

NFTs, TRADEMARKS AND ENFORCEMENT

1st May 2023

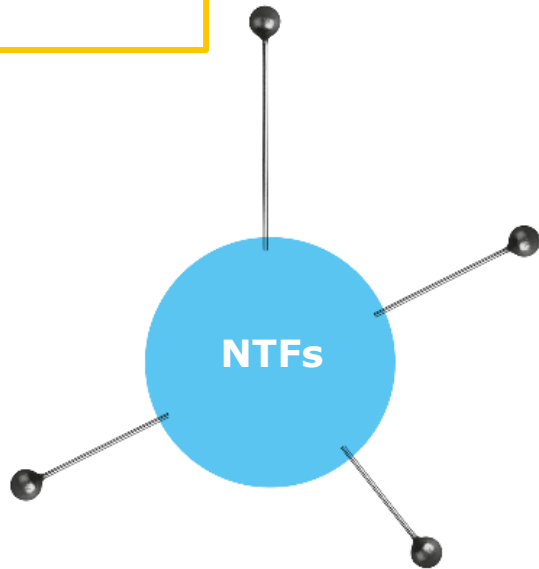
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NFT in short

The owner of a NFT essentially has a link to a digital asset, owning a certificate of authenticity that is publicly verifiable on the blockchain.

NFTs can represent digital or real-world items like artwork and real estate. "Tokenizing" these real-world tangible assets makes buying, selling, and trading them more efficient while reducing the probability of fraud.




A NFT is a blockchain-based token, or unit of value, with a unique ID that is linked to a specific asset.

NFTs cannot be copied, substituted, or subdivided, that is recorded in a blockchain, and that is used to certify authenticity and ownership.

Main features of Blockchains

- Blockchain is a distributed ledger technology whose main feature is to be immutable: it is impossible to manipulate or delete data after it's been validated and placed into the Blockchain.
- Anything written on a blockchain, once registered in the data-base, becomes immutable: therefore, in principle the NFTs created through a software cannot be, by default, destroyed.
- **Did the creators of the blockchain consider how to integrate the legal remedy of granting an injunction when they designed the immutable universe of digital data known as blockchain?**
- Probably not: **immutability of blockchain** (to prevent fraud).





*NFTs and new technologies are opening new frontiers to Intellectual Property Rights and to their **enforcement**. New cases are now brought to Courts, those cases are ones to watch.*





JUVENTUS CASE - ITALY



In early October 2022 (decision filed on July 2022) we got the very first European decision on the use of Trademarks in NFTs. The decision was issued by an Italian Court in an urgency proceeding filed by the Juventus Football Club against a company managing a fantasy online football game based on NFT player cards. Those NFTs displayed the image of a football player reproducing, without authorization, certain registered trademarks owned by Juventus Football Club.

The Court Order

The Court of Rome (first instance) upheld the claims and granted a preliminary injunction against the defendant from several activities (production, marketing, offer for sale etc.) as well as an **order to withdraw from the market and remove from every website (and/or page) directly and indirectly controlled by the defendant on which such products were offered/advertised, the NFTs and the digital contents associated therewith.**



This decision opens to some practical issues on the enforcement of injunctions and other judicial remedies related to NFTs.

What happened?



A few months after the decision, the NFTs injuncted by Court of Rome from a search on the Opensea portal, appear to be still displayed, with the possibility of sending an offer (“*Make offer*” button) to the relevant owner of the NFT to which the digital content under discussion is linked, who *may accept or reject the offer*.

This means that there is no “put on sale” for a specific amount of money (“*Buy*” button), but that people are allowed to make an offer and that this offer can be accepted or refused by the owner. The owner retired from commerce, but did not destroy the NFTs.



Possible technical solution: *Burning*

- Burning is a method to remove from circulation the NFTs:
 - It is possible to send a NFT to inaccessible address (*null address*) from which it cannot be taken out.
 - But this power to destroy a NFT can only be enforced by the current owner!
- ! Once a NFT creator has sold or transferred a NFT, this “power” is irrevocably transferred to the purchaser or transferee of the NFT.
- ! Good faith purchaser of a NFT?



VEGAP VS MANGO CASE - SPAIN



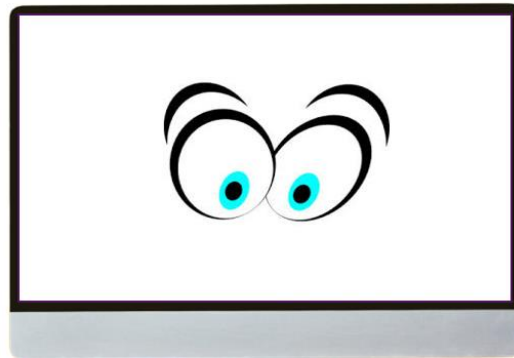
In October 2022, another case on NFTs was handled by the Court of Barcelona. The Spanish collecting society Vegap, on behalf of the rightsholders of the artworks by artists Mirò, Tàpies and Barcelò, sued Punto SA (Mango) alleging Copyright infringement (both of moral and exploitation rights) of some well-known paintings by creating NFTs and posts on social networks based on those artworks and using them in the Metaverse and on NFT's marketplaces.

An innovative injunction by the Spanish Court

The Spanish Court granted a partial preliminary injunction by **ordering the custody by the Clerk of the Court of the contested NFTs in a wallet to be safe-kept**, with a bond, until the decision in the main pending action. While waiting for the decision on the merit, this preliminary decision looks nevertheless interesting with regard to the innovative use of technological precautionary measures.



- **Due to the innovative nature of NFTs we shall wait and keep an eye on the evolution of the global case law**



- **To be considered when drafting complaints related to NFTS:**

Blockchains are immutable
Technical complexity of enforcing Court orders



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