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January 26, 2023

Hon. Katherine K. Vidal  
Under Secretary of Commerce and Director  
U.S. Patent and Trademark Office  
600 Dulany Street  
Alexandria, VA 22314

Hon. Shira Perlmutter  
Register of Copyrights and Director  
U.S. Copyright Office  
101 Independence Ave., S.E.  
Washington, D.C. 20559 600

**Re: Study on Non-fungible Tokens and Related Intellectual Property Law Issues:  
Response to Notice of Inquiry (Docket No. 2022-25211)**

Dear Director Vidal and Register Perlmutter,

I am writing to share my comments in response to the United States Patent and Trademark Office ("USPTO") and the United States Copyright Office ("USCO") (collectively, the "Offices") November 23, 2022 Notice of Inquiry initiating a joint study regarding issues of intellectual property (IP) law and policy associated with non-fungible tokens ("NFTs").

I appreciated the opportunity to share my comments during the NFT and IP: Patents Roundtable on January 26, 2023. This submission provides my complete comments in writing.

**Introduction**

My name is Michael Kasdan, and I am an IP Partner at Wiggin and Dana in their NY office. I am also the Founder and Co-Chair of Wiggin's Blockchain and Digital Assets Group and work with an array of clients across different industries in the so-called web3 space.

I am also an Adjunct Professor at NYU School of Law where I teach a course of Patent and IP Licensing and guest lecture at NYU's Startup School in their Entrepreneurship Center on IP for Entrepreneurs as well as NFTs, Blockchain and the Metaverse. I also serve as Co-Chair of the NY Chapter of the Licensing Executives Society and the Chapter Head for the NY Chapter of the International IP Commercialization Council.

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My practice includes IP litigation and IP licensing, and advising emerging technologies companies on IP strategy. My focus for most of my career has been on patent litigation, patent licensing, and assisting clients with obtaining patent protection.

I came to blockchain as a skeptic, after hearing a lot about cryptocurrency for years, but was driven to learn more about this space by innovative clients who had inventions pertaining to NFTs for patent filings as well as agreement issues and questions about licensing in the emerging space. It has been a fascinating time, with a lot of learning, writing, thinking, and all manner of work for dozens of diverse clients in the web3 space.

I want to thank the Offices for the opportunity to share these comments and especially wanted to commend the USPTO and Copyright Offices on this initiative to gather information about NFTs and IP. It is incredibly important and very exciting.

### **Comments**

I would like to direct my comments in three areas:

#### **(1) It is Important for Policymakers and the Offices to Understand the Breadth of NFTs - In Terms of Use Cases, Industry Verticals, and the Way They Treat IP Rights.**

As laid out in the below illustration (which is one of the slides that I used during the January 26, 2023 roundtable), the use cases for NFTs are incredibly broad and diverse. NFTs are about way more than the digital art and collectibles use cases which first caught the eye of the mainstream media.

Whereas “fungible” tokens are essentially fiat currency, “non-fungible tokens” (NFTs) are the broad class of anything else that can be tokenized...It’s a very broad asset class.

NFTs can be and are being used across industry verticals (including art, music, entertainment, sports, gaming, ticketing, fashion and apparel, automotive, logistics and supply chain, food and beverage, high tech, fin tech, travel and R&D) and in a diverse and growing set of use cases.


The use cases span digital art and collectibles, so-called phygital applications that include a real-life product and its digital “twin,” token-gated content, loyalty and membership programs, metaverse and ownership of digital assets, and providing provenance and authentication and a single source of truth about real world items like real estate (chain of

title), products (supply chain), as well as about intangible assets including IP (i.e., just about anything tangible or intangible can be tokenized).


**Applications of Blockchain Enabled Technologies**

Some NFT Use Cases


**Digital art and Digital collectibles**




**Digital products linked to real world products (so called “phy-gital” or digital twins)**




**Tickets, access badges, token-gated communities, events**



**Digital Tracking, Authentication, Provenance/Title of Real-World or Intangible Assets – real estate, supply chain, IP etc.**



**Avatars, metaverse gear, digital assets**



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Why should we all as IP professionals, technologists, and innovators be excited about the NFT space? The slide below summarizes some of the key benefits and opportunities. However, two of the most significant reasons are as follows:


First, we are creating more and more digital stuff every day and spending more time in digital spaces. NFTs provide a vehicle to monetize that digital content that previously was difficult to monetize, ideally providing authenticity, scarcity and provenance for digital assets.

Second, as pertinent to innovation and creativity and the innovators and creators that are stakeholders of the USPTO and US Copyright Office, NFTs and web3 also have the potential to create better opportunities for inventors, creators, artists. The “democratizing

effect” of web3 can provide more control of and more ability to profit by accessing markets more directly and eliminating institutional gatekeepers.

### Some of the Benefits to Blockchain

- Distributed, decentralized architecture, stored on immutable ledger – single transparent source of truth
- Potential “democratizing effect”
  - Artists, creators, innovators, inventors
- *A vehicle to monetize digital assets that previously were difficult to monetize*
  - *Ideally provides authenticity, scarcity, provenance for digital assets*
- Potential for new innovations



Michael Kasdan Wiggin and Dana LLP

Because the use cases are broad and the NFT is so flexible, there is also flexibility in how IP rights are treated for NFTs. What and whether IP rights are transferred with an NFT is wholly dependent on the contractual and license terms and potentially the associated smart contracts.

For example, for digital collectibles as NFTs, you can convey no IP rights at all along with the NFT (as with most “profile picture” type NFTs of digital art). On the other hand, you can also provide the NFT-holder with full commercialization rights via an exclusive license or transfer of the related IP to the holder. Indeed, IP rights that are transferred with an NFT can range from no rights to all rights to anything in between.

Many of the “blue chip” high-value and well-regarded NFT projects have innovated by giving commercialization rights to holders of their limited edition NFTs. Examples of this approach include well-known NFT collections such as Bored Apes Yacht Club, Gutter Cats Gang, Doodles and Clone-X/RTFKTS. This approach seeks to harness the power of a new sort of hybrid stakeholder: the community of NFT-holders. Holders of a Bored Ape NFT are not

just consumers who buy a piece of art that they can use or display and investors and exclusive community members. They are also brand innovators and creative directors of a sort, because they can commercialize their Ape. For example, they can make a movie with the character, or they can license it to a brand. Marketplaces and infrastructure are developing to support these new commercialization opportunities.

This is a new, creative approach to value creation and the unlocking of IP value. It's akin to Disney selling cells of *Snow White* to 100 buyers and telling those buyers they now have artistic control and financial rewards from what they do with the character next: "Go ahead, make a new *Snow White* movie." "Partner with a WNBA team to have Snow be a team mascot." That's a very new world for brands and designers.

Another developing use case that involves NFTs used to transfer IP rights is the use of NFTs to convey IP rights, and in particular, patent ownership interests or license rights. Some entities in the so-called "De-Sci" (decentralized science) space have created so-called "IP-NFTs." There has also been news of efforts underway by IPWe to represent patents as NFTs. Other news reports have focused on certain entities listing patents as NFTs for sale on OpenSea. According to an IpWe press release from April, 2021, "The tokenization of intellectual property (IP) will help position patents to be more easily sold, traded, commercialized or otherwise monetized and bring new liquidity to this asset class for investors and innovators. Tokenization provides greater transparency and can also make related transactions simpler and more cost-efficient. By representing IP in this way, it can be licensed, sold and commercialized. Organizations can also more easily view the IP as an asset on their balance sheet."

These are all interesting and exciting developments, and many believe NFTs can make buying and selling patents easier, offer new opportunities to monetize IP, and create more transparency in patent transactions.

The flexibility and breadth in NFTs also underscores that it is critically important to have transparency and clarity in terms of what a particular NFT is and what IP rights it includes or does not include. Stakeholders need to work towards standards that provide this in the marketplace so people know what IP rights they get when they buy or sell an NFT. It also underscores how important it is to ensure authenticity, which can only be done at the source. I believe there are opportunities for the USPTO here, as discussed in section (3) below.

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## **(2) Blockchain and NFT-related Patents**

Some in the web3 space are fond of saying things like “this is web3 and patent/copyright/ trademark is web2 law and irrelevant” or “we are going to put everything in smart contracts and there is no need for lawyers.”

The reality is that while new technologies always pose challenges, there is no “web3 law.” There is just the law, including patent law, copyright law, and trademark law. And just like we are seeing trademark filings in the NFT space and copyright filings for underlying digital assets, as well as enforcement efforts when there are disputes about infringement, we are also seeing patent filings seeking to protect blockchain-related and blockchain-enabled innovations.

One thing I wanted to emphasize to the Office here is the issue of patent quality. We want to grant patents on novel and non-obvious blockchain innovations. But not award overly broad patents that take old ideas and just say “do it with blockchain” using well known functionality and components of blockchain.

As in any emerging technology area this is always an issue. There is a lot of innovation in this space taking place across a variety of technology areas. It is important to reward novel and non-obvious inventions in the NFT space with patents. On the other hand, just like we ultimately saw with computer implemented inventions, just doing an old idea with a computer isn’t enough and so to neither is doing an old idea with blockchain when using well known blockchain functionality and components for its expected purpose.

There are some early issued patents out there in the space that many are looking at and saying “Gee - that’s really broad and doesn’t seem like anything new.” That’s never good for innovation.

I urge the USPTO to continue to focus on this area, as it is doing here and to continue to focus on this issue and to work to ensure the Examiners and Art Units are trained in and familiar the technical details of blockchain technology and the prior art space.

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**(3) Finally, a few words on potential uses of NFTs and blockchain by the USPTO.**

NFTs can be useful tools for tracking chain of custody of assets, authentication, provenance, and an efficient tool for record-keeping.

As mentioned above, these benefits, including authenticity, are not automatic, and authenticity is only guaranteed at the source when the NFT is first minted.

Some potential use cases that could be of interest to the USPTO are NFTs for registration certificates of copyrights, trademarks, and patents. Indeed, the USPTO and US Copyright Offices is the source of these IP rights. As noted above, the industry is already examining patent and other IP rights as NFTs for management of IP and potentially licensing of IP. If the USPTO can set the standard at the source, that could be a very good thing.

Further, allowing NFTs to be integrated into the application, registration and issuance process, could modernize the record-keeping process for patents as digital assets and make it more efficient to buy/sell, license, commercialize and enforce them.

Of course, any implementation of this should proceed with care and will require further detailed study.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Kasdan", with a long horizontal flourish extending to the right.

Michael J. Kasdan

MJK:aj