Hermès Int'l v. Rothschild No. 22-cv-384 (JSR), 2023 WL 1458126 (S.D.N.Y. Feb. 2, 2023)

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BACKGROUND

Defendant Mason Rothschild ("Rothschild") is a digital artist and serial entrepreneur in Los Angeles, California. Rothschild previously worked for luxury fashion brands such as Christian Dior and Saint Laurent. In 2021, Rothschild began two Birkin bag projects relating to the Birkin bag owned by plaintiffs Hermès International and Hermès of Paris, Inc. (collectively, "Hermès").

Plaintiff Hermès is a French luxury fashion brand known for its high quality and craftsmanship, selling products under its iconic Birkin line. Hermès'ss federally registered Birkin trademark covered tangible handbags. Since 1986, Birkin sales in the United States have reached USD $1 billion. One Birkin bag costs between USD $9,000 and USD $30,000, making it an opulent and exclusive product.

In December 2021, Rothschild created a hundred non-fungible tokens ("NFTs") linked to his collection of digital images called "MetaBirkins." "NFTs are digital records of ownership, typically recorded on a publicly accessible ledger known as 'blockchain.'"[1] The collection depicted Birkin bags covered in fur, ranging in color and design, and portrayed with a slightly blurred effect. Each MetaBirkin NFT has its own smart contract, which is a computer code recorded through the blockchain that identifies the name of each NFT, restricts its means of sale and transfer, and dictates the digital assets associated with each NFT. Rothschild sold nearly USD $1 million of the MetaBirkins at Art Basel in December 2021. Rothschild also received a 7.5% resale value in creator fees.

PROCEDURAL HISTORY

Hermès sent Rothschild a cease-and-desist letter on December 12, 2021. On January 14, 2022, Hermès filed suit against Rothschild for trademark infringement, dilution, cybersquatting, and unfair competition.

Both parties filed cross-motions for summary judgment regarding the appropriate legal test to evaluate the trademark infringement case and whether the MetaBirkins infringed or diluted Hermès's Birkin trademark. The United

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1. Hermes Int'l v. Rothschild, No. 22-cv-384 (JSR), 2023 WL 1458126, at *2 (S.D.N.Y. Feb. 2, 2023).

States District Court for the Southern District of New York denied both motions on December 30, 2022. On February 8, 2023, a federal jury decided whether Rothschild was liable for Hermès's allegations and whether the First Amendment protected Rothschild. Hermès requested a preliminary injunction on March 3, 2023, to prevent Rothschild from promoting and selling the MetaBirkins collection.

ISSUE

The United States District Court for the Southern District of New York addressed the parties' cross-motions for summary judgment on two issues: (1) whether the digital images in the MetaBirkins NFT collection should be evaluated as an artistic work using the *Rogers* test or as a general trademark using the *Gruner + Jahr* test; and (2) whether the images and products in the MetaBirkins collection infringed or diluted Hermès's Birkin trademarks.

DECISION

The district court reaffirmed that Rothschild's collection should be analyzed as an artistic work under the *Rogers* test. The court also denied the parties' cross-motions for summary judgment because there remained genuine issues of material fact. A federal jury found that Rothschild was liable for trademark infringement, dilution, and cybersquatting and was not shielded as protected speech under the First Amendment of the U.S. Constitution. Hermès was awarded USD $133,000 in damages.

REASONING

Hermès brought four causes of action against Rothschild. First, Hermès alleged that the MetaBirkins collection infringed the Birkin mark's design and iconography. Second, Rothschild's use of Hermès's Birkin mark diluted and damaged its goodwill and distinctiveness. Third, Rothschild's website domain name, https://metabirkins.com, was confusingly similar to the Birkin mark and constituted cybersquatting because it diluted and harmed its goodwill and distinctiveness. Fourth, by using the Birkin marks, Rothschild violated state and federal unfair competition laws.

First, to determine whether the MetaBirkins collection infringed the Birkin mark's design and iconography, the court had to weigh whether Rothschild's MetaBirkins collection should be evaluated under the *Rogers* test or the *Gruner + Jahr* test. In making its determination, the Court considered when and how to use each test. The *Rogers* test evaluates trademark infringement in artistic works.[2] The *Gruner + Jahr* test assesses trademark infringement in all other works, primarily as work intended to serve a commercial purpose.[3]

2. Rogers v. Grimaldi, 875 F.2d 994, 1000 (2d Cir. 1989).

3. Gruner + Jahr USA Pub v. Meredith Corp., 991 F.2d 1072 (2d Cir. 1993).

The court's threshold question was whether the MetaBirkins digital images qualified as an artistic work or intended to primarily mislead the public about its source or endorsement. The court found both artistic and misleading uses present in Rothschild's work.

However, the court held that the *Rogers* test applied because Rothschild's work was an expressive art project that did not primarily serve to mislead customers into believing Hermès created or endorsed the work. The court then analyzed whether there was a genuine issue of material fact with any factor of the *Rogers* test. Under *Rogers*, artistic works are not protected under the First Amendment if the plaintiff proves that either (1) the defendant's use of the trademark lacked artistic relevance to the defendant's underlying work, or (2) using the trademark was intended to be explicitly misleading as to the underlying work's source or content.

The first artistic relevance factor determines whether the defendant intended an artistic association with the plaintiff's mark rather than associating with the mark to appropriate the mark's existing popularity and goodwill.[4] Artistic relevance is easily met, failing only when the mark has "no artistic relevance to the underlying work whatsoever" or the defendant used the mark merely to exploit its value.[5]

Here, Rothschild contended his project had artistic relevance because MetaBirkins was "part of his artistic experiment to see how people with money and influence who drive the culture would respond to it," and "whether they actually would ascribe value to the ephemeral MetaBirkins" like they did to tangible Birkin bags.[6]

However, Rothschild also made exploitative comments, stating "he doesn't think people realize how much you can get away with in art by saying 'in the style of'"[7] and messaged associates that he intended to make "big money" by "capital[izing] on the hype" over his collection.[8] Given these issues of material fact, summary judgment on the artistic relevance factor was denied.

For the second factor, the court discussed that a work is explicitly misleading if it prompts the public to believe the plaintiff created or permitted it. Thus, the likelihood of consumer confusion must outweigh First Amendment interests.

The court then considered the following eight *Polaroid* factors to determine if Rothchild's use of Hermès's trademark was explicitly misleading to confuse consumers: (1) the strength of Hermès's mark; (2) the degree of similarity between the marks; (3) whether there was any evidence of actual confusion; (4) the likelihood that Hermès will expand into the NFT space; (5) the competitive proximity of the goods in the marketplace; (6) whether Rothschild

4. Louis Vuitton Malletier S.A. v. Warner Bros. Ent. Inc., 868 F. Supp. 2d 172, 178 (S.D.N.Y. 2012).

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

6. *See* Def. SOMF ¶17 (citing to testimony by Rothschild).

7. Plfs. SOMF ¶¶ 176, 178.

8. Def. SOMF ¶ 200.

used Hermès's mark with bad intent; (7) the quality of the marks; and (8) consumer sophistication.[9]

The court conceded there are issues of material fact in the depth of analysis required for each factor. Namely, the actual confusion factor presented an issue of material fact as Hermès stated that 18.7% of potential NFT buyers were confused, while Rothschild claimed social media users were not.

Consequently, the court found there were genuine issues of material fact for both *Rogers* factors, thereby denying both parties' motions for summary judgment. The court provided that the outcome of the dilution and cybersquatting claims depended on the outcome of the *Rogers* test. Since the result of the *Rogers* test was not yet known, summary judgment was improper.

The case went before a federal jury on February 8, 2023, where Hermès was awarded USD $133,000 in damages. The jury found Rothschild responsible for trademark infringement, dilution, and cybersquatting and held that the First Amendment did not bar liability. The jury reasoned that MetaBirkins were more akin to commercial goods rather than artistic works and that such infringement was not entitled to First Amendment protection. The jury also found Rothschild's use of the entire Birkin trademark and evidence of actual consumer confusion undercut Rothschild's defense. Hermès further proved that the MetaBirkins hindered its efforts to enter the NFT market and capitalize on the goodwill associated with the Birkin marks.

After the jury verdict, Rothschild continued to promote the MetaBirkins NFTs on his website and social media accounts. On March 3, 2023, Hermès filed a motion for a permanent injunction to prevent Rothschild from marketing and selling the MetaBirkins. Hermès asserts that a presumption of irreparable harm is warranted because the jury identified that Rothschild used the Birkin mark to intentionally mislead customers into believing there was an association between Hermès and the MetaBirkins collection.

This case attempts to clarify integral intellectual property rights in digital assets. The application of trademark law to NFTs is still developing, and brands may use this case in the future when NFT uses infringe on existing trademark rights.

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