

**Non-fungible tokens (NFTs) are digital assets registered on the blockchain that represent unique though intangible items such as, among others, pictures, videos or video game collectibles. These digital assets feature unique characteristics allowing them to somehow replicate the tangible attributes of physical goods like uniqueness, scarcity and proof of ownership.**

In the virtual economy, NFTs raise questions in terms of IP management and infringement. From an IP perspective, NFTs must be considered separately from the digital content linked to it :

- The **NFT** is merely a line of code resulting from a technical process. As such, NFTs are unlikely to be subject to IP rights.
- Conversely, the **digital content linked to the NFT** is usually an image, a sound or a combination of both. As such, this digital content may be subject to IP rights.

## 1. NFTs & COPYRIGHTS

The digital content linked to the NFT may be protected by copyright if it is an original creation, namely if it results from free and creative choices reflecting the personality of its author. Copyright protection arises from the creation of the original work. **No additional formality** is required.

Things are quite simple when the **NFT creator** is also the creator of the underlying work. In this case, the NFT creator owns the NFT and the copyright on the underlying work.

Things become less straightforward when the NFT creator is taking over **preexisting protected content** in the process of creating the NFT. One may think, for instance, of the lawsuit brought by Miramax against Quentin Tarantino after the movie director announced he would sell NFTs of his hand-written script for "Pulp Fiction", a screenplay on which Miramax claims to have acquired the copyright.

Under copyright law, the copyright owner has the exclusive rights to :

- prevent unauthorised **reproduction** and/or **communication** to the public of his work;
- require the mention of his **name** and the respect of the **integrity** of his work.

# NON-FUNGIBLE TOKENS

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**SHOULD IP OWNERS  
MIND THE NFT BUSINESS ?**



Without the copyright owner's authorisation, **copyright infringement** is likely to occur if:

- a copy of original content is made in the making ("minting") of the NFT;
- the original content linked to the NFT is displayed online, even as a thumbnail;
- the original content linked to the NFT is displayed without mentioning the name of the author;
- the NFT creator sells or transfers the NFT with the underlying work to a third party;
- the NFT owner brings modifications to the original content linked to the NFT.

Under **copyright exceptions**, copying and making available original content are still permitted without the author's authorisation. This is the case for purposes of **quotation, criticism, review, caricature, parody or pastiche**. Whether NFT owners may rely on these exceptions depends on a case-by-case assessment.

NFT creators and owners are also advised to beware of **image rights** of individuals appearing on images linked to an NFT. With their prior authorisation, the NFT's creation and assignment could be subject to legal action leading to a prohibitory injunction and/or damages.

Last but not least, authors benefit under Belgian law from a so-called «**resale right**» which allows them to claim an additional remuneration upon resale of their original artworks under certain conditions. As a certificate of authenticity, the NFT may help authors to monitor the resale of their artworks and claim this remuneration, provided of course the resale right conditions are met.

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## 2. NFTs & TRADEMARKS

### A. PHYSICAL GOODS vs. VIRTUAL GOODS:

Brand owners may come across NFTs representing virtual goods bearing their **registered trademark**.

In a nutshell, a trademark is a sign registered for goods or services, which allows its owner to prevent third parties from using in the course of trade **similar signs for similar goods or services**.

Arguably, the offer for sale of a NFT linked to a virtual good can be perceived as a **commercial communication**.

From that perspective, there would be an unauthorised use of the earlier trademark in the course of trade if virtual goods bearing that trademark are offered for sale online. There is, however, no settled case law on this matter in the Benelux to this day.

To anticipate and circumvent this uneasy debate, brand owners are now considering to file **trademark applications for virtual goods and services**.



For the time being (see [here](#)), the EUIPO considers that EU trademark applications for “virtual goods” or “NFTs” are not acceptable as such:

- **Virtual goods** are treated by the EUIPO as digital content. Therefore, trademark applications for virtual goods in Class 9 must be specified with the actual content to which they relate (for example, “virtual shoes” or “virtual clothing”);
- **NFTs** are treated by the EUIPO as digital certificates authenticating digital items. Therefore, trademark applications for NFTs must be specified with the type of digital item they authenticate. In the 12<sup>th</sup> edition of the Nice Classification, the EUIPO plans to include a new category of goods corresponding to NFTs in Class 9 (“downloadable digital files authenticated by non-fungible tokens”).

Reference can also be made to the similar guidance issued by the BOIP on the classification of “virtual goods” and “NFTs” with regard to Benelux trademark applications (see [here](#)).

Brands owners should be aware that the filing of a trademark for virtual goods and services entails the **obligation to use** the trademark for the designated goods and services in the territory covered by that mark within a period of five years following the registration of the trademark. Otherwise, the trademark could be revoked for lack of genuine use.

## B. WELL-KNOWN MARKS & ARTISTIC FREEDOM

The **enlarged protection of well-known or reputed trademarks** may help brand owners to fight unauthorized uses of their trademarks in NFTs.

For example, in the “*Juve*” case, the Court of Rome ordered an injunction against the use of the well-known “*Juventus*” trademark in relation to unauthorised creation and commercialisation of NFTs featuring one of Juve’s former players, in spite of the consent given by the latter to the use of his image in the NFTs at issue.

To successfully invoke the protection of reputed marks against NFT owners in the Benelux, brand owners would have to prove that :

- their trademark has a **reputation** in the Benelux territory;
- the use of the sign linked to an NFT is a **use in the course of trade**;
- that use is **damaging to the trademark**, in the sense that it takes unfair advantage of, or is detrimental to, the trademark’s distinctive character or reputation;
- that use takes place **without due cause**.

In the “*Dom Pérignon*” case (see [here](#)), the Benelux Court of Justice held that the notion of “due cause” is intended to strike a balance between the rights of the trademark owner and the interests of the user of the sign, in particular his **artistic freedom**, which is, however, subject to certain limitations and cannot in any case be intended to be prejudicial to the trademark or the trademark owner.



In the Benelux, there is no case law on the application of artistic freedom as “due cause” for the sale of an NFT linked to virtual goods bearing an earlier trademark. However, in the “Hermès” case, the NY District Court rejected Rothschild’s motion to dismiss Hermès complaint targeting its online collection of virtual Birkin Bags (“MetaBirkins”), on the ground that the use of this sign was likely to be misleading as to the bags origin, regardless of Rothschild’s alleged artistic freedom in making and displaying the virtual bags at issue. This seemingly restrictive view calls for caution from NFT creators in the Benelux.

Last but not least, brand owners have an additional argument against NFT owners in the Benelux, where a **trademark use for purposes «other»** than distinguishing goods or services may also be prohibited if it takes unfair advantage of or is detrimental to the distinctive character or the reputation of the trademark. This particular protection is, however, also subject to the “due cause” test referred to above.

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### 3. CONCLUSIONS

In an online environment, enforcing IP rights is a challenging task. To anticipate cases of virtual infringements, IP owners should include specific clauses in their licensing agreements with regard to the use of their IP in connection with NFTs. Likewise, NFT buyers should check the terms of their NFT purchase agreement, as they may contain important precision regarding the allowed uses of the NFT and the IP rights on the underlying work. Furthermore, IP owners should pay attention to the terms and conditions of NFT platforms, as such platforms may offer notice and takedown mechanisms worth trying before considering to litigate.

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**For any questions or assistance, please reach out to our**

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*This article is not a legal advice or opinion. You should seek advice from a legal counsel of your choice before acting upon any of the information in this article.*

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