. These three-factor test can help determine whether the alleged mark is used to identify the source.

When we go back to MetaBirkins case, the issue is, as the Judge Chin raised in the court hearing, whether the use of the Hermès mark 'Birkins' in the word 'MetaBirkins' was used to identify the source of the MetaBirkins artwork. As this case is in the same circuit as Vans, the three-factor test established in Vans can be used as a reference. First of all, whether MetaBirkins artworks evoke original trademark and trade dress seems more of a factual and subjective problem. But it is clear that MetaBirkins look very much like an actual Birkin bag. Also, the "Meta" prefix did not fundamentally transform the name; rather, it suggested a digital iteration or extension of the Birkin brand into the metaverse. In other words, the name functioned not merely as commentary but as a badge of origin for a line

141 Ibid.

142 Ibid 128 (quoting and citing *Jack Daniel's* (n 116)).

of digital goods. In a word, both its appearance and name can lead consumers to think of a Birkin bag in the physical world.

Secondly, Rothschild's advertising for the MetaBirkins NFTs has included slogans such as 'NOT YOUR MOTHER'S Birkin' and the hashtags '#MetaBirkins GONNA MAKE IT' and '#MINT A METABIRKIN HOLD A METABIRKIN.'[143] On the MetaBirkins official website, Rothschild claimed that the works were 'inspired by the acceleration of fashion's "fur free" initiative and embrace of alternative textiles.'[144] Rothschild also posted a disclaimer on the site that read: 'We are not affiliated, associated, authorized, endorsed by, or in any way officially connected with the HERMÈS, or any of its subsidiaries or its affiliates' and included a link to the Hermès website.[145] These statements can constitute probative disclaimers. But in Jack Daniel's, the Supreme Court did not treat the presence of a disclaimer as determinative.[146]

When Rothschild initially sold the NFTs of the 'MetaBirkins' digital images, Rothschild described them as 'a tribute to Herm[e]s' most famous handbag, the Birkin, one of the most exclusive, well-made luxury accessories. Its mysterious waitlist, intimidating price tags, and extreme scarcity have made it a highly covetable 'holy grail' handbag that doubles as an investment or store of value.'[147] His statements show that he fully understood

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143 *Hermes Int'l v Rothschild* (n 80) 102 (citing Am Compl 88, 95-96).

144 Taylor Dafoe, 'Hermès Is Suing a Digital Artist for Selling Unauthorized Birkin Bag NFTs in the Metaverse for as Much as Six Figures' (Artnet, 2022) <https://news.artnet.com/art-world/hermes-metabirkins-2063954> accessed 22 Aug 2025.

145 Ibid.

146 See *Jack Daniel's v VIP* (n 116).

147 *Hermes Int'l v Rothschild* (n 80) 101 (citing Am Compl 94).

and acknowledged the commercial and cultural value of Birkin products, and that he intended to build his work upon the 'goodwill' established by Hermès. The branding of the project relied heavily on the 'Birkin' name. The NFTs were marketed under the title MetaBirkins, the collection was consistently described as such across social media, and what's more, Rothschild himself emphasised the connection to the Birkin brand as central to the project's identity. This is quite similar to the Vans case, where courts found that the defendant was trading on the goodwill of others, thereby making it more likely that the mark would be deemed to serve a source-identifying function. It is noteworthy that the artistic expression embodied in the virtual artwork does not conflict with the intent to profit from goodwill, and so the court will not deny such intent merely because an artistic concept is present. Under the case law of Vans, it is very likely that the court will decide the 'MetaBirkins' is used as an identifier of source and apply traditional likelihood of confusion test such as Polaroid factors.

The analysis above reveals the current dilemma faced by independent creators and artists in virtual environments: the narrower fair use legal standards established in Jack Daniel's and Vans, makes simulated and parodic VGIVS particularly vulnerable to infringement risks. Some of the risks posed by Jack Daniel's to the virtual environment are as follows.

4.2.3 What Jack Daniel's Means to VGIVS

The Jack Daniel's decision undoubtedly narrows the protective scope for artists and creators who mix parody with commercial sale and risks chilling creativity in virtual spaces.

The virtual world is unquestionably an expressive medium, one characterised by its abundant creativity. Specifically, virtual environments are uniquely fertile grounds for parody and remix culture.[148] Independent creators frequently borrow from real-world brands to produce humorous or satirical content—whether a virtual fast-food parody in Roblox or a digital art collection commenting on luxury fashion.[149] This happens partly because of economic incentives - controversy and humour can translate into significant sales in the virtual space as attention and novelty frequently lead to speculation that re-sale prices will go up. But this ultimately results from the nature of the virtual environment, which features an experience that spans both the digital and physical worlds and naturally encourages elements that are both drawn from real life and elevated beyond it.[150] However, in Jack Daniel's and Vans, their parodies and tributes (even if ones with disclaimers) are very likely to be seen as evoking various elements of the original trademark and trade dress and taking advantage of the brand's good will. And consequently their work will be interpreted as source-identifying and deprived of the First Amendment protection offered through Rogers test, but instead can only rely on the traditional likelihood of confusion analysis, which is much more uncertain. If courts consistently interpret such uses as source-

148 Eleanor Merrett, 'Parodies in the metaverse – the curious case of Pigeon McNuggets' (CMS-lawnow, 9 November 2022) <https://cms-lawnow.com/en/ealerts/2022/11/parodies-in-the-metaverse-the-curious-case-of-pigeon-mcnuggets> (…in the crypto space, as attention and novelty frequently lead to speculation that re-sale prices will go up.)

149 Ibid.

150 Ball (n 98).

identifying under Jack Daniel's, creators may avoid engaging with cultural symbols altogether, fearing litigation from powerful trademark owners.

Moreover, the characteristics of VGIVS are inherently and intrinsically in conflict with the non-source-identifying function that Jack Daniel's requires. In traditional art markets, an expressive work like a painting, film, or novel is understood primarily as art. If it references a trademark (say, Andy Warhol's Campbell's Soup cans), the trademark functions as part of the expressive content, not as a badge of origin for Warhol's works. But in VGIVS market supported by blockchain and NFTs, artworks are tokenized and sold as part of branded collections. Each collection has a name (like Bored Ape Yacht Club or MetaBirkins), a logo or distinctive design, and a market identity that consumers recognise. This branding structure is inseparable from the artwork itself. Buying a MetaBirkin NFT is not just acquiring a digital image of a furry handbag; it is acquiring a MetaBirkin-branded token. The expressive work is the brand. This turns the artwork into a branded commodity. Even if the art is parody, the brand identity is what allows the NFTs to be traded, valued, and resold. The consumer's interaction with the work is partly artistic, but also transactional and brand-driven. Therefore, it is fairly hard for VGIVS to pass the Jack Daniel's test of non-source-identifying. When everything sold has a 'brand', Rogers test will never play a role.

Another important implication from Jack Daniel's for virtual goods arises in relation to dilution. Under the Trademark Dilution Revision Act, non-commercial uses,

including parody, are exempted from liability.[151] VIP attempted to invoke this defence in Jack Daniel's, arguing that the dog toy was humorous commentary. The Court rejected this, holding that when parody is used to market a product, it is commercial use and not exempt.[152] This has significant repercussions for VGIVS, because even if a project has satirical or artistic intentions, the moment it is monetised through token sales or avatar marketplaces, it risks losing the non-commercial parody exemption. In decentralised economies where monetisation is inherent, this holding makes it substantially harder for creators to defend themselves against dilution claims by brand owners.

Summarising from above, the Jack Daniel's poses a huge threat to the creation in the virtual environment. The chilling effect is particularly concerning because VGIVS are often produced by small independent artists who lack resources to defend themselves against lawsuits. In the MetaBirkins litigation over the last two years, Hermès' global brand power easily overshadowed the individual creator. After Jack Daniel's, the legal terrain will shift further toward brand owners. The absence of the First Amendment protection could significantly discourage parody, criticism and tribute in the virtual environment, undermining one of the central cultural values of virtual spaces: the ability to play with,

151 Trademark Dilution Revision Act 2006. 15 U.S.C. § 1125(c)(3)(C) (exemption from dilution liability for non-commercial use of the mark).

152 *Jack Daniel's* (n 116) 1593.

critique, and reimagine real-world symbols. This might deprive the virtual space of its creative vitality and an important marketplace.

4.2.4 Critiques on Jack Daniel's from the Perspective of VGIVS

The Jack Daniel's case itself leaves certain issues unresolved. Foremost among them is that its adjustment of the threshold for applying Rogers test does not align with the original purpose of Rogers. The Rogers test seeks to protect the expressive function that trademarks often play in public discourse, which goes beyond their source identifying function.[153] The Rogers test's purpose of protecting non-commercial speech can be reflected from the statement below:

> 'The title of a movie may be both an integral element of the filmmaker's expression as well as a significant means of marketing the film to the public. The artistic and commercial elements of tides are inextricably intertwined....For all these reasons, the expressive element of tides requires more protection than the labelling of ordinary commercial products.'[154]

In establishing the Rogers test, the Second Circuit focus on safeguarding lawful speech, which possesses both artistic and commercial qualities. The court in Rogers itself acknowledged that film titles are both commercial and artistic. This same logic should extend to brand parodies, as consumers who buy such products are interested in buying the

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153 Devangini Rai, 'Jack Daniel's v VIP Products: Preserving the Rogers Test for Bad Spaniels' (2024) 39 Berkeley Tech LJ 1375, 1409.

154 *Rogers v Grimaldi* (n 94) 998.

speech inherent in the brand parody, which inextricably gets intertwined with the product. The Rogers test properly applies to all expressive uses of a trademark, excluding only such expressive uses of a mark that are purely commercial speech.[155] The only threshold inquiry in the Rogers test is whether the work is expressive enough for the Rogers test to be applicable. An expressive work satisfies the threshold requirement of the Rogers test if the trademark is used for expressive purposes beyond merely identifying the source of the product.

The Supreme Court's reasoning in Jack Daniel's rests on a flawed interpretation of *Harley-Davidson Inc v Grottanelli*, a case law that Supreme Court has relied upon to reject the application of the Rogers test in Jack Daniel's.[156] In *Harley Davidson*, the Second Circuit rejected to extend protection to the defendant's use of a modified version of the Harley-Davidson bar and shield logo in connection for promoting motorcycle repair services.[157] The Court dismissed the defendant's parody defence, reasoning that what appeared to be humorous take on the plaintiff's logo was actually employed to market the defendant's competing business. It is established that where an alleged parody lacks transformative artistic expression and instead functions primarily as a source-identifier for

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155 Mark A. Lemley and Sari Mazzurco, 'The Exclusive Right to Customize', (2023) 103 Bos L Rev 386, 459.

156 *Jack Daniel's v VIP* (n 116) 1589 (citing *Harley-Davidson Inc v Grottanelli* 164 F3d 806, 812-813).

157 *Harley-Davidson v Grottanelli* 813.

competing commercial services, it fails to qualify for First Amendment protection under parody defences.

The facts in Jack Daniels can be distinguished from Harley-Davidson. In Harley-Davidson, the Second Circuit declined to apply the Rogers test because the defendant's altered logo lacked any genuine expressive or parodic content. 'Bad Spaniels' mark, on the other hand, as a parodic reference to Jack Daniel's, was used to sell a dog chew toy, which is not even remotely proximate to the plaintiff's alcoholic beverages.[158] It can be seen that the court failed to control the key variables in the case - namely, the proximity of the goods and the transformative nature of the parody - and instead focused solely on whether the mark was used as a source identifier. In fact, the Bad Spaniels mark has made modifications with a humorous element, endowing it with an expressive nature and hence transformative, unlike Harley Davidson, thus making it eligible to be protected under the Rogers test.[159] The Supreme Court's reliance on Harley Davidson thus mischaracterised the extent of protection warranted for Bad Spaniels, overlooking that the Rogers test is meant to safeguard non-commercial speech, even when expressed through commercial goods. Accordingly, the Bad Spaniels trademark offered more than proposing a mere commercial transaction. It playfully reinterpreted the Jack Daniel's trademark while being attached to a product offered for sale. In this case, the application of the Rogers test would accommodate the role of brands as an expressive canvas in the modern day.[160] To conclude,

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158 Hannah Knab, 'Jack Daniel's Highlights the Second and Ninth Circuit Divide on the Application of the Rogers Test', (2022) 3 AM U Bus Rev 517, 530 ('The Harley Davidson court held that a product using a humorous representation of another product, especially that of a competitor, for self-promotion cannot be both expressive and commercial').

159 Ibid 530.

160 See Lemley and Mazzurco (n 155) 459.

the Supreme Court's decision that the Rogers test does not extend to uses involving source identification ultimately distorts the test's underlying purpose, which is, to safeguard all expressive uses of trademarks that function as forms of non-commercial speech.

Additionally, in Jack Daniel's, the main source of contention in the Jack Daniel's case was if it was appropriate to apply Rogers test's heightened standard for infringement in cases where the accused infringer's products are not movies, plays, books, songs, or other expressive works that have titles, but instead ordinary commercial products.[161] The Court has failed to (or it did not intend to) address the nature of this kind of goods - ordinary commercial products with a certain extent of expressiveness. This issue is very central in the virtual environment, where VGIVS operate at the intersection of expression and commerce. The business model of the virtual environment is free and decentralised, where any item can be created, minted, monetised, duplicated, traded and resold.[162] These characteristics significantly lower the threshold for expressive uses of trademarks. The free creation, duplication and resale has led to disputes over works like artwork with titles, that would have fallen within the realm of fair use in the physical world. While it must be acknowledged that the virtual space can easily become a breeding ground for 'counterfeit' of physical goods, it is equally true that works with genuine independent expressive value also exist. As discussed in the previous section, when assessing fair use of VGIVS-related trademarks, the central issue lies in weighing the expressive and commercial elements. The Jack Daniel's presented a valuable opportunity to address this issue, but the Court did not provide a satisfying answer. In light of the challenges revealed by virtual environments,

161 Farley (n 131) 120-121.

162 Ball (n 106).

the principles established in Jack Daniel's risk forcing courts into a binary, without offering a viable mechanism for balance. What is needed is a clearer legal standard, one that reflects the distinctive features of virtual spaces, to strike a fair balance between the right of free expression and creation in the virtual environment and the protection of established trademark interests in the real world.

4.3 Toward an Adjusted Speech-protective Doctrine for VGIVS

4.3.1 The Proposal of the 'Reasonable Expressiveness' Threshold

The Jack Daniel's complicates the situation of fair use test in trademark infringement, applying too broad a scope of protection and threatening freedom of expression. Scholars have suggested alternative frameworks that might better balance the trademark rights and free expression. Farley and Ramsey proposed a broad trademark fair use doctrine to supplement the current fair use system.[163] It sets an informational or expressive use threshold requirement, which means the test applies if the defendant's use of the mark is informational (e.g., using descriptive terms, news reporting, comparative advertising) or expressive (e.g., parody, satire, criticism, artistic expression).[164] This is a broad gateway that covers uses on any medium—not just traditional 'expressive works' like books or films, but also T-shirts, dog toys, advertisements, etc. If the threshold is met, the use is not infringing unless the plaintiff can prove one of the following: (1) False statement - the use makes a false claim about the defendant's own products (e.g., false sponsorship,

163 Christine Haight Farley and Lisa P. Ramsey, 'Raising the Threshold for Trademark Infringement Protect Free Expression' (2023) 72 American University Law Review 1225, 1274.

164 Ibid 1277.

endorsement, or approval by the trademark owner); or (2) Likely to mislead - The use is likely to mislead a reasonable person about the source of the goods, services, or message (e.g., who produced or is responsible for the product).[165] This model emphasises the context, arguing the court should consider the content of the use (Is it modified? Is it part of a joke?), the context (e.g., Is it used as a trademark? Where is it placed?) and the type of product sold or provided under the mark (e.g., T-shirt vs. documentary).[166] Unlike traditional fair use doctrine, it avoids subjective artistic evaluations and protects against source confusion only, which means the confusion about sponsorship, affiliation, or approval is not enough—only confusion about source should lead to liability.[167]

This approach, if applied in the real world, may appear somewhat excessive, even affording a broader scope of protection for expressive freedom than the Rogers test. However, it offers useful insights for assessing fair use of trademarks in virtual environments. That is, it is important to take the content, the context and the product sold or provided under the mark into account. The current legal standard hardly focuses on all three elements simultaneously, and the absence of any one of them may tip the balance between free expression and trademark rights.

As illustrated in this thesis before, unlike the relatively stable domains of physical goods or traditional media, virtual spaces are marked by fluidity, low barriers to entry, and the blurring of artistic creation with commodity production. Thus, the risk of free-riding

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165 Ibid 1280.

166 Ibid 1283-1287.

167 Ibid 1288.

and infringing real-world trademarks increases, which necessitates clear and definite legal standards. Therefore, this part suggests modifying the threshold requirement of the Rogers test to make it better suited to the scenario of virtual spaces. When everything can be expressive in the virtual environment, it is simply not reasonable to apply Rogers test to all the VGIVS.

First of all, since the expressive work in the virtual space is almost inevitably embedded in a commercial layer, it is vital to remain faithful to the spirit of the First Amendment and the Rogers test and insist on a broad and inclusive threshold here, ensuring that parody, commentary, satire, tribute and other expressive deployments of marks are all brought under the scope of fair use. This means that courts should be cautious not to extinguish artistic commentary merely because it's sold or marketed, nor should they automatically consider branding inherent in VGIVS distribution as disqualifying. But also, in the virtual space where virtually everything can possess some degree of expressiveness, it would be untenable to allow all goods to fall within the scope of the Rogers test.

Therefore, the thesis argues that, the courts should not just rely on the previous 'plain expressiveness' threshold requirement as in the past. Instead, a 'reasonable expressiveness' threshold is necessary. Under this threshold, the work is required to have a certain degree of expressiveness - the interest of expression on it should at least outweigh the trademark interest at stake. And accordingly, courts should conduct a more detailed assessment of the relative weight of expressiveness and commerciality to determine whether it has such reasonable expressiveness. Here, a 'content-context-product' three-

factor assessment can be employed by the courts. If there are at least two factors signalling that there is reasonable expressiveness within the alleged work.

They should, for one, examine the content of the work to determine whether the mark has been transformed or contextualised in a way that signals expression. Evidence may come from photographs, screenshots of webpages, print advertisements, or other documents which show the accused infringer is or is not using the words or symbols for their inherent informational or expressive meaning, to refer to the plaintiff (such as in news reporting or comparative advertising), or to set forth the purpose of the products.[168] Such evidence can also show whether the defendant modified the plaintiff's mark in some way or added expression to it (such as a parody or mashup).[169] For another, the court should assess the context of the use in terms of its placement within platforms and interfaces. The evidence includes content-neutral evidence about the places where it displays the plaintiff's mark (e.g., within an advertisement, website, domain name, social media post, username, or the title or content of an expressive work).[170] In the virtual space and marketplace, the context information can come from whether the platform architecture - such as platform UI, verification badges, category placement, creator disclaimers, or wallet addresses - signals independence or affiliation and whether the community norms in the relevant virtual space treat parody or remix as recognisable categories of expression. Notably, whether the mark is used as a source identifier is also relevant but not decisive here - to

168 Ibid 1283.

169 Ibid.

170 Ibid 1285.

whether the use is infringing under the Lanham Act.[171] Additionally, it may help by evaluating the type of virtual product being offered, distinguishing between narrative-driven content and substitute digital commodities that replicate physical goods. For example, a virtual wearable Birkin bag is more proximate to the real-world Birkin bag than the MetaBirkins collections. The type of product is not a decisive factor and it must be considered along with the other two factors.

Regarding the subsequent two-prong stage, the assessment of artistic relevance for VGIVS is of little difference from that in the real world. As for the second prong 'explicit misleadingness', it is left in the next section 'likelihood of confusion' to discuss.

4.3.2 The Application of the Three-factor Assessment

Under this model, the MetaBirkins NFT can satisfy the threshold requirement of 'reasonable expressiveness'. Firstly, Rothchild has modified the Birkin bag in the appearance and name, though slightly, to set forth the philosophy and purpose of the products - as commentary on luxury fashion and sustainability. And the author's addition to the expression constitutes a mashup. Secondly, its official website exhibits unique UI and creator disclaimers showing its distinctiveness and irrelevance to Hermès. Finally, the proximity of products is arguably not high since the NFT is in Class 9 of NCL while the Birkin bag is in Class 25. On the other hand, the plaintiff can, of course, allege that MetaBirkins NFT cannot pass the first and second factors and there is definitely sufficient

[171] *Jack Daniel's v VIP* (n 116) 1589 ('Some of those uses will not present any plausible likelihood of confusion—because of dissimilarity in the marks or various contextual considerations.')

evidence to support its argument. Therefore, applying the 'reasonable expressiveness' test is fair to both sides because it incorporates multiple evaluative factors and thus minimises the margin of error in the analysis. Compared with the single-factor Jack Daniel's, which diverged from the First Amendment, this method appears better suited to trademark infringement cases arising in the complex and novel context of virtual environments.

This model can also be applied to Yuga Labs, Inc. v. Ripps. [172] In Yuga, the defendant created his own NFTs linking to the exact same BAYC NFT images that Yuga Labs used, claiming this was a parody of sorts, aimed to educate the public about the nature of NFTs, and also about the allegedly racist and neo-Nazi aspects of the BAYC project. The Court held that the US First Amendment free speech protection defence does not apply because Ripps' s creation of NFTs pointing to the same images at Yuga's NFTs is not an expressive artistic work as required. If applying this three-factor analysis, it can be easily found that the context factor is not in favour of the defendant since he directly copied the BAYC images from the Yuga Labs version, even choosing the same labelling numbers and thus did not transform them or add any of his own creative content. And for the product factor, it is clear that the defendant was marketing the same type of product as the plaintiff. Therefore, there are at least two factors that negate the alleged work's expressiveness. This conclusion aligns with the court decision.

To summarise, this approach integrates the strengths of existing doctrines while addressing their gaps. Rogers ensures that expressive works are given broad shelter, but

[172] *Yuga Labs, Inc. v Ripps*, No. CV 22-4355-JFW(JEMX), 2023 WL 3316748 (CD Cal 2023).

without the clarifications it seems too vague in virtual contexts, resulting in many hybrid VGIVS that are both expressive and commercial being left in uncertainty regarding the scope of protection. More importantly, this clarification can fill the gap left by the Jack Daniel's by drawing a relatively clear boundary between the commercial and expressive dimensions of VGIVS. To conclude, it aligns with the First Amendment's protection of artistic expression while also recognising the structural realities of virtual worlds. And it can prevent brand owners from exercising excessive control over expressive references, while still offering remedies against misleading appropriation that operates as counterfeit branding.

4.4 Likelihood of Confusion in the Virtual Environment

When the Supreme Court rejected the application of the Rogers test and then subjected Bad Spaniels to the traditional likelihood of confusion test,[173] the central inquiry in trademark infringement analysis. Trademark infringement occurs where the defendant's false representation is likely to cause confusion to consumers. In assessing whether such a

[173] *Jack Daniel's v VIP* (n 116) 1587.

likelihood of confusion has been created, courts in the US have applied multi-factor tests.[174] One of the most famous tests is the Second Circuit's Polaroid factors:[175]

> 'Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account.'

The EU has also established a similar trademark infringement regime to that in the US.[176] When the CJEU was determining the scope of trade mark protection in Sabel v. Puma, it held that the test for trade mark protection is whether there is a 'likelihood of confusion' which includes the 'likelihood of association'.[177] To find trade mark

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174 See for example the Second Circuit's 'Polaroid Factors', *Polaroid Corp. v Polarad Elecs. Corp.,* 287 F.2d 492, 495 (2d Cir 1961). See also the Seventh Circuit's "Helene Curtis Factors", *Helene Curtis Indus., Inc. v Church & Dwight Co.*, 560 F.2d 1325, 1330 (7th Cir 1977) (In determining 'likelihood of confusion' several factors are important: 'the degree of similarity between the marks in appearance and suggestion; the similarity of the products for which the name is used; the area and manner of concurrent use; the degree of care likely to be exercised by consumers; the strength of the complainant's mark; actual confusion; and an intent on the part of the alleged infringer to palm off his products as those of another'.) See also the Ninth Circuit's 'Sleekcraft Factors'*, AMF Inc v Sleekcraft Boats* 599 F2d 341, 348–49 (9th Cir 1979) (In determining whether confusion between related goods is likely, the following factors are relevant: 1. strength of the mark; 2. proximity of the goods; 3. similarity of the marks; 4. evidence of actual confusion; 5. marketing channels used; 6. type of goods and the degree of care likely to be exercised by the purchaser; 7. defendant's intent in selecting the mark; and 8. likelihood of expansion of the product lines.) It can be seen that all of these tests are roughly similar.

175 *Polaroid Corp v Polard Elecs. Copr*, 287 F 2d 492, 495 (2d Cir,1961).

176 Graham Dutfield and Uma Suthersanen, *Dutfield and Suthersanen on Global Intellectual Property Law* (2nd ed, Edward Elgar 2020) 224.

177 Case C-251/95 *Sabel BV v Puma AG*, *Rudolf Dassler Sport* [1997] ECR I-6191, I-6224.

infringement, some degree of confusion on the part of the public is essential. Moreover, the likelihood of confusion should be appreciated globally, taking into account all the factors relevant to the case, such as visual, aural and conceptual similarity of marks.[178] The Court further noted that the ordinary consumer normally perceives the mark as a whole and does not necessarily analyse each element of the mark, adding that the more distinctive and stronger the mark, the greater the likelihood of confusion.[179]

Since the Jack Daniel's has limited the application of Rogers test, the multi-factor tests will be widely applied to VGIVS-related trademark infringement cases. In fact, even in the Rogers test, the Second Circuit has essentially moved 'the explicitly misleading' prong back towards a likelihood of confusion analysis, albeit one where there must be a particularly compelling likelihood of confusion is required to outweigh the First Amendment interest recognised in Rogers.[180] Put another way, the most important difference between the Rogers consumer confusion inquiry and the classic consumer confusion test is that consumer confusion under Rogers must be clear and unambiguous to override the weighty First Amendment interests at stake.[181] In the MetaBirkins case, the

178 Ibid.

179 Ibid.

180 See *Twin Peaks Prods., Inc. v Publications Int'l, Ltd*., 996 F.2d 1366, 1379 (2d Cir 1993) ('This determination must be made, in the first instance, by application of the venerable Polaroid factors, … likelihood of confusion must be particularly compelling to outweigh the First Amendment interest recognized in Rogers').

181 Ibid.

Southern District Court of New York applied Polaroid factors and identified the relevant considerations, which are:

> '(1) the strength of Hermès' mark, with a stronger mark being entitled to more protection; (2) the similarity between Hermès' 'Birkin' mark and the 'MetaBirkins' mark; (3) whether the public exhibited actual confusion about Hermès' affiliation with Rothschild's MetaBirkins collection; (4) the likelihood that Hermès will 'bridge the gap' by moving into the NFT space; (5) the competitive proximity of the products in the marketplace; (6) whether Rothschild exhibited bad faith in using Hermès' mark; (7) the respective quality of the MetaBirkin and Birkin marks; and, finally, (8) the sophistication of the relevant consumers.[182]

Hermès commissioned a study that found an 18.7% net confusion rate among potential consumers of NFTs.[183] Alongside this aggregate data, the plaintiff also submitted anecdotal evidence of social media users and the media that allegedly shows actual confusion over the fashion company's role in the project. [184] The parties disagree vehemently over whether consumers were confused about Hermès' association with the MetaBirkins project.[185] The jury held that the evidence is sufficient to show actual confusion.[186] The jury further held that, even assuming that the evidence of actual

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182 *Hermès Int'l v Rothschild*, 2023654 F Supp 3d 268, 281 (SDNY 2 February 2023).

183 Ibid 282.

184 Ibid.

185 Ibid.

186 Hermès International v Mason Rothschild 678 F Supp 3d 475, 486 (SDNY 2023) (citing *Lon Tai Shing Co., Ltd. v KochvLowy*, 1992 WL 18806, *3 (SDNY. January 28, 1992), which found that a survey showing at least 18% of respondents reflected actual consumer confusion 'satisfies the necessary threshold for determining actual confusion in this Circuit.')

confusion in this case was insufficient, 'actual confusion need not be shown to prevail under the Lanham Act,' and a reasonable juror could have found him liable because the other Polaroid factors weighed heavily against him.[187] These factors include the similarities between the design of the Birkin handbag and the MetaBirkins NFTs, testimony that confirms the strength of Hermès' 'Birkin' mark and statements suggesting that Hermès intended to 'bridge the gap' by entering the virtual space.[188]

In fact, when applying the Polaroid factors, the District Court did not provide a detailed analysis, but instead offered only very brief observations on four of them. The court's ultimate decision relied heavily on Rothschild's intent to deceive consumers. This reasoning is confusing since the defendant's intent to mislead is never a step in the Rogers test. It is uncertain whether the Court was attempting to establish a new legal standard for assessing confusion in virtual environments. In any case, the application of the Polaroid factors in this case was rather superficial. The court essentially approached VGIVS through analogies to physical goods, presuming that the same consumer expectations and market dynamics apply. In doing so, they risk overestimating confusion and underestimating the expressive dimensions of digital works. Some of the Polaroid factors may carry different implications in the virtual world compared to the physical one, and such differences may,

187 Ibid (citing *Lois Sportswear, USA Inc v Levi Strauss Co* 799 F 2d 867, 875 (2d Cir 1986)).

188 Ibid.

in turn lead to divergent outcomes in the likelihood of confusion analysis. The legal standards need to be reconsidered, to some extent, to capture the features of VGIVS.

The determination of actual confusion of consumers can be problematic in the virtual environment. It is admitted that the actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to the source.[189] It nevertheless has carried great evidentiary weight in trademark infringement analysis, since the consumers are at the centre of trademark law. In the context of a virtual environment, the central question ultimately relates to whether an unauthorised virtual product is likely to cause consumers' confusion with a real-world product.[190] This issue is far more complex than it seems, as determining the likelihood of confusion in this question means going back and forth between the virtual and physical worlds, each of which involves different consumer perceptions and psychology. If, however, both marks originate within virtual environments, the problem becomes much less problematic. Traditionally, confusion arises when consumers purchase a product believing it originates from, or is sponsored by, another trademark owner. In the virtual world, however, everything is made up and the boundary between the virtual and the real seems to add a layer of separation to consumer perception, making it inherently not easy for consumers to believe that the marks on VGIVS actually indicate a real-world source. At present, there is no evidence to suggest that this boundary between virtual and physical spaces has disappeared. Directly transplanting the confusion analysis in the physical world to this cross-world context can be very speculative, premised on the assumption that all real-world brands have entered the virtual space and launched

189 *Lois Sportswear, U.S.A., Inc. v Levi Strauss & Co*.875.

190 INTA, White Paper Trademarks in the Metaverse (n 37) 46.

virtual goods, which is not the case: apart from a handful of luxury brands like Dior and industry giants such as Adidas and Nike experimentally (or used to) entering virtual spaces and releasing VGIVS, it has not become a common practice among consumer businesses. Accordingly, consumer perception becomes more nuanced and the factor of sophistication of consumers can be rather unreliable.

If following the US approach in the real world - using consumer surveys, it is uncertain whether the outcome reflects the genuine situation because consumers' perception is more than unpredictable. In fact, the courts have warned against extensive reliance on survey data in assessing trademark infringement claims, cautioning that particularly in cases involving First Amendment concerns, courts should 'treat the results of surveys with particular caution' and that in parody especially, 'there is particular risk in giving uncritical or undue weight to surveys.'[191] Especially in the virtual environment, where parody and mashup frequently happen, it becomes even harder to identify the material confusion. Moreover, it should be noted that the consumers here should refer to 'relevant' consumers.[192] People who are simply unlikely to make any purchasing decision at all about a product or service may be confused, but their confusion has no impact, and therefore, their opinions should be disregarded.[193] The MetaBirkins NFTs were marketed through famous NFT marketplaces, OpenSea and Rarible. To access these platforms, users have to register their own crypto wallet. This means the VGIVS purchasers on these

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191 *Jack Daniel's* 164.

192 See *Havana Club Holding, S.A. v Galleon S.A.*, 203 F.3d 116, 131-32 (2d Cir 2000). See also *Weight Watchers Int'l Inc v Stouffer Corp* 744 F Supp 1259, 1272-73 (SDNY 1990). Courts routinely demand a showing of confusion among "relevant" consumers.

193 Rebecca Tushnet, 'Running the Gamut from A to B: Federal Trademark and False Advertising Law' (2011) 159 U. Pa. L. Rev 1305, 1359.

platforms are with certain knowledge of the features and business of the virtual environment and they are likely to recognise the artistic or parodic nature of a project like MetaBirkins and treat it as a commentary piece rather than as an official Hermès release. Others, however, particularly casual users encountering branded digital wearables on some social media, may reasonably assume that the presence of well-known marks signals endorsement or sponsorship. If surveys and analysis take these 'consumers' into account, the result will never be objective and the actual confusion factor will always be in favour of the original brand owner.

Another problem lies in the proximity of the products. As illustrated in the last two chapters, VGIVS and NFTs are complex in nature. In essence, they may be nothing more than a line of code or a set of data, which would lose all meaning if stripped of their appearance or the mark; by contrast, physical goods have tangible significance - even without external design or trademarks, they still retain their inherent functional attributes. In the NCL system, the two are likewise placed in very different categories. In terms of use, the experience of consuming virtual goods can differ entirely from that of physical goods. It remains questionable if a physical item is proximate to its digital replica. This may go back to the problem of natural expansion zone – whether a brand can naturally expand the influence of its products over its digital counterparts. This thesis argues that it is premature to adopt such an assumption. Brand owners should not be granted absolute

advantages merely on the basis of certain indications or possibilities, as doing so would risk undermining the free creation and development of virtual spaces.

Though certain traditional factors for assessing confusion may prove ineffective in virtual spaces, there are some new factors that could be useful in making such determinations. One of them is to observe the consumers' purchasing decisions. The likelihood of confusion may bear a certain causal relationship with the amount that consumers would pay for the product, particularly in virtual environments.[194] If we look at Jack Daniel's, it seems unlikely that many people were buying the Bad Spaniel's dog toy or paying more for it because they were confused into thinking that it is sponsored by Jack Daniel's. So if approaching from a consequentialist perspective, this alleged confusion is irrelevant or at least given less weight in the ultimate balancing analysis because the consumers' purchasing decisions and their interests remain unaffected.[195] In the context of virtual spaces, however, consumers were actually paying more for the MetaBirkins NFT (even higher than the Birkin bag itself). Because there is no actual utility inside these VGIVS and NFTs and what matters is the cultural and aesthetic values. The bragging rights and "pwnership" value of being recorded on the blockchain as the registered owner of a digital or physical item exceeds the value of the uninhibited right to possession and use of

194 Andrew C. Michaels, 'Confusion in Trademarked NFTs' (2024) 1 Stanford Journal of Blockchain Law & Policy 1, 37-38.

195 Mark A. Lemley & Mark P. McKenna, 'Irrelevant Confusion' (2010) 2 Stan. L. Rev 413, 415.

the item.[196] That explains why the confusion facilitates the willingness to pay – the original brand's prestige and trademark strength are vital in the virtual environment.

The degree to which confusion would affect purchasing decisions could also potentially be considered as the factor of the defendant's intent, as this would provide an incentive for the defendant to intentionally cause confusion.[197] This highlights the position of the defendant's intent of use in the analysis of VGIVS-related trademark infringement. Therefore, when analysing the likelihood of confusion in the virtual environment, it matters to check if the material confusion exists and whether it affects consumers' decisions.

To summarise, among multiple Polaroid factors, the actual confusion, sophistication of consumers and proximity of products are less effective in the virtual environment, while the strength of the original trademark and the intent of use remain helpful. Though the traditional factors sometimes fail, the consequentialist approach can play a role – the key is to focus on whether there is material confusion that affects consumers' decisions and interest. Through this, the current legal regime can accommodate the new situation in the virtual environment.

196 Murray (n 16) 16.

197 Michaels (n 186) 38.

5 CONCLUSION

The thesis has conducted a comprehensive analysis of the application of the 'real-world' trademark law to the virtual environment. From registration, use, infringement, to fair use, it covers most of the key elements in trademark law. Generally speaking, what trademark law needs in the virtual world is not reconstruction or innovation. Rather, when the physical world and the virtual world unprecedentedly collide with each other, it is the clarification and interpretation that count.

This research addresses only a few new issues. Rather, it deals with many existing and persisting trademark issues, which embody new features and developments in the virtual environment. In fact, there are no such things as entirely novel and mysterious challenges from virtual environments, nor are there circumstances that current trademark law is completely incapable of anticipating or handling. The contribution of this research lies in refining certain traditional trademark law doctrines in the new light of virtual spaces and in response to some disruptions brought by virtual spaces. That being said, the virtual world creates opportunities for trademark law. Because most VGIVS are hybrid - possessing expressive value while also being tradable as commodities. When everyone can create and trade anything, one may help but ask – would the threshold of the traditional Rogers test have been set so low that it upsets the balance between free speech and trademark rights? One may also realise that the principles established in Jack Daniel's can mean a disaster to the virtual space, which is characterised by vibrant parody and cultural mashup. Thus, a reasonable expressiveness threshold and a three-factor test can fill the gap. When the overlap between virtual and physical environments makes consumer perception

uncertain, prompting us to move away from the inconvenient 'actual evidence of confusion' test, and instead to consider confusion from the perspectives of consequences and intent.

Indeed, the thesis has left many trademark issues in the virtual environment unresolved, prime examples being the trademark licensing and multi-jurisdictional enforcement. In any event, many of the conclusions reached in current discussions are only provisional, and as virtual spaces continue to rapidly evolve, many of these issues will become increasingly clear.

To sum up, the emergence of virtual environments offers trademark law an opportunity for improvement; conversely, trademark law principles safeguard the free and dynamic development of virtual environments. The legislative and the courts are suggested to comprehensively consider the features of the virtual environment, correspondingly interpret the trademark law doctrines to keep them playing a vital role in fighting bad-faith uses in virtual environments, protecting both consumers and brand owners, and at the same time encouraging broader participation in virtual worlds.

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