News From There

The Web3 brand protection newsletter

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IP TWINS

Content

Editorial

Truly disruptive inventions are rare. Such inventions provoke societal debates, arouse many people's interest, curiosity, or passion, stifle creativity, excite investors, and raise doubts among lawyers. Unquestionably, blockchain technology is a disruptive invention. The many utilities that the blockchain is hatching raise countless legal questions.

The rapid emergence of an ecosystem around non-fungible tokens (NFTs) adds a new front in protecting intellectual property rights in the digital environment. Researchers, lawyers, practitioners, judges, and legislators attempt to provide answers to a series of questions.

What technical-legal terminology to adopt? Is it possible to identify with certainty the creator or the reseller of an NFT? What is the legal regime of an NFT? Can an NFT violate a trademark, a design, or a copyright? Can intermediary operators be held liable for contributory infringement? Will the nebulous ecosystem of NFTs be structured? What will be the role of alternative dispute resolution mechanisms? NFTs and smart contracts also raise the questions of conflicts of laws and conflicts of jurisdictions.

In the months and years to come, state institutions (judges and legislators) will provide answers to these questions. The IP Twins team has created News From There to enable intellectual property rights holders to stay informed of legal developments related to Web3.

News

Trademark infringement via NFT: a landmark decision from Rome (Tribunale ordinario di Roma, Diciassettesima sezione imprese civile, 19 Luglio 2022, RG n. 32072/2022)

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A worldwide famous football club, one of the most prominent Italian strikers of his generation, the blockchain environment, NFTs (Non Fungible Tokens) and an allegedly trademark violation. The premises suggest the unraveling of an intriguing Italian story set in current times.

Juventus F.C. needs little introduction as is one of Italy's most known football clubs, with a significative fan base in the country and abroad. Cristiano Ronaldo, Zinédine Zidane, Gianluigi Buffon, Alessandro Del Piero, Roberto Baggio et Michel Platini are just some of the names which have played for Juventus in its history, leading the club to winning more Italian championships than any other team (with an outstanding streak of 9 consecutive titles between 2011 and 2020).

Christian Vieri (now retired) also belongs to this circle of stars. Considered as one of the most prominent Italian strikers of his generation, he played for Juventus in the memorable 1996-1997 season when the club conquered national and international trophies.

Juventus F.C. is the owner, inter alia, of the JUVE and JUVENTUS word trademarks as well as of a figurative trademark consisting of its vertical black and white stripes motif, accompanied by two stars (with each star representing the club's victory of 10 Italian titles).

The Italian football club discovered that NFTs (NFT collectible cards, in particular) and other digital assets representing the above mentioned trademarks as well as the image of Vieri, wearing the Juventus uniform, were created, advertised and offered for sale by an unauthorized third-party, an Italian company specializing in blockchain technology, Blockeras s.r.l.

These digital cards were initially offered for sale through the platform Binance NFT from April 7 to May 4, 2022, but a secondary market would allow the legitimate owners of these cards to resell their assets to other buyers/collectors, thus recognizing a fee to Blockeras – being the creator of the cards – for each new transaction.

While Vieri, through the company managing his image rights, had actually authorized the use of his image for this blockchain project, no authorization was granted by Juventus F.C.

The Italian football club applied to obtain a preliminary injunction from the Rome court to immediately stop the allegedly infringing activities. With its decision rendered on July 20, 2022 (Tribunale ordinario di Roma, Diciassettesima sezione imprese civile, 19 Luglio 2022, RG n. 32072/2022) the Court has accepted Plaintiff's requests shedding light in the complicated relationship between IPR and the blockchain environment.

Juventus trademarks are well known given that the club is the most successful Italian football team and the one with the largest fan base. The club has a wide array of merchandising activities in different sectors (apparel, games, accessories, etc.), including the digital space, NFTs and crypto-games.

The creation and the offering of digital cards bearing the Juventus trademarks by Blockeras constitutes trademark infringement and an act of unfair competition. Blockeras has used Plaintiff's trademarks without authorization, for a commercial purpose (indeed, the selling of the digital card at issue – 68 in total – has generated returns for almost USD 36,000) and this use is likely to confuse consumers about the origin of the NFTs. It is further argumented that the renown and fame of a specific club with which a footballer has played contributes to the value of these cards.

The Court ordered Blockeras to stop the creation, promotion and offering for sale, directly or indirectly, of NFTs or of any other digital asset reproducing the image at issue and/or the Juventus trademarks.

The Court also ordered Blockeras to withdraw the same NFTs and digital assets, or to delete them from any website or webpage where these are advertised or offered for sale, thus taking action also towards third-party platforms where they may still be available.

The above was accompanied by a penalty payment set at 500 euros for each day of delay in the execution of the provision or for each violation of the injunction.

As the blockchain technology has uncovered a new scenario in the digital space it is clear that more and more similar conflicts will arise in the near future. Brand owners have recently been very active trying to protect their brands in response to the crypto-hype. While enforcement procedures remain, quite often, still unclear, clarifications coming from Trademark Offices are paving the way for a consensus on how virtual goods and NFTs should be considered. To this end, and important addition is the guidance note issued by the European Intellectual Property Office (EUIPO) in late June on its approach to classifying these items:

Virtual goods are proper to Class 9 because they are treated as digital content or images. However, the term virtual goods on its own lacks clarity and precision so must be further specified by stating the content to which the virtual goods relate (e.g. downloadable virtual goods, namely, virtual clothing).

The 12th Edition of the Nice Classification will incorporate the term downloadable digital files authenticated by non-fungible tokens in Class 9. NFTs are treated as unique digital certificates registered in a blockchain, which authenticate digital items but are distinct from those digital items. For the Office, the term non fungible tokens on its own is not acceptable. The type of digital item authenticated by the NFT must be specified.

Services relating to virtual goods and NFTs will be classified in line with the established principles of classification for services.

As the situation surrounding the protection of trademarks in the metaverse is clearing, the same is not always true when it comes to detection and enforcement.

IP Twins is carefully monitoring updates on these new fronts and developing new tools to tackle infringing activities also in the decentralized Internet.

Marco Sandri
Domain names and brand protection specialist, and key account manager, IP Twins

Study commissioned by the European Parliament on non-fungible tokens and intellectual property

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The Committee on Legal Affairs of the European Parliament published a study on non-fungible tokens (NFTs) and intellectual property (Dr. Katharina Garbers-von Boehm, Helena Haag, and Katharina Gruber for the European Parliament Committee on Legal Affairs, *Intellectual Property Rights and Distributed Ledger Technology with a focus on art NFTs and tokenized art*, October 2022, PE 737.709: europarl.europa.eu). The study focuses primarily on the impact of NFTs on copyright and vice versa. However, this study also includes information or arguments of high interest for trademark rights owners.

Definitions. – The authors of the study provide several factual definitions (as opposed to "legal definitions"), including "non-fungible tokens", "Off-chain vs. On-chain NFTs" and "smart contracts". They also describe the "minting" process required to create any NFT. Notably, the authors call on stakeholders (lawyers, engineers, and businesses) to adopt consensual definitions, an essential preliminary step to "the acceptance and the application of any potential future regulation concerning DLT in general or NFTs in particular" (p. 13).

Trademark law. – The authors briefly make reference to the *Nike v. StockX* and *Hermès v. Mason Rothschild* cases (pp. 40 and 41). However, to date, these cases have not given rise to any decision on the merits. Meanwhile, brand owners are advised to extend the scope of their trademarks (p. 41), i.e., classes 9, 41, or 42. The authors acknowledge, however, that brand owners face new challenges. They, therefore, recommend "*A harmonized approach to the classification of virtual assets in the form of NFTs other is desirable*" (*ibid.*).

Authentication and certification of goods. – It is recalled that "*NFTs can also be used to verify the authenticity of physical assets*" (p. 45). The study refers to the watchmaker Breitling, which issues "*a blockchain-based "passport" which is based on NFT technology to certify the authenticity of its luxury watches*" (*ibid.*).

Intellectual property infringement. – The conditions for recognizing intellectual property infringement do not seem to raise insurmountable difficulties. On the other hand, the authors specify that the technical characteristics of NFTs pose real and serious problems from the point of view of the effective execution of the rule of law (see p. 43). However, the study's authors reassure the rights holders, who are not entirely helpless. One solution would be to provide in the relevant smart contract the possibility for the issuer of an NFT to "access the NFT in any wallet of any subsequent buyer of the NFT in order to move it to a "*burn wallet*"" (p.43).

Detection of intellectual property infringement. – According to the authors, "*the biggest challenge for trademark and copyright holders is the detection and enforcement of infringements, for which the application of artificial intelligence/upload filters – if possible on a self-regulation, voluntary basis – might be useful. Without such tools, the detection of infringements would face serious obstacles*" (p. 47). Between utilitarianism and opportunism, human nature is such that with each technological progress, it is to be expected that some will use profitable technological advances for their earnings without breaking the purse. Owners of intellectual property are aware of the risks and issues. Many of them have adopted and maintained since the early 2000s proactive defense strategies consisting in detecting infringements of their rights on the Internet. The advent of NFTs – and Web3 in general – only adds an additional front in the fight against counterfeiting. There is no doubt that rights holders and providers of counterfeit content detection and removal services will know how to adapt their strategies and tools to deal with this new threat. In any case, it is pretty legitimate for rightsholders to expect, on the one hand, from intermediaries to produce accurate and substantial self-regulation efforts and, on the other hand, from judges to issue deterrent decisions.

Self-regulation. – The ability of NFT issuers to embrace protective rules for Internet users and intellectual property owners will be the key to their success or failure. If that fails, it will be up to the legislator to end the abuses (pp. 9, 44, and 47). The authors are optimistic, recognizing that many marketplaces already provide functionalities for notifying and removing infringing content. In this regard, they add that "*it is in the own interest of NFT marketplaces to provide for mechanisms that prevent the offering of infringing NFTs*" (p. 47), which is in line with our opinion on the matter (iptwins.com, 2022-08-30).

Private International Law. – The disseminated nature of NFTs raises questions of private international law of unprecedented and challenging complexity. Procedurally, in the event of an infringement generated by the issuance of an NFT, which court would have jurisdiction? On the merits, the question that arises is that of the applicable law. The authors agree that "*the private international law principle of* lex rei sitae *fails when it comes to distributed ledgers*" (p. 7). No doubt, it will be necessary to give preference to an organic/subjective criterion rather than to the generating event, which presupposes the identification of the author of the generating event beforehand.

Emmanuel Gillet
Consultant, IP Twins

New blockchain top-level domains: first come, first served?

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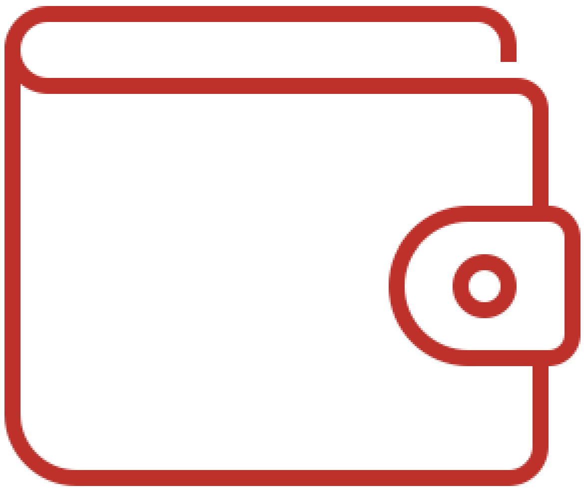
"*First come, first served, so don't come too late*", wrote Shakespeare in Measure for Measure, in 1616. "First come, first served" is a customary law proverb meaning that privileges being abolished, "*everyone is free to go and grind his grain where he wants, but the miller is not free to serve the last before the first*" (J.-L.-Alexandre Bouthors, Les Proverbes, dictons et maximes du droit rural traditionnel, A. Durand (Paris), 1858, n° 57, p. 120, translated from French). In an intellectual property context: "*First come, first served, that is the only principle on which inventors should be treated*" (G. G. M. Hardingham, « Lettre de Grande-Bretagne », *La propriété industrielle*, 1892, No. 9, p. 128, translated from French).

Indeed, the rule constitutes one of the pillars (but not the only one) of intellectual property law. The law ratifies a rule of common sense by conferring an exclusive right on the first creator of a work, an invention, or a trademark. Common sense also dictates that no exclusive right be granted to creations devoid of originality (copyright), novelty (patent law), or distinctiveness (trademark law).

What about creating a generic top-level domain? The question arises for the alternative (non-DNS) top-level domain (TLD) .WALLET, which is currently the subject of a dispute between Unstoppable Domains (first entrant) and Handshake (second entrant). The word "wallet", given its descriptiveness (since it is intended to be used in connection with crypto-financial services), cannot give rise to any trademark rights. The impossibility of conferring an intellectual property right should, in principle, work in favor of freedom of trade and, consequently, allow the coexistence of two or more .WALLET TLDs. However, such a situation is not necessarily desirable for the operators, holders of intellectual property rights, or authorities. It is, therefore, with some satisfaction that one must welcome a recent announcement from Unstoppable Domains. On October 18, 2022, this company, which has created several alternative extensions, including .COIN and .WALLET, announced that it was waiving .COIN because it had noticed that a competitor, Emercoin, had previously created a .COIN (unstoppabledomains.com, 2022-10-18). Thus, Unstoppable

Domains imposes on itself the doctrine of first come, first served. However, giving up .COIN is not about being chivalrous towards Emercoin. Indeed, the value of .WALLET could well exceed that of .COIN immeasurably (iptwins.com, 2022-09-07). The waiver of .COIN is purely strategic. Indeed, before the judge as before its opponent (Handshake), Unstoppable Domains cannot support the theory of monopoly (each top-level domain is unique) and simultaneously keep its .COIN since an alternative registry (Emercoin) had previously created a .COIN. In other words, by giving up .COIN, Unstoppable Domains sends a solid message to Handshake and the judge. The bet is risky, but it also tells the value at which Unstoppable DomainBlockchain, Domain Names, Competition, First Come First Served, Unstoppable Domains, Handshake, Wallet, Coin, Emercoin, Web 3s estimates the .WALLET!

Emmanuel Gillet
Consultant, IP Twins



.WALLET

Register .WALLET domains with IP TWINS*

* Please read our disclaimer, p. 27

Blockchain domain names: the birth of the Web3 Domain Alliance (W3DA)

Initial publication on iptwins.com on November 7, 2022

A few blockchain domain name operators, including Unstoppable Domains, have created the Web3 Domain Alliance or W3DA (web3domainalliance.com). To date, the W3DA comprises the following companies:

- Bonfida (bonfida.org)
- Tezos Domains (tezos.domains) ;
- Polkadot Name System (pns.link) ;
- Hedera Hashgraph Domain Registrar (hns.domains) ;
- Syscoin (syscoin.org) ;
- Klaytn Domains (klaytn.domains) ;
- Unstoppable Domains (unstoppabledomains.com).

The members of the W3DA set themselves several objectives:

- promoting the development of a blockchain domain name ecosystem with and through traditional web applications;
- ensuring consumer protection by ensuring the interoperability of blockchain domain registries;
- working towards the market and public recognition and acceptance of blockchain domain names;
- promoting the policy of the alliance.

It should also be noted that the members of the W3DA mutually adhere to the principle of "first come, first served". The W3DA thus intends to avoid duplication and discord. The question of implementing the "first come, first served" principle arises (iptwins.com, 2022-10-25) in the dispute between Unstoppable Domains and Handshake over the blockchain top-level domain .WALLET (iptwins.com, 2022-09-27). The W3DA seems to justify this position on the grounds of intellectual property law. However, concerning trademark law, an operator could only claim intellectual property right on top-level domains (TLD) that do not reproduce generic terms. In this regard, no company can claim a trademark or exclusive intellectual property right on the .WALLET TLD (iptwins.com, 2022-09-27). In addition, the W3DA defends the idea of granting a trademark right through commercial use, which is valid in the United States but not in other jurisdictions such as Europe and China. On the other hand, it is reasonable for operators to mutually respect the “first come, first served” principle on an ethical basis vis-à-vis third parties, Internet users, authorities, and holders of intellectual property rights.

Consistent with this policy, Unstoppable Domains recently waived its rights to the .COIN TLD (iptwins.com, 2022-10-25). In this context, in the absence of any settlement agreement between Unstoppable Domains and Handshake, it is hard to imagine the latter joining the W3DA in the near future.

The W3DA forms a group we have been calling for (iptwins.com, 2022-08-30). One could say that by stimulating the W3DA, Unstoppable Domains wanted to unite around selected competitors sharing a common legal point of view in order to assert its consistency and good faith before the judge in the context of the dispute over the .WALLET TLD. But we could also consider that the latter offers the opportunity to build the foundations of an appropriate legal framework, respectful of the laws in force, Internet users, and intellectual property rights. The W3DA seems to want to work in this direction. One way or another, the erection of common principles and values will have to be imposed on all operators. It must be recognized that these operators had rushed into a legally immature market. As usual, the legal aspects are catching up with technical progress.

Emmanuel Gillet
Consultant, IP Twins

The battle for the promising .WALLET

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In the metaverse, the wallet is the key. The encrypted wallet is based on blockchain technology, which should ensure a high level of security (provided you do not leave your password lying around). Holding such a wallet is essential for storing digital assets: data, artworks, cryptocurrency, or non-fungible tokens ("NFTs"). A wallet holder can also use it to create and distribute "digital assets". One can assume that a person (natural or legal) wishing to interact in the metaverse needs a wallet. The multiple essential functions of the crypto wallet lead to placing it at the heart of the financial system of the metaverse. The plate is gargantuan! Hence the immeasurable interest in the .WALLET top-level domain or top-level domains and the battle for its control, or rather… their control.

Two young startups are fighting for the .WALLET, Unstoppable Domains and Handshake via an intermediary of the latter called "Gateway" (*Unstoppable Domains v. Gateway Registry, James Stevens, and Does 1-100*, USDC, Delaware). Unstoppable Domains battles to preserve its monopoly on the distribution of alternative .WALLET domain names, whereas Handshake/Gateway hopes to glean a few or more market shares. And all the others, envious spectators ("*why didn't I think of the .WALLET before?*") who carefully scrutinize the outcome of the dispute in the hope of creating another .WALLET alternative.

A brief chronology of the facts helps better understand the case.

2018-01-16	Incorporation of Unstoppable Domains (Delaware).
2020-02-24	Unstoppable Domains files a trademark application for ".WALLET" with the United States Trademark Office (USPTO).
2021-05-28	The USPTO rejects Unstoppable Domains' application for ".WALLET".
2021-08-17	Unstoppable Domains files a trademark application for "WALLET" with the USPTO.
2021-12-09	The USPTO sends a "Notice of Abandonment" to Unstoppable Domains regarding its application for ".WALLET".
2021-15-21	Date on which Unstoppable Domains claims first commercial use of ".WALLET".
2022-05-23	The USPTO rejects Unstoppable Domains' trademark application for "WALLET" (however, at this stage, the procedure is not closed).
2022-07-04	Gateway begins selling .WALLET domain names.
2022-07-08	Unstoppable Domains sends Gateway a cease and desist letter to stop selling .WALLET domain names.
2022-07-19	Unstoppable Domains claims over 320,000 .WALLET domain names.
2022-07-19	Unstoppable Domains sues Gateway for trademark infringement, unfair competition, and intentional interference with prospective business relationships.

It emerges from the deleterious correspondance that, on both sides, it is the investmentthat they intend to protect. Gateway relies, on the one hand, on the absence of a valid ".WALLET" or "WALLET" trademark and, on the other hand, on freedom of trade and industry. Unstoppable Domains places at the heart of its rhetoric the infringement of the unregistered trademark (common law) ".WALLET" and the loss of the trust it had earned with its customers and partners, trust shattered by the arrival of another .WALLET.

Indeed, the value of .WALLET domain names created at Unstoppable Domains is intrinsically depreciated. The confusion is such that some users wonder about the need to repeat the process: create a second <name.wallet>, identical to the first (<name.wallet>) to ensure exclusivity.

The Internet Corporation for Assigned Names and Numbers (ICANN) is not flawless. Its administrative heaviness makes it a slow institution in perfect opposition to the precepts of its time. Nevertheless, ICANN has never allowed the occurrence of this type of problem, which is very embarrassing for domain name holders and for Internet users. Technically, in the Domain Name System, two first-level domains (or top-level domains, "TLDs") cannot coexist. The availability of the new generic top-level domains (or "nTLDs") came with several extrajudicial procedures aiming, *in fine*, to designate who was to obtain control of the coveted nTLD with regard to rules pre-established rules. The ICANN was able to anticipate the problems. Nothing like this exists in the naming system connected to blockchains. Indeed, from a legal point of view, everything is to be built. Let's not bury ICANN, Web3 entrepreneurs have a lot to learn from this institution.

One of the first questions that come to mind is the following: can two identical "blockchain TLDs" (or "alternative extensions") coexist? Technically, there are no obstacles. Legally, if a judge would uphold the monopoly theory, what would be the basis for it? A trademark prior to the creation of the TLD by the second entrant (first come, first served)? That's what Unstoppable Domains hopes. The primary trademark bonus is a universal and effective mechanism. It should therefore impose itself without obstacle. However, the economic operator waving a trademark to exclude a competitor can, in principle, obtain satisfaction only if the trademark in question is valid, that is to say, among other requirements, neither descriptive nor generic. The reason is fundamental since it is a question of preserving the freedom of trade and industry. The monopoly granted to the trademark owner is only an exception to the principle of freedom. That said, given the judgment of the US Supreme Court in the *booking.com* case, once can expect anything! Conversely, if a judge would prefer the theory of coexistence allowing duplicates, or even triplets, blockchain domain operators would feel free to immediately offer .WALLET or .COM blockchain domains. Although consistent with the freedom of trade and industry, the preference for the theory of coexistence would inevitably lead to the following question: is this really desirable? When this question is raised, the legislator is not far. Which legislator? Legislating at the domestic level as the metaverse grows day by day would be fruitless. Going through bilateral instruments would be complex and tedious; it would take decades. As for the multilateral treaty, which is just as complex, it would at least have the merit of offering a faster and more homogeneous response. Another solution would be for issuers of alternative domain names to i) unite around a code of ethics and ii) work with ICANN to determine, contractually, what is desirable and what is not. Imbroglio!

Emmanuel Gillet
Consultant, IP Twins

Decentralized domain names: the need for discussion between operators and intellectual property right holders

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The following domain names are for sale, among thousands more:

airbnb.eth	Opensea.io	fox-news.erh	Opensea.io
airbus.eth	Opensea.io	godaddy.eth	Opensea.io
alfaromeo.eth	Opensea.io	heineken-official.ethk	Opensea.io
armani.eth	Opensea.io	hermes-paris.eth	Opensea.io
beckham.eth	Opensea.io	intel.eth	Opensea.io
bloombergnews.web3	Opensea.io	Store-juventus.x	Opensea.io
boeing.eth	Opensea.io	kenzoparfums.eth	Opensea.io
bosch.erh	Opensea.io	Lamborghini-huracan.wallet	Opensea.io
canoncameras.eth	Opensea.io	linkedin.eth	Opensea.io
cocacola-cr7.eth	Opensea.io	lionelmessipsg.wallet	Opensea.io
dentons.eth	Opensea.io	markzuckerberg.eth	Opensea.io
dlapiper.eth	Opensea.io	paris2024.eth and paris-2024.crypto	Opensea.io
donald-trump.eth	Opensea.io	burberry.eth	Opensea.io
durex.eth	Opensea.io	lvshop.eth	Opensea.io
elonmusk8.888	Opensea.io	madonna.eth	Opensea.io
ethereumchina.eth	Opensea.io	the-beatles.eth	Opensea.io
forbes.erth	Opensea.io	hsbc.eth	Opensea.io

They are called “blockchain domain names”, “Web3 domain names”, “crypto domains”, “NFT domain names” and “decentralized domain names“. Given the legal focus of this article, “decentralized domain names” will be preferred. Indeed, the adjective “decentralized” rightly evokes the disruption with the legal order which has been institutionalized since the birth of the Internet Corporation for

Assigned Names and Numbers (ICANN).

Patents are filed, “top-level domains” are active (including .888, BITCOIN, .BIT, .COIN, .CRYPTO, .ETH, .NFT, .WALLET or .X), operators issue decentralized domain names (eg. : Unstoppable Domains, Ethereum Naming Service, Handshake, RIF Name Service and Stacks) and secondary market platforms act as matchmakers (OpenSea, Rarible, and RIFOS, among others). An ecosystem is born.

The historic domain name system is administered by the ICANN and the Internet Assigned Numbers Authority (IANA). Without going into details, one should bear in mind that a legal architecture corresponds to the technical architecture. Pyramidal and centralized, this “icannocentric” legal system provides the ICANN with the legitimate power to impose, through a top-down approach, harmonized and predictable contractual conditions on gTLD registries and registrars (given their connection with a sovereign territory, ccTLD registries have more freedom). Among the numerous and complex contractual terms, it is worth recalling two principles. First, every domain name holder must provide the data necessary for their identification (these are the WhoIs data). Second, every domain name holder accepts the jurisdiction of a third-party decision maker who is provided with the power to rule on the ownership of a domain name, the execution of the said decision being quasi-automatic. This ingenious (although imperfect: iptwins.com, 2022-06-29) legal system is an effective alternative to state justice.

What about decentralized domain names? Remember that these do not belong to the naming system administered by the ICANN. Therefore, they escape the legal order of the latter and form, at best, a nebula of heterogeneous contractual elements. In short, ICANN offers intellectual property rights owners legal predictability that, at this stage, cannot be found in the developing alternative system.

A common argument among operators of the alternative naming system based on blockchain technology is that decentralized domain names are censorship-proof. Indeed, the issuer delivers to the end user a private key on a proprietary basis (like a house key, a car key, or a safe). In other words, unlike a DNS domain name registrar, the decentralized domain name issuer does not have the power to dispossess the end user of such a domain name. Furthermore, unlike a DNS registrar, the decentralized operator is not accountable to ICANN. It also cannot be subject to a UDRP-type decision that would require the transfer or cancellation of a decentralized domain name.

The proposed system is certainly compassionate towards freedom of expression. We must also welcome this new paradigm which promises everyone secure ownership of their own data. It should also be borne in mind that the issuance of decentralized domain names constitutes, in principle, a lawful and legitimate commercial activity.

However, this legal orientation seems utopian and illusory. Indeed, it would amount to providing end users with the means to commit offenses or infringe the rights of third parties with complete impunity. Tort law, a pillar of democracies, does not flinch in the face of disruptive innovations. In the 1990s, a libertarian ideology advocated that cyberspace, supposedly capable of self-regulation, was and should remain outside state legal systems. However, given the recurrent breaches of the law and the infringement of third-party rights, legislators have continually given judges the means to require operators to identify their contractual partners, perpetrators of wrongdoing in cyberspace, and whatever the era, web1 or web2. How could it be otherwise in web3? Failing to equip themselves with techniques securing the identification and condemnation of wrongdoers, web3 operators will see their liability engaged through the principles of contributory infringement. Moreover, judges do not like companies that, although sitting on "*a mountain of resources*", do not devote any of these resources to the protection of the intellectual property of others (iptwins.com, 2018-06-27). Under pressure from intellectual property rights holders, investors, or even insurers, the first judicial decisions against the operators of the first or second market would inevitably push them to rethink their legal models.

One must recognize that a few operators offer solutions to limit infringements of intellectual property rights. However, the players are numerous, and the models are discordant. A harmonization core would be welcome. It would be in the greatest interest of the operators of the metaverse to collaborate loyally with the associations representing the intellectual property rights owners in general since these issues also affect the owners of trademarks, designs, and copyrights. Wouldn't it be wise for all stakeholders to provide intellectual property rights holders, at the very least, with an immediately visible notification or take-down process and a legal procedure providing for the deletion of domain names or other non-fungible tokens (NFTs) contrary to intellectual property laws? Such a regulation model could be hooked to the "icannian" system. Alternatively, the non-DNS operators could invent a new legal model outside the ICANN one.

Emmanuel Gillet
Consultant, IP Twins

Definition of the month

Decentralized Autonomous Organizations (DAO)

A Decentralized Autonomous Organizations (DAO) is a community of individuals or legal persons who share a common interest.

How is a DAO organized?

One of the main characteristics of DAOs is the absence of a decision-making body. Any form of hierarchy is banned.

How does a DAO work?

Decision by vote. – Each DAO obeys governance rules set in smart contracts. Decision-making goes through the vote of community members. As with a corporation, the weight of a member's right to vote is based on the level of his investment. Decision-making by voting has the advantage of involving all stakeholders. However, this process makes decision-making cumbersome and slow.
Transparency. – In principle, the decisions voted on by the members of the community are made publicly available. A priori, all actions of members of the community are also publicly recorded. The principle of transparency is intended to encourage members to vote and act in good faith and in a responsible manner.

Security. – Given the level of investment involved, the top priority for DAO members is cybersecurity.

Why are DAOs important for IP owners?

The presence of intellectual property rights holders or associations representing intellectual property rights holders within the relevant DAOs seems crucial in order, *a minima*, to be aware of the debates and decisions and, *ad majorem*, to influence decision-making.

Example of a DAO: list of Ethereum DAOs.

.DAO

Register .DAO domains with IP TWINS*

* Please read our disclaimer, p. 27

Blockchain domains

.888

.BITCOIN

.BLOCKCHAIN

.DAO

.WALLET (Unstoppable Domains)

.X

DISCLAIMER. – Traditional domain names have been around for decades. The technicality of traditional domain names and the Domain Name System (DNS) has been considerably simplified over time to facilitate the manipulations necessary for the life of a domain name. IP Twins draws your attention to the fact that blockchain domain names significantly differ from a technical point of view. You should be aware that blockchain domain names and Web3 are in their babyhood, and at this stage, the manipulation of these new domain names and their implementation in projects involving websites and emails remain challenging. Despite these technical considerations and given the lack of dispute resolution methods similar to the UDRP, we advise companies at risk of being victims of cybersquatting to reserve blockchain domain names identical to their brands.

IP Twins helps brand owners defining tailored proactive defense strategies and registering cryptodomains

.CRYPTO

.ETH

.NFT

.ZIL

Resources

Judicial cases

CN	*Shenzhen QiCeDieChu Cultural and Creativity Co. v. Hangzhou Bigverse Technology Co.* (2022), Hangzhou Internet Court Civil First Judgement No. 1008, 20 April 2022	NFT, ownership (yes), digital property right (yes), copyright infringement (yes), liability of the intermediary (yes), contributory infringement (yes).
IT	Tribunale ordinario di Roma, Diciassettesima sezione imprese civile, 19 Luglio 2022, RG n. 32072/2022	NFT, trademark infringement (yes), interim measures (yes).
SG	*Rajkumar v Unknown Person ("Chefpierre")* [2022] SGHC 264	NFT, ownership (yes).
UK	*Lavinia Deborah Osbourne v. (1) Persons Unknown and (2) Ozone Networks Inc.* EWHC 1021 (Comm)	NFT, ownership (yes).
US	*Hermès International and Hermès of Paris, Inc. v. Mason Rothschild* 22-CV-384 (S.D.N.Y. May. 18, 2022)	Trademark infringement (Lanham Act, and New York Law), First Amendment. To date, there is no decision on the merits.

US	*Nike Inc. v Stockx LLC* 1:22-cv-00983-VEC (S.D.N.Y. Jul. 14, 2022)	Trademark infringement, false designation of origin/unfair competition, trademark dilution, injury to business reputation/dilution, common law trademark infringement and unfair competition. NB: The July 14, 2022 decision concerns the discovery issues. To date, there is no decision on the merits.

Studies

EU	Dr. Katharina Garbers-von Boehm, Helena Haag and Katharina Gruber for the European Parliament Committee on Legal Affairs, *Intellectual Property Rights and Distributed Ledger Technology with a focus on art NFTs and tokenized art*, October 2022, PE 737.709.
EU	European Parliament, Briefing, *Metaverse Opportunities*, risks and policy implications, June 2022
FR	Adrien Basdevant, Camille François et Rémi Ronfard, *Mission exploratoire sur les métavers*, Étude réalisée à la demande du gouvernement français, Octobre 2022
UK	Decentralised autonomous organisations (DAOs) Call for evidence
UK	Electronic trade documents. Call for evidence
UK	Digital assets. Call for evidence
UK	Digital assets: which law, which court? Call for evidence
UK	Smart contracts. Call for evidence.
US	Study on Non-Fungible Tokens and Related Intellectual Property Law Issues. Call for submissions.

Para-legislative works and legislative acts

EU	Proposal for a Regulation of the European Parliament and of the Council on a pilot regime for market infrastructures based on distributed ledger technology, 2020/0267 (COD)
EU	Proposal for a Regulation of the European Union Parliament and of the Council on Markets in Crypto-assets, and amending Directive (EU) 2019/1937, COM/2020/593 final

About IP Twins

IP Twins is a domain name registrar managing corporate portfolios. We have been protecting trademark owners against cybersquatting and online counterfeiting since 2002.

For 20 years, our team has adapted to technological and legal changes. Today, IP Twins supports intellectual property rights owners to face the new challenges generated by blockchain technology, including NFTs and decentralized domain names.

IP Twins works with selected blockchain service providers in the interest of intellectual property rights owners to efficiently detect infringement cases and remove the infringing NFTs and blockchain domains.

IP Twins also helps brand owners define tailored proactive defense strategies and register cryptodomains.

IP TWINS

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www.iptwins.com – info@iptwins.com

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