

THE SONY MUSIC CASE: LEGAL CONSIDERATIONS FOR TRADEMARK REGISTRATION FOR NFTS IN THE MUSIC INDUSTRY

On 30 August 2022, Sony Music Entertainment filed an application with the United States Patent and Trademark Office (USPTO) to register the trademark "Columbia" for music and other content identified through NFTs.

NFTs are tokens, *i.e.* a set of digital information relating to the ownership of one or more rights over an asset owned by a specific individual, registered on the blockchain.

The latter is a technology that allows for the management of a digital public registry capable of recording all transactions involving such tokens through a decentralized information control method.

NFTs are "non-fungible" tokens and, unlike other types of tokens, they are characterized by uniqueness and indivisibility and thus allow applying to digital objects, which do not normally have these features, the characteristics of "scarcity" and "exclusivity".

NFTs can be associated with, and thus represent, both digital goods, such as a recording of a song, and physical goods, such as a painting, and allow the owner of the relevant token to prove ownership of one or more rights over the represented good.

In the case of a digital good, the NFT does not actually allow to claim rights on the artwork tout court and in itself, but only - albeit potentially also exclusively and uniquely - on the file containing it.

Since digital files are always exactly replicable, the characteristics of scarcity and uniqueness created by this technology are artificial.

However, the possibility of obtaining a digital certificate that proves the ownership of certain rights over an intangible asset allows not only its economic exploitation, but also its circulation as a non-fungible asset. Therefore, the relative attribution to it of a value goes beyond the mere content of the file.

The above is analogous to what happens with collectable vinyls: when they are first placed on the market, they have a value merely related to the fact that they include music; as time passes, they become scarce and sometimes even unique, and thus acquire a value that goes beyond the mere fact of being media, becoming, precisely, collector's items.

NFTs aim to achieve precisely this result with reference, however, to digital media which, without this expedient, could never by definition become scarce or unique.

Due to their possible applications, NFTs have attracted particular interest throughout the music industry.

This technology, at a time when music consumption is at an all-time high but remuneration for artists has never been so low, could mark a turning point for the industry as it could increase the economic value of music content.

Music NFTs, in fact, in addition to allowing the release of limited editions of albums or songs in digital format, can be encoded in such a way as to allow royalties payments to the creator each time the token is sold, or in such a way as to guarantee a royalties percentage to the buyer.

Since the NFT phenomenon has had a strong impact in many sectors, since the beginning of this year, following the publication of the 12th edition of the Nice Classification, "*downloadable digital files authenticated by non-fungible tokens [NFT]*" have been included in Class 9 of the aforementioned Classification, thus allowing the registration of trademarks also expressly for such goods.

The decision to include NFTs within Class 9 of the Nice Classification was not entirely obvious.

In fact, in the absence of a clear and explicit rule, prior to the publication of the latest edition of the Nice Classification, many brands registered their trademarks in other classes such as, for example, in class 36 relating to financial, monetary and banking services or in classes concerning services such as class 41 regarding entertainment services.

However, it seems that the placement of NFTs within class 9 is the most correct one since, strictly speaking, they are nothing more than a type of software that allows another software (i.e., digital music, also covered by class 9) to have specific and peculiar characteristics.

The European Union Intellectual Property Office (EUIPO) has, however, emphasized that trademark registration for NFTs cannot disregard the specification of the type of authenticated digital object, otherwise it lacks precision and clarity.

Since the principle of specialty applies to trademark registration, a principle whereby trademark registration extends only to the goods and services for which it is registered and for goods and services related to those goods and services, the question arises whether the protection of a trademark registered for a particular digital good within Class 9 may also extend to that same good authenticated through NFT.

EUIPO's clarification that trademarks must be registered specifying the authenticated digital good and not generically for "NFTs" already provides a clue: NFTs would only be registrable in relation to the good to which they are attached as being capable of attributing characteristics to it.

It follows that the digital good authenticated by means of NFT is not a different good from the non-authenticated one but, on the contrary, it is the same good endowed with a certain characteristic.

Therefore, authentication by means of NFTs would not be able to disrupt the scope of protection of a trademark already registered with respect to a specific digital good.

Eventually, the relationship between a digital good and an NFT authenticated digital good could be understood as one of kind to species.

Following this reasoning, with reference to Sony's case, the scope of protection of the trademark "Columbia", already registered in relation to musical recordings within Class 9, would have already included downloadable music identified through NFT as a specification of the broader category of musical sound recordings.

In any case, Sony's trademark registration is a further confirmation of the great interest of the music industry in this technology.

Sony, in fact, is not the only major that implemented strategies related to the blockchain and NFTs; for instance, Universal and Warner, as well as Sony, recently concluded agreements concerning the use of marketplaces for the exchange of musical NFTs.

Other players in the music industry have also taken the opportunity to use this technology. For example, *Federazione Industria Musicale Italiana* (FIMI) has released a tokenized version of its certifications, and *Società Italiana degli Autori ed Editori* (SIAE) has been developing a platform based on NFTs and the blockchain for the management of authors' rights.

Music NFTs have already started a revolution in the music market and in the future, considering possible new applications not yet explored as well as the development of Web3, they could become an indispensable system for the monetization and exploitation of artworks.

As trademark registration allows for timely protection of rights, the extension of trademark protection to musical NFTs could offer a competitive advantage especially to those operators whose trademarks are not yet well known, such as independent record labels.

DISCLAIMER

The sole purpose of this newsletter is to provide general information. Consequently, it does not represent a legal opinion nor can it in any way be considered as a substitute for specific legal advice.

Marco Blei, Counsel
Via Dante, 9
20123 Milano
Email: marco.blei@grplex.com

Elisa Maria Babbini, Junior Associate
Via Dante, 9
20123 Milano
Email: elisa.babbini@grplex.com