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The Intersection of FinTechs and Trademark Law: Focus on Cryptocurrency

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Financial technologies (FinTechs) are disrupting the financial services sector in significant ways. FinTechs are not only redefining the financial services sector, but are also changing and challenging other areas of law, including securities law, tax law, and intellectual property law. This Article begins discussions on the intersection of FinTechs and intellectual property law and practice. The focus is on cryptocurrency. Because cryptocurrencies are created and disseminated using distributed ledger or blockchain technology, they offer a good entry point into discussions about intellectual property and the FinTech Sector. A review of case law and trademark practice suggests that two questions are becoming increasingly important. First, are the names and designs of cryptocurrencies registrable as trademarks? In other words, can the names of crypto coins and associated products and services be trademarked? Second, from the standpoint of trademark law, what legal risks and liabilities can arise from the creation, launch, and sale of a cryptocurrency? This paper takes up the second question while the first question is addressed in a different paper. The conclusion reached is that trademark law is vitally important, even in the

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world of virtual currencies, including cryptocurrencies, and that FinTech startups ignore prevailing trademark laws at their own peril.

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INTRODUCTION

On April 2, 2018, Alibaba Group Holding Limited, a Chinese multinational conglomerate specializing in e-commerce, retail, internet, and technology,[1] filed a lawsuit in the United States District Court for the Southern District of New York against Alibabacoin Foundation, a Dubai-based cryptocurrency company, for, *inter alia*, trademark infringement, false designation of origin, and dilution.[2] On November 28, 2017, Vice Media, LLC ("Vice"), a North American digital media and broadcasting company headquartered in Brooklyn, New York,[3] sent Vice Industry Token Inc. ("VIT"), the provider of an innovative adult entertainment platform and the proprietor of a cryptocurrency, the "VICE INDUSTRY TOKEN,"[4] a cease and desist letter alleging that VIT's use of the term "VICE INDUSTRY TOKEN" infringed on Vice's trademark "VICE." In January 2018, VIT filed a lawsuit against Vice seeking a declaratory judgment of no infringement.[5] In September 2018, Blockchain Luxembourg SA and its U.S. affiliate, Blockchain (US) Inc., filed a lawsuit against Paymium SAS, a French company, alleging that the latter is infringing on their mark by using the name "BLOCKCHAIN.IO."[6] In the United States, Europe and around the world, financial technologies companies are not only changing the financial markets, but are also changing and challenging many areas of law and legal practice.

The term financial technologies, or "FinTech," is used to describe a variety of innovative business models and emerging technologies that have the potential to transform the financial services industry.[7] There are eight areas that constitute what is currently called "FinTech," according to the International Organization of Securities Commissions. These eight areas are: payments, insurance, planning, trading and investments, blockchain, lending/crowdfunding, data and analytics, and security. Thanks to FinTechs, the financial services sector is

[1] *Company Overview*, ALIBABA GROUP, https://www.alibabagroup.com/en/about/overview (last visited Dec. 2, 2019).

[2] Complaint at 3, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 2, 2018).

[3] *About*, VICE, https://company.vice.com/about (last visited Dec. 2, 2019).

[4] Complaint at 3, Vice Indus. Token, Inc. v. Vice Media, LLC, No. 2:18-CV-00309 (C.D. Cal. Jan. 12, 2018).

[5] Id. at 4.

[6] Complaint at 20, Blockchain Luxembourg S.A. v. Paymium, SAS, No. 1:18-CV-08612 (S.D.N.Y. Sept. 20, 2018).

[7] INT'L ORG. OF SEC. COMM'NS, RESEARCH REPORT ON FINANCIAL TECHNOLOGIES (FINTECH) 4 (2017), https://www.iosco.org/library/pubdocs/pdf/IOSCOPD554.pdf.

currently undergoing arguably the most profound transformation in its history.[8] FinTech firms are increasing in number,[9] attracting billions of dollars in investment,[10] and have their sights set on even more disruptive products and services.[11] Funding of FinTech startups has increased at a compound annual growth rate of 41% over the last four years, with over $40 billion in cumulative investment.[12] Given expected increases in global investment in the FinTech sector, the world is likely to continue to see new FinTech products and services in the coming years.[13]

FinTech firms are disrupting the financial services sector in significant ways. Banks' revenue growths are at risk due to unprecedented competitive pressure resulting from digital disruption, studies suggest.[14] FinTechs are not only redefining the financial services sector, but are also changing and challenging other areas of law, including securities law, tax law, and intellectual property ("IP") law.[15]

[8] Nigel Green, *The Fintech Revolution: A Positive Force*, FORBES (Oct. 9, 2017, 9:00 AM) https://www.forbes.com/sites/forbesfinancecouncil/2017/10/09/the-fintech-revolution-a-positive-force/#2d2c970b3800.

[9] ERNST & YOUNG LLP, FINTECH ADOPTION INDEX 2017: THE RAPID EMERGENCE OF FINTECH 5 (2017), https://www.ey.com/Publication/vwLUAssets/ey-fintech-adoption-index-2017/$FILE/ey-fintech-adoption-index-2017.pdf.

[10] According to KPMG's *The Pulse of Fintech 2018*, in the first six months of 2018, global investment in FinTech companies hit $57.9 billion across 875 deals. KPMG, THE PULSE OF FINTECH 2018: BIANNUAL GLOBAL ANALYSIS OF INVESTMENT IN FINTECH 3 (2018), https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/07/h1-2018-pulse-of-fintech.pdf.

[11] Billy Bamborough, *Global Fintech Warning to Traditional Banks — The Threat Is 'Real and Growing,'* FORBES (Oct. 17, 2018, 5:08 AM), https://www.forbes.com/sites/billybambrough/2018/10/17/global-fintech-warning-to-tradional-banks-the-threat-is-real-and-growing/#37d36f832c71 (suggesting that the rise in FinTech firms and banking startups was sparked by the 2008 global financial crisis, which caused banks to cut back on spending and withdraw from some markets altogether, leaving a vacuum which FinTech companies stepped into).

[12] PWC, REDRAWING THE LINES: FINTECH'S GROWING INFLUENCE ON FINANCIAL SERVICES 3 (2017), https://www.pwc.com/gx/en/industries/financial-services/assets/pwc-global-fintech-report-2017.pdf.

[13] *The Fintech Revolution*, ECONOMIST (May 9, 2015), https://www.economist.com/leaders/2015/05/09/the-fintech-revolution.

[14] *See* ACCENTURE, THE FUTURE OF FINTECH AND BANKING: DIGITALLY DISRUPTED OR REIMAGINED? 6 (2015), https://www.accenture.com/_acnmedia/accenture/conversion-assets/dotcom/documents/global/pdf/dualpub_11/accenture-future-fintech-banking.pdf.

[15] Keith Fall & Taylor Miller, *How Law Firms Can Prepare for FinTech Wave*, LAW.COM (Mar. 26, 2016, 11:40 AM), https://www.law.com/2018/03/26/how-law-firms-can-prepare-for-the-FinTech-wave/?slreturn=20190313031401 (suggesting that while it may be too early to tout financial technology as its own well-defined practice area, "the innovations and industry disruption associated with FinTech should have law firms and lawyers snapping to attention").

First, due to the FinTech revolution, IP lawyers and their clients are increasingly confronting vastly new products and services such as mobile banking apps, peer-to-peer lending, cryptocurrencies and robo-advisors. Second, the FinTech patent and trademark race is already underway in many jurisdictions.[16] FinTech firms are registering trademarks at an increased rate in key jurisdictions.[17] In the United States, trademark filings related to blockchains and cryptocurrencies are rising.[18] In the United Kingdom, a steady increase in trademark registration by FinTech companies has been reported. Accordingly, in the United Kingdom, financial trademarks rose 35% in five years, from 3,141 in 2011 to 4,228 in 2016.[19] Third, speculations are rife that new FinTechs, including blockchains, will radically alter trademark and patent practice in the coming years.[20]

A growing number of issues at the intersection of trademark law and cryptocurrency is emerging.[21] Accordingly, the blockchain explosion has unleashed a new race to register trademarks and a wave of trademark infringement lawsuits. In some cases, traditional companies are suing FinTech startups for trademark infringement.[22] In other cases, FinTech startups are suing one another for trademark and trade dress

[16] *New Report Explores Fintech Patent Race*, FINTECHNEWS SING. (Aug. 10, 2018), http://fintechnews.sg/22766/FinTech/new-report-explores-FinTech-patent-race.

[17] Robin Moh, *ByteDance Files for 3 Financial Technology Trademarks, Fuelling Speculations on its Fintech Ambitions*, KRASIA (Dec. 20, 2018), https://kr-asia.com/bytedance-files-for-3-financial-technology-trademarks-fuelling-speculations-on-its-FinTech-ambitions.

[18] Stephanie S. Spangler & Brian Anscomb, *The Rise of Blockchain in Patent and Trademark USPTO Filings*, NORRIS MCLAUGHLIN (Apr. 16, 2018), https://norrismclaughlin.com/mtym/2018/04/16/rise-blockchain-patent-trademark-uspto-filings.

[19] Joel Muckett, *Fintech Drives 35% Increase in Trademark Applications*, INST. CHARTERED ACCOUNTANTS ENG. & WALES (Oct. 23, 2017, 4:02 PM), https://economia.icaew.com/news/october-2017/FinTech-drives-35-increase-in-trademark-applications.

[20] *FinTech*, JENNER & BLOCK, https://jenner.com/practices/430 (last visited Dec. 2, 2019) ("Developments in financial technology . . . have precipitated dramatic changes in the financial industry, in areas as diverse as lending, wealth management, payments, trading and insurance. Those changes bring opportunities and challenges for new and established companies, as do the legal and regulatory changes to the environment in which FinTech companies do business.").

[21] *Intellectual Property Issues in Blockchain and FinTech*, COVINGTON FIN. SERVS. (Dec. 5, 2018), https://www.covfinancialservices.com/2018/12/intellectual-property-issues-in-blockchain-and-FinTech.

[22] *See, e.g.*, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 18-CV-2897, 2018 WL 5118638 (S.D.N.Y. Oct. 22, 2018).

infringement.[23] At the center of ongoing trademark battles there are terms such as "BLOCKCHAIN," "SECURITIES TOKEN," "ALIBABACOIN," and "TOPCOIN," among others.[24] Overall, it is increasingly evident that creating an effective FinTech IP strategy should be a priority for traditional firms and FinTech startups.[25]

A review of case law and trademark practice suggests that two questions are becoming increasingly important. First, are the names and designs of cryptocurrencies registrable as trademarks? In other words, can the names of crypto coins and associated products and services be trademarked? Second, from the standpoint of trademark law, what legal risks and liabilities can arise from the creation, launch, and sale of a cryptocurrency? This Article takes up the second question while the first question is addressed in a different paper. The conclusion reached is that trademark law is vitally important, even in the world of virtual currencies, including cryptocurrencies, and that FinTech startups ignore prevailing trademark laws at their own peril. Trademark woes can delay or disrupt the launch of a cryptocurrency, entangle a crypto startup company in long, costly, drawn-out legal battles in multiple jurisdictions, and implicate thousands of dollars in civil remedies. While questions are likely to persist about whether cryptocurrencies are securities or not and whether a particular initial coin offering ("ICO") is legal, cryptocurrencies are here to stay and are already creating disruptions in trademark law and practice.[26]

I. BLOCKCHAINS AND CYPTOCURRENCIES: OVERVIEW

A blockchain is "an electronic distributed ledger or list of entries — much like a stock ledger — that is maintained by various participants in a network of computers."[27] Some examples of blockchains are the

[23] *See, e.g.*, Amended Complaint at 24, Blockchain Luxembourg S.A. v. Paymium, SAS, No. 1:18-CV-08612 (S.D.N.Y. Feb 01, 2019).

[24] Alexis Kramer, *The Latest Blockchain Craze: Trademark Lawsuits*, BLOOMBERG L. (Nov. 29, 2018, 7:45 AM), https://www.bloomberglaw.com/document/X7JB7QUC000000?bna_news_filter=tech-and-telecom-law&jcsearch=BNA%252000000167191bd187a977fd5fd63b0002#jcite.

[25] *Creating an Effective FinTech IP Strategy*, AWA POINT (Oct. 10, 2018), https://awapoint.com/creating-effective-FinTech-ip-strategy.

[26] In the United States, the principal source of law relating to trademarks and trademark litigation is the Lanham Act (also known as the Trademark Act). *See* 15 U.S.C. §§ 1051-1141n (2019).

[27] *Investor Bulletin: Initial Coin Offerings*, U.S. SEC. & EXCH. COMM'N (July 25, 2017), https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_coinofferings [hereinafter *Initial Coin Offerings*]; *see also* Massimo Di Pierro, *What is the Blockchain?*, COMPUTING SCI. & ENGINEERING, Sept.-Oct. 2017, at 92, 92-95.

Bitcoin and Ethereum blockchains. The Bitcoin white paper was released in 2008[28] and the Bitcoin blockchain was first implemented in 2009.[29] Experts believe that the blockchain technology has the potential for widespread use across a number of industries, including financial services, energy, health care, transportation, and cybersecurity.[30]

A virtual currency "is a digital representation of value that can be digitally traded and functions as a medium of exchange, unit of account, or store of value."[31] Virtual coins or tokens "are created and disseminated using distributed ledger or blockchain technology."[32] Cryptocurrencies "purport to be items of inherent value (similar, for instance, to cash or gold) that are designed to enable purchases, sales and other financial transactions. They are intended to provide many of the same functions as long-established currencies, such as the U.S. dollar, the euro or Japanese yen, but do not have the backing of a government or other body."[33] Cryptocurrency startups use ICOs to raise capital.[34] The coins serve as both coupons for the services of the issuing company and as tradable securities.[35] According to the Securities and Exchange Commission ("SEC"):

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[28] *See* SATOSHI NAKAMOTO, BITCOIN: A PEER-TO-PEER ELECTRONIC CASH SYSTEM 1 (2008), https://bitcoin.org/bitcoin.pdf.

[29] Bernard Marr, *A Short History of Bitcoin and Crypto Currency Everyone Should Read*, FORBES (Dec. 6, 2017), https://www.forbes.com/sites/bernardmarr/2017/12/06/a-short-history-of-bitcoin-and-crypto-currency-everyone-should-read/#27f98cd93f27.

[30] *See generally* DON TAPSCOTT & ALEX TAPSCOTT, BLOCKCHAIN REVOLUTION: HOW THE TECHNOLOGY BEHIND BITCOIN AND OTHER CRYPTOCURRENCIES IS CHANGING THE WORLD (2016); *Banking Is Only The Beginning: 55 Big Industries Blockchain Could Transform*, CB INSIGHTS (June 11, 2019), https://www.cbinsights.com/research/industries-disrupted-blockchain (speculating that banking is not the only industry that could be affected by blockchain technology and that law enforcement, ride hailing, and many other sectors could also have blockchain in their future); Joel Comm, *The Future of Blockchain and Its Potential Impact on Our World*, FORBES (Aug. 2, 2018, 8:00 AM), https://www.forbes.com/sites/forbescoachescouncil/2018/08/02/the-future-of-blockchain-and-its-potential-impact-on-our-world/#71e7bf5a1f69 (observing that "[h]undreds of millions of dollars have already been invested by some of the world's biggest companies on the future of blockchain," and that the full reach and potential of blockchain technology is still unknown); *The Great Chain of Being Sure About Things*, ECONOMIST (Oct. 31, 2015), https://www.economist.com/news/briefing/21677228-technology-behind-Bitcoin-lets-people-who-do-not-know-or-trust-each-other-build-dependable.

[31] U.S. SEC. & EXCH. COMM'N, *Initial Coin Offerings*, *supra* note 27.

[32] *Id.*

[33] Chairman Jay Clayton, *Statement on Cryptocurrencies and Initial Coin Offerings*, U.S. SEC. & EXCH. COMM'N (Dec. 11, 2017), https://www.sec.gov/news/public-statement/statement-clayton-2017-12-11 [hereinafter *Statement on Cryptocurrencies*].

[34] U.S. SEC. & EXCH. COMM'N, *Initial Coin Offerings*, *supra* note 27.

[35] Clayton, *Statement on Cryptocurrencies*, *supra* note 33.

> Purchasers may use fiat currency (e.g., U.S. dollars) or virtual currencies to buy these virtual coins or tokens. Promoters may tell purchasers that the capital raised from the sales will be used to fund development of a digital platform, software, or other projects and that the virtual tokens or coins may be used to access the platform, use the software, or otherwise participate in the project . . . . After they are issued, the virtual coins or tokens may be resold to others in a secondary market on virtual currency exchanges or other platforms.[36]

Most cryptocurrencies are not issued by governments and are not recognized as legal tender in most jurisdictions. Virtual tokens or coins are typically issued by a virtual organization or other capital raising entity.[37] A virtual organization "is an organization embodied in computer code and executed on a distributed ledger or blockchain."[38] There are currently about 4,883 cryptocurrencies with market capitalization of about $199,407,186,367.[39] Presently, the top 10 cryptocurrencies by market capitalization are: Bitcoin (#1), XRP (#2), Ethereum (#3), Bitcoin Cash (#4), EOS (#5), Stellar (#6), Tether (#7), Litecoin (#8), THRON (#9), and Bitcoin SV (#10).[40]

An ICO is a financing method that cryptocurrency companies use to raise capital for their projects and businesses. "Typically these offerings [ICOs] involve the opportunity for individual investors to exchange currency, such as U.S. dollars or cryptocurrencies, in return for a digital asset labeled as a coin or token."[41] To date, no ICOs have been registered with the SEC and the SEC has not approved any exchange-traded products holding cryptocurrencies or other assets related to cryptocurrencies for listing or trading.[42] On the contrary, the SEC has issued several warnings regarding cryptocurrencies and ICOs.[43] For

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[36] U.S. SEC. & EXCH. COMM'N, *Initial Coin Offerings*, *supra* note 27.

[37] *Id.*

[38] *Id.*

[39] *Top 100 Cryptocurrencies by Market Capitalization*, COINMARKETCAP, https://coinmarketcap.com (last visited Dec. 1, 2019).

[40] *Id.*

[41] Clayton, *Statement on Cryptocurrencies*, *supra* note 33.

[42] *Id.*

[43] *See, e.g.*, U.S. SEC. & EXCH. COMM'N, INVESTOR ALERT: PONZI SCHEMES USING VIRTUAL CURRENCIES (2013), https://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf; *Investor Alert: Bitcoin and Other Virtual Currency-Related Investments*, U.S. SEC. & EXCH. COMM'N (May 7, 2014), https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-alert-bitcoin-other-virtualcurrency; *Investor Alert: Public Companies Making ICO-Related Claims*, U.S. SEC. & EXCH. COMM'N (Aug. 28, 2017),

example, in a December 11, 2017 statement, SEC Chairman Jay Clayton warned that "[a] number of concerns have been raised regarding the cryptocurrency market and ICO markets, including that, as they are currently operating, there is substantially less investor protection than in our traditional securities markets, with correspondingly greater opportunities for fraud and manipulation."[44]

II. BLOCKCHAIN, CRYPTOCURRENCY, AND TRADEMARK REGISTRATION: A PRELIMINARY SURVEY

FinTechs are creating new trademark challenges for startup companies as well as for established businesses in the financial sector.[45] Trademark applications in relation to blockchains and crypto assets are rising.

A. Blockchains and Trademark Registration

Blockchains are changing and challenging traditional IP principles and norms.[46] Trademarks are clearly important to blockchain companies.[47] Not surprising, blockchain-related trademark applications are rising.[48] In the United States and other jurisdictions, trademark

https://www.sec.gov/oiea/investor-alerts-and-bulletins/ia_icorelatedclaims; U.S. SEC. & EXCH. COMM'N, *Initial Coin Offerings*, *supra* note 27.

[44] Clayton, *Statement on Cryptocurrencies*, *supra* note 33.

[45] Rob Reading, *The Rise of Fintech Raises Trademark Challenges*, FINTECH FUTURES (Mar. 26, 2018), https://www.bankingtech.com/2018/03/the-rise-of-FinTech-raises-trademark-challenges.

[46] *See* BLOCKCHAIN INTELLECTUAL PROP. COUNCIL, A BLOCKCHAIN INNOVATOR'S GUIDE TO IP STRATEGY, PROTECTING INNOVATION & AVOIDING INFRINGEMENT 1 (2018), https://digitalchamber.org/wp-content/uploads/2018/03/Blockchain-Intellectual-Property-Council-White-Paper-Electronic-FINAL.pdf; *see also* Jess Collen, *Does Blockchain Matter Yet in Intellectual Property for Business?*, FORBES (Feb. 21, 2019, 4:12 PM), https://www.forbes.com/sites/jesscollen/2019/02/21/does-blockchain-matter-yet-in-intellectual-property-for-business/#2d9159b1c210 (speculating that blockchain "might provide some alternative to the often-confusing and expensive traditional types of intellectual property protection").

[47] Collen, *supra* note 46 (observing that "[o]f the three fundamental types of IP protection, trademarks hold the most immediate blockchain promise"); *see also* Bennett Collen et al., *Applications of Blockchain Technology to Trademark Protection, Enforcement, and Practice*, INTABULL. (2018), https://www.inta.org/INTABulletin/Pages/ApplicationsofBlockchainTechnologytoTrademarkProtection7312.aspx (discussing at least two immediately applicable uses for the technology, "[c]reating blockchain-based records as a more secure and trustworthy recordkeeping system to prove trademark use; and [p]roving the provenance and legitimacy of goods in anticounterfeiting efforts," as well as many more potential future uses).

[48] Spangler & Anscomb, *supra* note 18.

registration have been filed and sometimes obtained for a growing number of blockchains and blockchain application platforms, including R3,[49] BOLT,[50] Merkle Tree,[51] COLU,[52] and Lisk.[53] As of April 2018, there were reportedly 1,120 records of trademark applications or registrations for goods and services related to blockchains or distributed ledger technology with the United States Patent and Trademark Office ("USPTO") alone.[54]

[49] Nadaline Webster, *A Brief History of Blockchain in Trademarks*, TRADEMARKNOW (Nov. 15, 2017), https://www.trademarknow.com/blog/brief-history-of-blockchain-in-trademarks.

[50] *Id.*

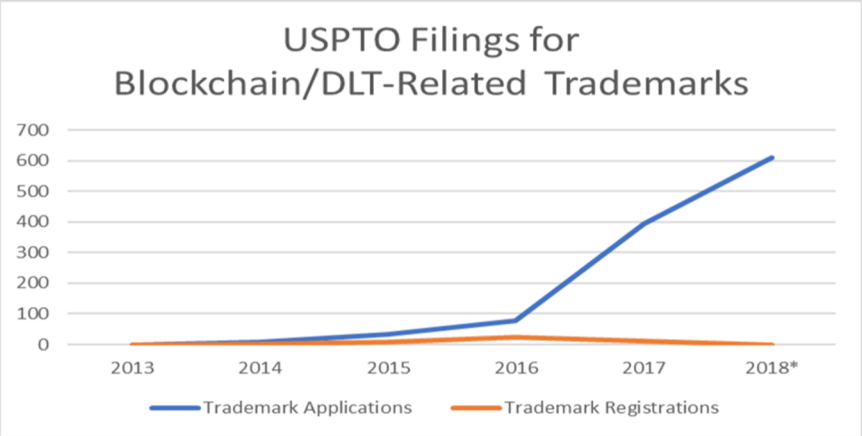
[51] *Id.*

[52] *See* COLU, Registration No. 4,856,921 (for "[d]ownloadable software for use in collecting, transferring, receiving, tracking, [and] storing . . . open source peer-to-peer currency; [d]ownloadable software for use in managing, collecting, transferring, receiving, tracking, [and] storing . . . tokens used to represent pieces of property; [d]ownloadable software for use in accessing, reading, tracking, and using blockchain technology; [d]ownloadable software for use in managing sales and purchases made on an online marketplace").

[53] *See* LISK, Registration No. 5,899,660 (for "[c]omputer hardware; [d]ownloadable and recorded firmware and software for the administration and management of transactions in cryptograms for use with block chains and for the development, testing and integration of applications and software of block chains; [d]ownloadable and recorded software platforms for the administration and management of transactions in cryptograms for use with block chains and for developing, testing and integrating applications and software for block chains; [d]ownloadable and recorded application software for creating block chains; [d]ownloadable and recorded software for the purchase, sale, management, payment, download, recording and administration of electronic tokens; [d]ownloadable and recorded e-commerce software for allowing users to make electronic operations via a global computer network").

[54] Spangler & Anscomb, *supra* note 18.

Figure 1. USPTO filings for Blockchain-Related Trademarks[55]



B. Cryptocurrencies and Trademark Registration

Since 2009, when Bitcoin debuted, many new coins have entered the cryptocurrency space, including NameCoin,[56] Litecoin,[57] PeerCoin (or

[55] *Id.*

[56] NAMECOIN, https://namecoin.org (last visited Nov. 3, 2019) (describing Namecoin as "an experimental open-source technology which improves decentralization, security, censorship resistance, privacy, and speed of certain components of Internet infrastructure such as DNS and identities"); *see also Namecoin*, WIKIPEDIA, https://en.wikipedia.org/wiki/Namecoin (last visited Dec. 2, 2019) (describing Namecoin as a cryptocurrency that is mined with bitcoin software, but that unlike Bitcoin, Namecoin can store data within its own blockchain transaction database).

[57] LITECOIN, https://litecoin.org (last visited Dec. 2, 2019) ("Litecoin is a peer-to-peer Internet currency that enables instant, near-zero cost payments to anyone in the world. Litecoin is an open source, global payment network that is fully decentralized without any central authorities."); *see also Litecoin*, WIKIPEDIA, https://en.wikipedia.org/wiki/Litecoin (last visited Dec. 2, 2019).

PPCoin),[58] PrimeCoin,[59] Freicoin,[60] Auroracoin,[61] and Dogecoin.[62] Some companies are moving away from "coin"-based names and are opting for more exotic names such as Ripple (previously OpenCoin), Omni (previously Mastercoin), Dash (previously DarkCoin), Ethereum, and Monero. Other companies are opting for acronyms such as XRP, EOS, NEO, and NEM.[63]

[58] PEERCOIN, https://peercoin.net/index.html (describing Peercoin as "[t]he world's first efficient and sustainable public blockchain, serving as a secure base layer and as cryptocurrency for the future blockchain connected world").

[59] PRIMECOIN, http://primecoin.io (last visited Dec. 2, 2019) (describing Primecoin as "an innovative cryptocurrency, a form of digital currency secured by cryptography and issued through a decentralized mining market").

[60] FREICOIN, http://freico.in (last visited Dec. 2, 2019) ("Freicoin is a peer-to-peer . . . currency based on the accounting concept of a proof-of-work block chain used by Satoshi Nakamoto in the creation of Bitcoin.").

[61] AURORACOIN, https://en.auroracoin.is (last visited Dec. 2, 2019) ("Auroracoin is a currency that is not dependent on the present banking system and has its own independent value.").

[62] DOGECOIN, https://dogecoin.com (last visited Dec. 2, 2019) ("Dogecoin is a decentralized, peer-to-peer digital currency that enables you to easily send money online. Think of it as 'the internet currency.'").

[63] *See generally* COINMARKETCAP, https://coinmarketcap.com (last visited Dec. 1, 2019).

Top Ten Cryptocurrencies by Market Capitalization[64]

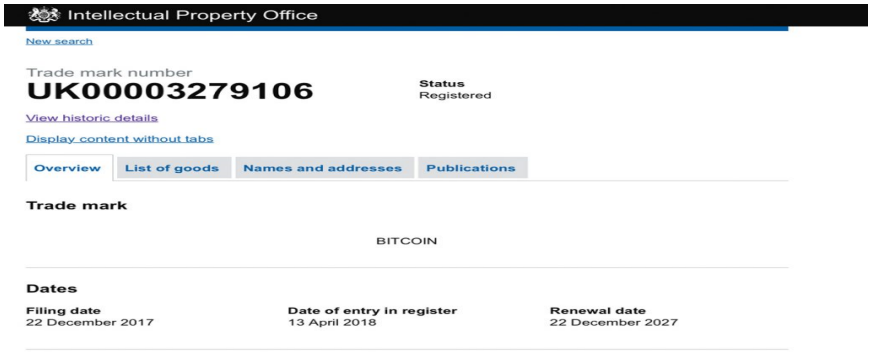
	Name	Associated Design	Market Capitalization
#1	Bitcoin		$141,308,727,870
#2	Ethereum		$16,956,905,240
#3	XRP		$10,074,080,501
#4	Tether		$4,157,577,704
#5	Bitcoin Cash		$4,104,385,459
#6	Litecoin		$3,119,470,610
#7	EOS		$2,655,188,631
#8	Binance Coin		$2,529,906,147
#9	Bitcoin SV		$1,984,805,801
#10	Stellar		$1,190,509,045

The last five years have seen increased attempts by various individuals, companies, and organizations to register the name or design of cryptocurrencies as trademarks. While some applications have been rejected, others have been allowed. In general, attempts to register "BITCOIN" in connection with a wide range of crypto assets and services have not fared very well. "BITCOIN" has been approved as a trademark in the United Kingdom, but not for use in connection with a cryptocurrency. On April 13, 2018, the Intellectual Property Office in the United Kingdom approved the trademark registration for the term "BITCOIN" on April 13, 2018 in Classes 25 (clothing), 32 (light beverages), and 33 (wine and spirits), as shown in Figure 2.[65]

[64] *Id.*

[65] *Trade Mark Number UK00003279106*, INTELLECTUAL PROP. OFF., https://trademarks.ipo.gov.uk/ipo-tmcase/page/Results/1/UK00003279106 (last visited Dec. 2, 2019).

Figure 2. Registration for "BITCOIN" in the United Kingdom



In the United States, while some applications to register "BITCOIN" as a trademark for cryptocurrency have been denied, others are currently pending.[66] The first "BITCOIN" trademark application was purportedly filed in 2011 by Magellan Capital Advisors LLC, for "[f]inancial services, namely, providing a virtual currency for use by members of an on-line community via a global computer network."[67] Besides "BITCOIN," attempts to register the names of other cryptocurrencies have been more successful. "ZCASH,"[68] "XRP,"[69] and "ETHEREUM"[70] have all been successfully registered. "ZCASH" is owned by Zerocoin Electric Coin Company and was registered on the Principal Register of the USPTO on December 17, 2017. "ZCASH" is registered under International Class 009 for use in computer software, including "open source operating software for the use of a crypto-currency on a global computer network" as well as "software to facilitate the use of a blockchain or distributed ledger to execute and record financial transactions, including trades, in connection with the use of a crypto-currency."[71]

66 Brent Sausser, *Blockchain Trademark and Bitcoin Trademark*, ONLINE TRADEMARK ATT'YS (Oct. 26, 2017), https://onlinetrademarkattorneys.com/blockchain-bitcoin-trademark (noting that there were eighty-eight trademarks filed with the term 'BITCOIN' in 2017).

67 *See* U.S. Trademark Application Serial No. 85/353,491 (filed June 22, 2011).

68 See ZCASH, Registration No. 5,361,134; ZCASH, Registration No. 5,325,433.

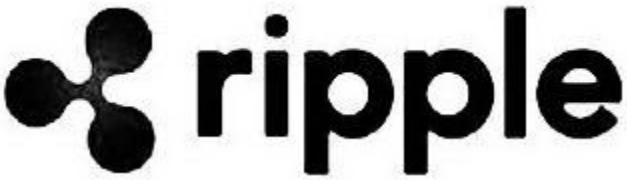
69 *See* XRP, Registration No. 4,458,993.

70 *See* ETHEREUM, Registration No. 5,110,579. This mark is not registered in connection with a cryptocurrency. Rather, it is registered in International Class 009 for "[c]omputer software platforms for developing, building, and operating distributed applications." *Id.*

71 ZCASH, Registration No. 5,361,134 (for "[c]omputer software, namely, open source operating software for the use of a crypto-currency on a global computer

The term "RIPPLE" is registered on the Principal Register of the USPTO. Application for "RIPPLE" was filed on November 8, 2012, in connection with "financial services," and registration was granted on December 24, 2013.[72] In June 2017, a different trademark application was filed to register the term "RIPPLE" in connection with "electronic financial services," "software for providing an electronic financial platform that facilitates the transaction of payments and financial transactions over a computer network," "peer-to-peer network computer services," "software as a service, featuring software for providing an electronic financial platform that facilitates transaction of payments over a computer network" and "electronic data storage, namely, storage of virtual currency."[73] This application is currently pending.[74]

Figure 3. The Applied-for Trademark for "RIPPLE" (U.S. Trademark Application Serial No. 87/479,632)[75]



"XRP" is registered on the Principle Register of the USPTO in International Class 036 for "[f]inancial services, namely, providing secure payment options to members of an online community via a global computer network through the use of traditional currency and virtual currency."[76] Application for "XRP" was filed on March 17, 2013, and the registration was granted on December 1, 2013.[77]

network; software to facilitate the use of a blockchain or distributed ledger to execute and record financial transactions, including trades, in connection with the use of a crypto-currency; downloadable computer software, namely, operating system security update software, operating system upgrade software, and operating system monitoring software; computer software for developing, deploying, and managing applications, integrating applications, data, and services all for use of a crypto-currency").

[72] See RIPPLE, Registration No. 4,453,543. RIPPLE was registered in International Class 036 for "[f]inancial services, namely, providing secure payment options to members of an online community via a global computer network through the use of traditional currency and virtual currency." *Id.*

[73] U.S. Trademark Application Serial No. 87/479,632 (filed June 7, 2017).

[74] *Id.*

[75] *Id.*

[76] XRP, Registration No. 4,458,993.

[77] *Id.*

A thorough analysis of the fate of trademark applications filed with the USPTO in connection with cryptocurrencies and other crypto assets is beyond the scope of this paper and is taken up in another paper. However, a preliminary survey of pending, rejected, and abandoned applications suggests that whether a particular application is allowed or rejected turns on a number of factors, including whether or not a term is found to be generic, descriptive, or inherently distinctive when used in connection with described goods and services,[78] and whether or not the USPTO determines that there is a likelihood of confusion between the applied-for mark and an existing mark.[79]

To be deemed valid and registrable, a trademark must be distinctive either inherently or through the acquisition of a secondary meaning.[80] The Trademark Act of 1946 (also known as the Lanham Act) is the primary federal trademark statute in the United States The Lanham Act prohibits the registration on the Principal Register of marks that are generic or descriptive.[81] The degree of distinctiveness — or, on the other hand, descriptiveness — of a designation is not made in the abstract but can be determined only by considering it in relation to the specific goods or services of the applicant.[82] A mark is considered merely descriptive if it describes an ingredient, quality, characteristic, function, feature, purpose, or use of the specified goods or services.[83] In 2016, the USPTO rejected an attempt by BitFlyer, Inc. to register the term "BITCOIN" for, *inter alia*, "[c]omputer programs used in the field of electronic commerce transactions; computer programs; electronic

[78] Section 2(e) of the Lanham Act prohibits the registration of a mark which consists of a mark which "when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them." 15 U.S.C. § 1052(e) (2019). Section 14(3) of the Lanham Act provides for the cancellation of the registration of a mark at any time "if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered . . . ." *Id.* § 1064(3).

[79] Section 2(d) of the Lanham Act prohibits the registration of a mark which "[c]onsists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive . . . ." 15 U.S.C. § 1052(d); *see* U.S. PATENT & TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE §§ 1207.01-1207.04(g)(i) (2018), https://tmep.uspto.gov/RDMS/TMEP/current#/current/TMEP-1200d1e1.html [hereinafter TRADEMARK MANUAL].

[80] TRADEMARK MANUAL, *supra* note 79, § 1212.

[81] 15 U.S.C. §§ 1502(e)(1), 1065; *id.* § 1209.

[82] Remington Products, Inc. v. N. Am. Philips Corp., 892 F.2d 1576, 1580 (Fed. Cir. 1990) (noting that a mark must be assessed and considered in context, i.e., in connection with the goods).

[83] TRADEMARK MANUAL, *supra* note 79, § 1209.01(b).

machines and apparatus; [and] telecommunication machines and apparatus," concluding that the applied-for mark "merely describes a characteristic or feature of applicant's goods and services."[84] In November 2018, the USPTO rejected an application to register the term "BITCOIN" on the Principal Registrar on the ground that the applied-for mark "merely describes a subject matter and feature of applicant's services."[85] "In addition to being merely descriptive, the applied-for mark appears to be generic in connection with the identified services and, therefore, incapable of functioning as a source-identifier for applicant's services," the USPTO concluded.[86]

Likelihood of confusion with an existing mark is a common ground for denying trademark registration applications. Section 2(d) of the Lanham Act prohibits the registration of a mark which "[c]onsists of or comprises a mark which so resembles a mark registered in the [USPTO], or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive."[87]

According to the USPTO's Trademark Manual of Examining Procedure, "[i]n the ex parte examination of a trademark application, a refusal under §2(d) is normally based on the examining attorney's conclusion that the applicant's mark, as used on or in connection with the specified goods or services, so resembles a *registered* mark as to be likely to cause confusion."[88] Moreover, the issue "is not whether the respective marks themselves, or the goods or services offered under the marks, are likely to be confused but, rather, whether there is a likelihood of confusion as to the source or sponsorship of the goods or services because of the marks used thereon."[89] When reviewing a

[84] *Office Action*, U.S. PATENT & TRADEMARK OFFICE (Feb. 29, 2016), https://tsdr.uspto.gov/documentviewer?caseId=sn79182945&docId=OOA20160229124110#docIndex=13&page=1.

[85] *Office Action*, U.S. PATENT & TRADEMARK OFFICE (Nov. 21, 2018), https://tsdr.uspto.gov/documentviewer?caseId=sn88055293&docId=OOA20181121054858#docIndex=6&page=1. The application was in relation to "[c]ryptocurrency, namely, providing a digital currency or digital token for use by members of an on-line community via a global computer network; [c]ryptocurrency, namely, a digital currency or digital token, incorporating cryptographic protocols, used to operate and build applications and blockchains on a decentralized computer platform and as a method of payment for goods and services." *Id.*

[86] *Id.*

[87] 15 U.S.C. § 1052(d) (2019).

[88] *See* TRADEMARK MANUAL, *supra* note 79, § 1207.01.

[89] *Id.*

trademark application, an examining attorney "must conduct a search of USPTO records to determine whether the applicant's mark so resembles any registered mark(s) as to be likely to cause confusion or mistake, when used on or in connection with the goods or services identified in the application."[90] The examining attorney is also required to search pending applications for conflicting marks with earlier effective filing dates.[91] In addition to being found to be "merely describing a subject matter and feature of applicant's services," the recent attempt to register "BITCOIN" was met with a section 2(d) rejection.[92] In reference to U.S. Trademark Application Serial No. 88055293, in November 2018, the USPTO denied registration "because of a likelihood of confusion with the mark in U.S. Registration No. 5606663" ("BITCOINR").[93] Although the applicant's mark did not contain the entirety of the registered mark, the USPTO concluded that "the applicant's mark is likely to appear to prospective purchasers as a shortened form of registrant's mark."[94]

To be sure, FinTechs, in general, and blockchains, in particular, are changing intellectual property law and practice. Not surprisingly, bar associations, law societies, law firms, and policy makers around the world are scrambling to address these new challenges. For example:

- Increasingly, law firms are establishing and actively marketing their FinTech industry practice groups.[95]

[90] *Id.*

[91] *Id.*

[92] *Office Action*, U.S. PATENT & TRADEMARK OFFICE (Nov. 21, 2018), https://tsdr.uspto.gov/documentviewer?caseId=sn88055293&docId=OOA20181121054858#docIndex=6&page=1.

[93] *Id.*; *see also* BITCOINR, Registration No. 87,860,689.

[94] *Office Action*, *supra* note 92.

[95] *See, e.g.*, *Fintech*, DAVIS POLK & WARDWELL LLP, https://www.davispolk.com/practices/corporate/FinTech (last visited Dec. 2, 2019) (discussing the nature and strengths of the Davis Polk FinTech practice group); *Fintech*, WHITE & CASE LLP, https://www.whitecase.com/law/industries/FinTech/overview (last visited Dec. 2, 2019) (observing that FinTech is "evolving at a breathtaking pace, as the digital revolution changes, improves, redefines and inverts traditional roles and functions of financial services" and that "[g]iven the increasing demand for fintech solutions around the world, [the firm] provide[s] clients with tailored advice to help them develop, strengthen and protect their digital infrastructure, deliver innovative products and services, and enhance their operations and compliance systems"); *Fintech Overview*, DLA PIPER, https://www.dlapiper.com/en/us/focus/FinTech (last visited Dec. 2, 2019) (describing DLA Piper as "one of the leading global law firms advising on all aspects of the FinTech sector").

- Law firms and in-house departments are stepping up the competition for lawyers with FinTech bona fides, including in the area of IP.[96]
- The Blockchain Task Force of the International Trademark Association's Emerging Issues — New Emerging Issues Subcommittee is currently examining the potential relevance of blockchain technology in trademark practice.[97]
- In February 2019, the Singapore FinTech Association ("SFA"), World Intellectual Property Organization Arbitration and Mediation Center ("WIPO"), and the Chartered Institute of Arbitrators ("CIArb") jointly organized a seminar titled "Joint WIPO CIArb SFA FinTech & Arbitration Seminar 2019."[98]
- On October 26, 2017, the European Union Patent Office ("EUIPO") organized a forum titled "Blockchain and Intellectual Property," that centered on the implications of blockchain technologies on the world of intellectual property.[99]
- In 2018, the EUIPO hosted a "Blockathon" (blockchain + hackathon) "to explore how blockchain technology can actually make a difference and lead to a better society," specifically with an eye towards creating "the next level of anti-counterfeiting infrastructure, by working directly with manufacturers, logistics companies, customs, retailers and consumers."[100] The EUIPO and the European Commission jointly organized the EU Blockathon 2018 competition.[101]

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[96] Marc Kaufman, *Intellectual Property and FinTech Attorney, Marc Kaufman, Joins Rimon as Partner in Its Washington D.C. Office*, RIMON (Jan. 12, 2017), https://rimonlaw.com/news/intellectual-property-and-FinTech-attorney-marc-kaufman-joins-rimon-as-part.

[97] Collen et al., *supra* note 47.

[98] *Joint WIPO CIArb SFA Fintech & Arbitration Seminar 2019*, WORLD INTELLECTUAL PROP. ORG. (Feb. 28, 2019), https://www.wipo.int/export/sites/www/amc/en/docs/wipociarb2019.pdf.

[99] *Blockchain and Intellectual Property*, EUR. UNION INTELLECTUAL PROP. OFF. (Oct. 26, 2017), https://euipo.europa.eu/knowledge/course/view.php?id=3038.

[100] *Blockathon 2018*, EUR. UNION INTELLECTUAL PROP. OFF., https://euipo.europa.eu/ohimportal/en/web/observatory/blockathon-2018 (last visited Dec. 2, 2019).

[101] The EU Blockathon competition centers on how to use blockchain to co-create the future EU anti-counterfeiting infrastructure. *See Using Blockchain to Co-create the Future EU Anti-Counterfeiting Infrastructure*, EUR. UNION INTELLECTUAL PROP. OFF.,

- In 2016, the Blockchain Intellectual Property Council, an initiative of the Chamber of Digital Commerce, was established.[102]

III. CRYPTO TRADEMARK LAWSUITS: CASE STUDY NO. 1 — ALIBABA GROUP HOLDINGS LTD. V. ALIBABACOIN FOUNDATION ET AL.

A. Background

Alibaba Group Holding Limited ("Alibaba") is a Cayman Islands company with its principal place of business in Hangzhou, People's Republic of China. Alibaba owns numerous registered trademarks in the United States for the term "ALIBABA," including United States Trademark Registration No. 2,589,009, which covers the mark "ALIBABA.COM" for use in, among other things, business services; United States Trademark Registration No. 2,829,317, which covers the mark "ALIBABA" for use in computer software, including "for use in exchanging information via global computer networks and online from a computer database and the internet"; and United States Trademark Registration No. 2,579,498, which covers the mark "ALIBABA" for use in, among other things, "[m]arket research and business consulting services" and "[p]roviding an interactive website on a global computer network for third parties to post information, respond to requests and place and fulfill orders for products, services and business opportunities."

Alibabacoin Foundation ("ABBC" or "ABBC Foundation"), is a Dubai-based company.[103] ABBC Foundation bills ABBC Blockchain as "a technology optimized for distribution, finance, shopping, [and] security, using blockchain technology,"[104] and one poised to become

https://euipo.europa.eu/ohimportal/en/web/observatory/blockathon/aims-of-competition (last visited Dec. 2, 2019).

[102] *See Blockchain Intellectual Property Council*, CHAMBER OF DIG. COMMERCE, https://digitalchamber.org/initiatives/blockchain-intellectual-property-council (last visited Dec. 2, 2019) ("The Blockchain Intellectual Property Council (BIPC) is an initiative of the Chamber of Digital Commerce and is aimed at promoting blockchain innovation and help[ing] companies better navigate intellectual property decision-making processes.").

[103] *See About*, ABBC COIN, https://abbccoin.com/#about (last visited Dec. 2, 2019).

[104] *ALIBABA Coin (ABBC)*, MEDIUM (Nov. 8, 2018), https://medium.com/dobitrade-exchange/alibaba-coin-abbc-411af1dbc87c.

"the world's leading software platform for digital issues."[105] ABBC's crypto assets are called "Alibabacoins" or "ABBC Coins."[106] To date, ABBC Foundation has launched at least three ICOs.[107] ABBC offers multiple products and services. In June 2018, the company launched its multi-crypto wallet.[108] The Alibabacoin wallet is a multi-currency wallet, allowing users to hold an abundance of different cryptocurrencies, while receiving an overview of the balance of their holdings as well as other statistics. The trademarked term "ALIBABACOIN" was very visible on the ABBC website,[109] on various social media channels for ABBC, and on the Wallet website (see Figure 4). The company's apps also displayed the trademarked term "ALIBABA."

Figure 4. Alibabacoin Name and Logo[110]

In a white paper issued in March 2018, ABBC Foundation states that Alibabacoin "is an open platform that works on distributed ledger

[105] *Alibabacoin Foundation to Be Listed on 9 Major Exchanges at the Same Time*, CRYPTOGLOBE (Oct. 10, 2018), https://www.cryptoglobe.com/latest/2018/10/alibabacoin-foundation-to-be-listed-on-9-major-exchanges-at-the-same-time.

[106] *Alibabacoin, Revealed to the World of Crypto*, GET NEWS (Jan. 30, 2018), http://www.getnews.info/686163/Alibabacoin-revealed-to-the-world-of-crypto.html.

[107] On March 5, 2018, Alibabacoin ICO launched in eighty-one countries worldwide. The first stage of the Alibabacoin token occurred between March 1 and March 5, 2018. The second stage of the ICO started on March 16, 2018. *Stage 2 of the Alibabacoin ICO Will Begin on March 16th, 2018*, DIGITAL J., http://www.digitaljournal.com/pr/3690676#ixzz5R6mjt64f (last visited Dec. 2, 2019). The third stage of the ICO concluded on July 3, 2018. Complaint at 9, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 2, 2018).

[108] *ABBC Foundation Announces Slated Launch of Multi Crypto Wallet*, COINWIRE (May 31, 2018), https://www.coinwire.com/abbc-foundation-announces-slated-launch-of-multi-crypto-wallet.

[109] Complaint at 10-12, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 2, 2018).

[110] *See id.* at 10.

technology"[111] and is designed "to develop digital crypto-currency markets and objects for various purposes." According to the white paper, the Alibaba platform "will allow users to send and receive funds, make online purchases using their own ABBC wallet, exchange Alibabacoin coins at profitable rates, as well as trade and manage funds."[112] In June 2018, ABBC Foundation announced plans to airdrop ABBC coins starting July 2, 2018 and running through July 31, 2018. The first 500,000 users to download an ABBC wallet received 100 ABBC coins, from a total giveaway of 50,000,000 ABBC coins.[113]

B. The Lawsuit

On April 2, 2018, plaintiff Alibaba filed a complaint alleging that defendants ABBC Foundation were unlawfully using Alibaba's federally protected trademarks in connection with the marketing and sale of a new cryptocurrency.[114] In *Alibaba Group Holding Ltd. v. Alibabacoin Foundation*, Alibaba alleged that ABBC Foundation made infringing use of the Alibaba marks both on its website and the ABBC Website. The potential infringing uses included: (i) the name of the virtual currency, "Alibabacoin"; (ii) the display on the company's white paper; (iii) the logo of the company; (iv) the name of other technologies offered by the company, in this case, "Alibabacoin Technology"; (v) promotional efforts of the company's website; (vi) advertising and other promotional efforts on social media channels; (vii) infringing domain name use, such as the URLs "https://alibabacoinwallet.com" and "http://alibabacoinfoundation.com"; (viii) use on phone applications, such as "ALIBABA" appearing in numerous instances on the page for the "Alibabacoin Wallet," an application being offered through Google; and (ix) use on social media channels, such as Facebook. Alibaba moved for a temporary restraining order and preliminary injunction.[115]

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[111] ABBC FOUND., ABBC WHITE PAPER 3 (2018), https://web.archive.org/web/20190315205731/https://www.abbcfoundation.com/assets/whitepaper_pdf/whitepaper_v_2.01_eng.pdf.

[112] *Id.* at 4.

[113] Alex Behrens, *Alibabacoin to Airdrop ABBC Tokens to First 500,000 Wallet Users*, BLOCKCHAIN NEWS & OPINION (June 25, 2018), https://www.the-blockchain.com/2018/06/25/Alibabacoin-to-airdrop-abbc-tokens-to-first-500000-wallet-users.

[114] Complaint at 3, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 2, 2018).

[115] *Id.* at 26-28.

C. The Issue(s)

Alibaba Group Holding Ltd. v. Alibabacoin Foundation came down to three issues. First, could Alibaba establish subject matter jurisdiction under the Lanham Act? Second, could Alibaba establish personal jurisdiction in accordance with federal civil procedure rules? Third, could Alibaba establish a likelihood of success on the merits? ABBC Foundation contended that a preliminary injunction was not warranted because: (1) Alibaba had not established subject matter jurisdiction under the Lanham Act, (2) Alibaba failed to establish personal jurisdiction, and (3) Alibaba failed to establish likelihood of success on the merits.

To support the argument that ABBC Foundation had transacted business in New York, Alibaba contended, *inter alia*, that: (i) ABBC Foundation's operation of a "highly interactive website," which was accessible to New York residents, constituted transaction of business in New York, and (ii) ABBC Foundation plans to list its cryptocurrency on exchanges in the United States, including New York. When and under what circumstances would a defendant's operation of a website support personal jurisdiction under a state's long-arm statute?

D. The Outcome

On April 3, 2018, the court temporarily restrained ABBC Foundation from using or making false or misleading statements concerning Alibaba's marks, or any other trademarks likely to be confusingly similar to or to impair the distinctiveness of Alibaba's marks.[116] The court also ordered ABBC Foundation to show why it should not be preliminarily enjoined from undertaking the same actions.[117] On April 13, 2018, the Court held a hearing on Alibaba's application for a preliminary injunction and extended the temporary restraining order through April 30, 2018.[118] On April 30, 2018, United States District Judge J. Paul Oetken "denied, without prejudice to renewal upon an adequate showing of personal jurisdiction" Alibaba's motion for preliminary injunction, concluding that Alibaba had not shown a

[116] Temporary Restraining Order and Order to Show Cause for a Preliminary Injunction at 1-2, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 3, 2018).

[117] *Id.*

[118] Order at 1, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 16, 2018).

"reasonable probability" of establishing personal jurisdiction.[119] However, on October 22, 2018, Judge Oetken granted Alibaba's application for a preliminary injunction, concluding that "by adducing evidence that a New York resident has purchased Alibabacoin through [ABBC's] website, Alibaba . . . demonstrated a reasonable probability that [ABBC has] transacted business in New York within the meaning of New York's long-arm statute." Consequently, Judge Oetken entered a preliminary injunction barring ABBC from, among other things, using Alibaba's trademarks within the United States.[120] On November 7, 2018, the Court denied ABBC's motion to dismiss.[121]

IV. CRPYTO TRADEMARK LAWSUITS: CASE STUDY NO. 2 — *TELEGRAM MESSENGER INC. V. LANTAH, LLC*

Telegram Messenger ("Telegram") and Lantah LLC ("Lantah") are both startup companies that got caught up in a battle over who gets priority to use the term "GRAM" in connection with a crypto coin. Telegram successfully obtained an injunction barring Lantah from using "GRAM."

A. Background

Telegram is a startup company that launched in 2013.[122] Telegram developed a messaging app that focuses on speed and security, and allows users to send messages, photos, videos, and files via a variety of devices to groups of up to 100,000 people.[123] In addition to its messaging app, Telegram is in the process of developing a new distributed ledger platform, the Telegram Open Network or "TON" Blockchain, and plans to call the "native cryptocurrency" on the TON Blockchain GRAM. Although Telegram had not yet launched the cryptocurrency or sold the GRAM currency, by December 2017, a number of articles reported on the company's plans to launch a currency called GRAM. In January 2018, Telegram began entering into purchase

[119] Opinion and Order at 1, 4, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 30, 2018).

[120] Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897, 2018 WL 5118638, at *7 (S.D.N.Y. Oct. 22, 2018).

[121] Opinion and Order at 3, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Nov. 7, 2018).

[122] *Telegram FAQ*, TELEGRAM, https://telegram.org/faq#q-what-is-telegram-what-do-i-do-here (last visited Dec. 2, 2019).

[123] Telegram Messenger Inc. v. Lantah, LLC, No. 18-CV-02811-CRB, 2018 WL 3753748, at *1 (N.D. Cal. Aug. 8, 2018).

agreements with persons and firms, some within the United States, through which those persons and firms paid U.S. dollars or euros in exchange for the right to receive an agreed-upon number of GRAMs following the successful launch of the TON Blockchain.[124] In a February 13, 2018, filing with the SEC, Telegram disclosed that it had entered into purchase agreements totaling $850 million. Although the SEC filing did not mention GRAMs by name, it stated that the securities offered were "Purchase Agreements for Cryptocurrency." On March 29, 2018, Telegram made an additional filing with the SEC, disclosing a second $850 million offering of purchase agreements.[125] The second filing did not mention GRAMs by name, but simply stated that the securities offered were "purchase agreements for cryptocurrency," and referenced the TON Blockchain.[126] Although Telegram had not filed a trademark application for GRAM in the United States, in April 2018, it filed an application to register GRAM in the European Union.

Launched in 2017, Lantah is in the business of building a borderless marketplace based on a cryptocurrency called the "Gram."[127] On September 18, 2017, Lantah announced on its website its intention to have an ICO for the Gram. On February 25, 2018, Lantah filed an "intent to use" trademark application with the USPTO covering the mark "GRAM" for "financial services, namely, providing a virtual currency for use by members of an on-line community via a global computer network." The USPTO found the mark entitled to registration and was set to publish it as of July 24, 2018. Lantah subsequently filed numerous similar applications in foreign jurisdictions, including China, India, and South Korea. On March 9, 2018, Lantah initiated an ICO using the "GRAM" mark and submitted a filing with the SEC, representing that a final sale had yet to occur, that the total offering amount was $4,285,714, and that the total amount sold was $0.[128] Lantah also issued a press release relating to its pre-ICO on March 14, 2018. On May 11, 2018, Telegram filed suit against Lantah asserting claims for false designation of origin, common law trademark infringement, and statutory unfair competition.[129]

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[124] *Id.*

[125] *Id.* at *2.

[126] *Id.*

[127] *Id.*; *see also* LANTAH, https://www.lantah.com (last visited Dec. 2, 2019).

[128] *Telegram*, 2018 WL 3753748, at *2.

[129] Complaint at 1, Telegram Messenger Inc. v. Lantah, LLC, No. 18-CV-02811-CRB (N.D. Cal. May 11, 2018).

B. The Lawsuit

In *Telegram Messenger Inc. v. Lantah, LLC*, Telegram asserted claims for false designation of origin, common law trademark infringement, and statutory unfair competition.[130] Telegram also filed a motion for preliminary injunction, asking the court to enjoin Lantah "from using the 'GRAM' mark, or any confusingly similar marks, in connection with a cryptocurrency or the provision of a cryptocurrency product or service."[131] Lantah counterclaimed, opposed the motion for preliminary injunction, and moved for summary judgment.

C. The Issue(s)

A preliminary injunction will issue where the plaintiff establishes that "he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest."[132] Although the court in *Telegram* considered all of the preliminary injunction factors, it noted from the outset that the dispute in this case came down to Telegram's likelihood of success on the merits, which in turn came down to whether Telegram's actions leading up to Lantah's February 25, 2018 trademark application and its March 9, 2018 ICO constitute "use in commerce."[133] The issue was significant because, under U.S. law, being the first to apply to register a trademark does not necessarily confer priority over the said trademark on the registrant. Rather, use in commerce is necessary to establish trademark rights and to establish priority over a mark.[134] Consequently, if Telegram's actions prior to February 25, 2018 constituted use in commerce, Telegram would have priority in the "GRAM" mark. Lantah's position was that Telegram could not and did not have priority in the "GRAM" mark because it had "rendered no services and used no mark" prior to the critical date, February 25, 2018.[135]

D. The Outcome

The court concluded that Telegraph successfully demonstrated that it had priority in the mark, that Lantah used the mark in commerce after

[130] *Id.* at 6-8.
[131] *Telegram*, 2018 WL 3753748, at *2.
[132] *See* Rodriguez v. Robbins, 715 F.3d 1127, 1133 (9th Cir. 2013).
[133] *Telegram*, 2018 WL 3753748, at *3.
[134] One Indus., LLC v. Jim O'Neal Distrib., Inc., 578 F.3d 1154, 1158 (9th Cir. 2009).
[135] *Telegram*, 2018 WL 3753748, at *4.

Telegram did, and that Lantah's use of the mark was likely to cause confusion.[136] The court also concluded that Telegram had demonstrated that it risked irreparable harm, that the balance of equities tipped in its favor, and that the public interest, as well as all of the other relevant factors, favored an injunction.[137] The court ultimately granted Telegram's motion for preliminary injunction and denied Lantah's motion for summary judgment.

V. CRYPTO TRADEMARK LITIGATION: EMERGING ISSUES

Although cryptocurrencies only exist in the virtual world, they implicate trademark law in multiple ways. Unsurprisingly, trademark disputes are arising between blockchain startups and businesses in traditional sectors, and between businesses in the FinTech sector.

To prevail in a trademark infringement action, a plaintiff must demonstrate that it has priority in a valid trademark and that the defendant "(1) use[d] in commerce (2) any word, false designation of origin, false or misleading description, or representation of fact, which (3) is likely to cause confusion or misrepresents the characteristics of his or another person's goods."[138] For crypto trademarks, at least three issues are likely to become important: trademark priority, personal and subject matter jurisdiction, and likelihood of confusion. First, as between two companies fighting to use the same term or symbol as a trademark, who has priority of use (trademark priority)? Second, under what circumstances will a foreign company be deemed to be amenable to suit in courts in the United States for claims involving only foreign plaintiffs and conducts relating to the offering and launch of a crypto coin? Third, under what circumstances will a likelihood of confusion be found to exist between a crypto trademark and another trademark?

A. Trademark Use and Priority

The U.S. trademark system is "use"-based. In Section 45 of the Lanham Act, a trademark is defined as follows:

> The term "trademark" includes any word, name, symbol, or device, or any combination thereof—
>
> (1) *used by a person*, or

[136] *Id.* at *7.

[137] *Id.* at *7-8.

[138] Freecycle Network, Inc. v. Oey, 505 F.3d 898, 902 (9th Cir. 2007).

> (2) which a person has a *bona fide intention to use in commerce* and applies to register on the principal register established by this chapter,
>
> to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.[139]

Section 1 of the Lanham Act permits application for registration of "a trademark used in commerce" or of a trademark that a person has a bona fide intention to use in commerce.[140] Section 45 of the Lanham Act defines "commerce" as "all commerce which may lawfully be regulated by Congress."[141]

The implications of the use-based system are real and far-reaching. First, in a use-based system, use (not registration) determines rights over a trademark. It is accepted that, "[a]s a general rule, actual trademark use is a prerequisite for obtaining common law trademark rights protectable under Section 43(a) of the Lanham Act."[142] Second, in a use-based system use also determines who enjoys priority over a mark in the event of competing claims.[143] As the 9th Circuit observed in *One Industries, LLC v. Jim O'Neal Distributing, Inc.*, "[i]t is a cardinal principle of federal trademark law that the party who uses the mark first gets priority."[144] In short, to succeed on a trademark infringement claim in the United States, a plaintiff must establish that it has priority over a disputed mark. To establish that one has priority in a particular mark over a rival user, one must prove that he or she was the first to use the mark in commerce. Priority is based on first to use in the ordinary course of trade.

Although the U.S. first-to-use regime is firmly established, whether use has been established is a matter of considerable debate. Section 45 of the Lanham Act defines "use in commerce" as, *inter alia*, "the bona fide use of a mark in the ordinary course of trade, and not made merely

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139 15 U.S.C. § 1127 (2019) (emphasis added).

140 *Id.* § 1051(a)-(b).

141 *Id.* § 1127.

142 GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION: LAW AND POLICY 257 (5th ed. 2018).

143 *Id.* at 258 (observing that "[t]he reliance on a first-to-use regime distinguishes U.S. trademark law from other forms of intellectual property" and "also distinguishes U.S. trademark law from the trademark law of many other jurisdictions").

144 One Indus., LLC v. Jim O'Neal Distrib., Inc., 578 F.3d 1154,1158 (9th Cir. 2009).

to reserve a right in a mark."[145] Controversies usually revolve around the issue of whether the person claiming entitlement to rights in a mark has in fact adopted and used the mark and when use of the mark actually commenced. The meaning of "use in the ordinary course of trade" will necessarily vary from one industry to another.[146] To determine whether a "bona fide use of a mark in the ordinary course of trade" has occurred, courts look at a number of factors, including (1) the amount of use, (2) the nature or quality of relevant transactions, and (3) the practice within a particular industry.[147]

For cryptocurrency startup firms, many activities precede the ICO. Activities that could precede an ICO include publication of a white paper, use of a mark in emails with lawyers and customers, filings with regulatory authorities, and the conclusion of purchase agreements. The critical question is which activities will count as "use in commerce" and which will be dismissed as merely preliminary steps taken in preparation to use a trademark. In *Telegram*, problems arose because although Telegram launched in 2013 and adopted the name "GRAM" sometime in 2017 — it neither offered a product or service nor filed a trademark application with the USPTO by March 9, 2018, when Lantah initiated an ICO using the "GRAM" mark and also filed an intent-to-use trademark application. Under U.S. law, notwithstanding the fact that Lantah was the first to file a trademark application, Telegram can claim priority if it can successfully establish that it used the mark before Lantah.[148] Telegram advanced two arguments to support its claim of

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[145] 15 U.S.C. § 1127.

[146] According to the legislative history:

> While use made merely to reserve a right in a mark will not meet this standard, the Committee recognizes that the "ordinary course of trade" varies from industry to industry. Thus, for example, it might be in the ordinary course of trade for an industry that sells expensive or seasonal products to make infrequent sales. Similarly, a pharmaceutical company that markets a drug to treat a rare disease will make correspondingly few sales in the ordinary course of its trade; the company's shipment to clinical investigators during the Federal approval process will also be in its ordinary course of trade.

H.R. REP. NO. 100-1028, at 15 (1988).

[147] *See* Automedx, Inc. v. Artivent Corp., 95 U.S.P.Q.2d (BNA) 1976, 1981-85 (T.T.A.B. 2010); *see also* Clorox Co. v. Salazar, 108 U.S.P.Q.2d (BNA) 1083, 1086 (T.T.A.B. 2013).

[148] *See* WarnerVision Entm't Inc. v. Empire of Carolina, Inc., 101 F.3d 259, 262 (2d Cir. 1996) ("If another party can demonstrate that it used [a] mark before the holder filed its [intent-to-use trademark] application . . . then it may be entitled to an injunction."); *see also* Grupo Gigante S.A. de C.V. v. Dallo & Co., 391 F.3d 1088, 1093 (9th Cir. 2004) ("It is 'not enough to have invented the mark first or even to have

priority over the GRAM mark. First, Telegram argued that its purchase agreements for yet-to-be-delivered services demonstrated sufficient use in commerce, enough to accord it priority over the "GRAM" mark.[149] Second, Telegram argued that it had engaged in sufficient pre-sale activity to earn it priority in the mark.[150] The court agreed with Telegram's first argument and did not reach a decision on Telegram's second argument.

Telegram entered into certain purchase agreements through which purchasers paid U.S. dollars or euros in exchange for the right to receive a contractually agreed upon number of GRAMs following a successful launch in the future. These purchase agreements were titled "Purchase Agreements for GRAMs," and required purchasers to pay the required funds "in full immediately" in exchange for Telegram's promise to issue coins to the purchaser on the network launch date.[151] On February 13, 2018, Telegram informed the SEC that the first batch of purchase agreements totaled $850 million. Do purchase agreements for yet to be delivered services constitute "use in commerce"? Lantah argued, unsuccessfully, that the purchase agreements were inadequate to establish priority because they represent "private" purchases, and because "the public has never seen the mark."[152] Lantah further argued that the sales represented by the purchase agreements were irrelevant because Telegram had not yet provided any cryptocurrency services under "GRAM."[153]

Even while acknowledging that Telegram's GRAM had not yet issued, the court nevertheless concluded that Telegram's purchase agreements were sufficient to establish priority. According to the court:

> Undeniably, Telegram's GRAM has not yet issued. No matter. The purchase agreements are not mere agreements to invest some time in the future. Executed, binding purchase agreements "pursuant to which Telegram has already collected over $1.5 billion," and through which purchasers own vested subscription rights in GRAMS, demonstrate a use in commerce. Telegram certainly thought it had engaged in commerce when it recorded those sales with the SEC, and the purchasers

registered it first.'") (quoting Sengoku Works Ltd. v. RMC Int'l, Ltd., 96 F.3d 1217, 1219 (9th Cir. 1996)).

149 Telegram Messenger Inc. v. Lantah, LLC, No. 18-CV-02811-CRB, 2018 WL 3753748, at *4 (N.D. Cal. Aug. 08, 2018).

150 *Id.*

151 *Id.*

152 *Id.* at *5.

153 *Id.*

> certainly thought they had engaged in commerce when they sent Telegram their money. Moreover, the law supports the notion that the taking of orders, even without filling those orders, is a use.[154]

B. Likelihood of Confusion

To prevail in a trademark infringement action under Section 32 of the Lanham Act[155] (for registered trademarks) or Section 43 of the Lanham Act[156] (for unregistered trademarks), a trademark owner must demonstrate that the junior users use of the mark would create a likelihood of confusion.[157] It is generally understood that "[w]hen the goods produced by the alleged infringer compete for sales with those of the trademark owner, infringement usually will be found if the marks are sufficiently similar that confusion can be expected."[158] However, "[w]hen the goods are related, but not competitive, several other factors are added to the calculus."[159] In determining whether confusion between related goods is likely, the courts apply a multi-factor analysis. In the Ninth Circuit, the test for likelihood of confusion is whether "a reasonably prudent consumer" in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks.[160] Courts in the Ninth Circuit analyze the likelihood of confusion by applying eight factors: (1) the strength of the mark, (2) similarity of the marks, (3) proximity of the goods or services sold, (4) similarity in the marketing channels used, (5) the type of goods/services and the degree of care likely to be exercised by purchasers, (6) evidence of actual confusion, (7) defendant's intent in selecting its mark, and (8) the likelihood of expansion into other markets.[161]

In *Alibaba*, the court concluded that plaintiff Alibaba had adequately demonstrated it was likely to succeed on the merits of its Lanham Act claim of a likelihood of confusion.[162] The court found persuasive:

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154 *Id.* (citation omitted).

155 15 U.S.C. § 1114 (2019).

156 *Id.* § 1125.

157 The relevant test is "likelihood of confusion," not actual confusion. *See* Herbko Int'l, Inc. v. Kappa Books, Inc., 308 F.3d 1156, 1165 (Fed. Cir. 2002).

158 AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979).

159 *Id.*

160 Palantir Techs. Inc. v. Palantir.net, Inc., No. C 07-3863 CRB, 2008 WL 152339, at *2, *8 (N.D. Cal. Jan. 15, 2008).

161 *See AMF*, 599 F.2d at 348.

162 Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 18-CV-2897, 2018 WL 5118638, at *7 (S.D.N.Y. Oct. 22, 2018).

- Evidence that Alibaba held a registered trademark protecting its exclusive use of the term "Alibaba" in connection with "computer software for use in exchanging information via global computer networks and online from a computer database and the internet";
- Evidence that ABBC Foundation had used "Alibaba" in connection with their online commercial ventures;
- The fact ABBC Foundation did not contest the validity of Alibaba's trademarks, "nor [did] they deny that they have used Alibaba's marks in an area of commerce that would ordinarily fall within Alibaba's legally protected turf";
- The fact that ABBC Foundation was unable to cast major doubt on Alibaba's evidence that ABBC's promotional material had explicitly equivocated on the cryptocurrency's relationship to Alibaba, employed imagery related to Alibaba, and disclosed ABBC's plans to expand into e-commerce, Alibaba's "core business."

To the court, this evidence was sufficient to show a likelihood of confusion. Ultimately, the court was satisfied that Alibaba was likely to succeed on the merits of its infringement claim and noted that "Alibaba's further demonstration that [ABBC's] likely misleading marketing tactics have had the predictable effect of generating actual consumer confusion . . . [was] merely icing on the cake."[163] To the court, ABBC's March 2018 press release, which acknowledged that it had "received many inquiries regarding the relationship between Alibabacoin" and Alibaba, and which sought to disclaim that any relationship between Alibabacoin and Alibaba was not enough to dispel any likelihood of confusion. "A single disclaimer buried at the bottom of a single press release is likely insufficient to cure any future confusion that might result from [ABBC's] continued use of Alibaba's protected marks in connection with the marketing and sale of Alibabacoin," the court opined.[164]

[163] *Id.* at *6.

[164] *Id.*

C. Jurisdictional Questions

To hear a case, courts in the United States must have both personal jurisdiction and subject matter jurisdiction.[165] Subject matter jurisdiction is fairly straightforward and generally refers to whether a court can hear a case on a particular subject.[166] Subject matter jurisdiction cannot be waived. Personal jurisdiction is much more complicated and generally refers to whether a court has power over the person being sued.[167]

1. Subject Matter Jurisdiction

Under the Federal Rules of Civil Procedure, lack of subject matter jurisdiction is a defense and can be asserted by a motion to dismiss.[168] Federal courts have federal question jurisdiction pursuant to 28 U.S.C. § 1338 for cases arising under the Lanham Act.[169] To proceed with its Lanham Act claim, a plaintiff must establish that the defendant made "use in commerce" of the plaintiff's marks. But, is the "use in commerce" element of Section 43 of the Lanham Act a jurisdictional requirement? Section 43 of the Lanham Act stipulates:

> (a) Civil Action
>
> (1) Any person who, on or in connection with any goods or services, or any container for goods, *uses in commerce* any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or

165 *Subject Matter Jurisdiction*, LEGAL INFO. INST., https://www.law.cornell.edu/wex/subject_matter_jurisdiction (last visited Dec. 2, 2019).

166 *Id.* ("Subject-matter jurisdiction is the requirement that a given court have power to hear the specific kind of claim that is brought to that court.").

167 *Id.* ("Personal jurisdiction is the requirement that a given court have power over the defendant . . . .").

168 *See, e.g.*, FED. R. CIV. PROC. 12(b)(1).

169 *See* 15 U.S.C. § 1121(a) (2019).

> her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.[170]

In *Alibaba*, the court concluded, following *La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V.*, 762 F.3d 867, 872 (9th Cir. 2014), that the "use in commerce" element of 15 U.S.C. § 1125(a) is not a jurisdictional requirement. Although not a jurisdictional requirement, a plaintiff pursing a Lanham Act claim is still required to establish use in commerce. For crypto startups, use in commerce may not be that hard to establish because an ICO may well be deemed to constitute use in commerce. For example, in *Alibaba*, the court concluded that Alibaba had adequately established that the ABBC Foundation had used the disputed trademarks "in commerce" even though the defendant had not yet sold any "coin on crypto-asset trading platforms" in the United States.[171] To the court, the ABBC Foundation's three ICOs constituted the sale in commerce of a "good" bearing Alibaba's trademark.

2. Personal Jurisdiction

In the United States, lack of personal jurisdiction is a defense.[172] Personal jurisdiction in the United States "is governed by the same basic constitutional principles and jurisprudential precedent as offline conduct."[173] In *Daimler AG v. Bauman*, the Supreme Court made a distinction between "general jurisdiction" and "specific jurisdiction."[174] According to *International Shoe v. Washington*[175] and *Daimler AG v.*

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170 15 U.S.C. § 1125(a) (emphasis added).

171 Opinion and Order at 5, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 30, 2018).

172 *See* FED. R. CIV. PROC. 12(b)(2).

173 CHRISTOPHER WOLF & JENIFER DEWOLF PAINE, PROSKAUER ROSE LLP, OVERVIEW OF INTERNET INTELLECTUAL PROPERTY ISSUES 1 (2008), https://www.proskauer.com/insights/download-pdf/1025; *see also* Euromarket Designs, Inc. v. Crate & Barrel, Ltd., 96 F. Supp. 2d 824, 830 (N.D. Ill. 2000) (essentially applying traditional constitutional analysis).

174 Daimler AG v. Bauman, 571 U.S. 117, 126-33 (2014); *see also* WOLF & PAINE, *supra* note 175 ("[T]he overwhelming majority of cases that exercise personal jurisdiction over a defendant based on Internet contacts do so on the basis of 'specific jurisdiction' (in which the complained of activity arises out of the defendant's internet activities) and not 'general jurisdiction' (which exists when a defendant has 'continuous and systematic' contacts with a forum even though the subject of the litigation does not arise out of the defendant's contacts with the forum).").

175 326 U.S. 310, 316 (1945) ("Historically, the jurisdiction of courts to render judgment in personam is grounded on their de facto power over the defendant's person.

Bauman,[176] in order to bring an action in a particular forum against a nonresident defendant under specific jurisdiction, the defendant must have purposely established "minimum contacts" with the forum state, and the exercise of jurisdiction must not offend "traditional notions of fair play and substantial justice."[177]

a. State Law Analysis

In general, federal courts apply state law in determining the bounds of their jurisdiction over persons.[178] Thus, personal jurisdiction in federal court is determined by the laws of the forum state.[179] The Federal Rules of Civil Procedure provide that a party is subject to jurisdiction in U.S. federal courts if (a) the cause of action arises under federal law (e.g., the Lanham Act), (b) the defendant is not subject to the personal jurisdiction of any state court of general jurisdiction, and (c) exercising jurisdiction is consistent with the United States Constitution and laws.[180] To determine if personal jurisdiction exists, courts perform a two-part jurisdictional analysis.[181] First, courts determine whether there is jurisdiction over the defendant under the relevant forum state's laws.[182] Second, courts examine whether the exercise of jurisdiction is consistent with the United States Constitution.[183]

New York's long-arm statute authorizes the state's courts to "exercise personal jurisdiction over any non-domiciliary" that "transacts any business within the state."[184] Was ABBC Foundation subject to specific

Hence, his presence within the territorial jurisdiction of a court was prerequisite to its rendition of a judgment personally binding him. But now that the capias ad respondendum has given way to personal service of summons or other form of notice, due process requires only that, in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'").

176 *Daimler*, 571 U.S. at 126.

177 WOLF & PAINE, *supra* note 175.

178 *Daimler*, 571 U.S. at 125.

179 *See* FED. R. CIV. P. 4(k)(1)(A).

180 *See* FED. R. CIV. P. 4(k)(2).

181 Siegel v. Ford, No. 16-CV-8077, 2017 WL 4119654, at *4 (S.D.N.Y. Sept. 15, 2017); *see also* Chloe v. Queen Bee of Beverly Hills, LLC, 616 F.3d 158, 166 (2d Cir. 2010); Best Van Lines, Inc. v. Walker, 490 F.3d 239, 243-44 (2d Cir. 2007).

182 Grand v. Schwarz, No. 15-CV-8779, 2016 WL 2733133, at *2 (S.D.N.Y. May 10, 2016).

183 *Chloe*, 616 F.3d at 166 ("If the long-arm statute permits personal jurisdiction, the second step is to analyze whether personal jurisdiction comports with the Due Process Clause of the United States Constitution.")

184 N.Y. C.P.L.R. § 302(a)(1) (2019).

personal jurisdiction under section 302(a)(1) of New York's long-arm statute? N.Y. Civil Practice Law & Rules § 302(a) stipulates:

> (a) Acts which are the basis of jurisdiction. As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent:
>
> 1. transacts any business within the state or contracts anywhere to supply goods or services in the state; or
>
> 2. commits a tortious act within the state, except as to a cause of action for defamation of character arising from the act; or
>
> 3. commits a tortious act without the state causing injury to person or property within the state, except as to a cause of action for defamation of character arising from the act, if he
>
> (i) regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered, in the state, or
>
> (ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce; or
>
> 4. owns, uses or possesses any real property situated within the state.

Courts in New York have long held that "proof of one transaction in New York is sufficient to invoke jurisdiction" under Section 302(a), so long as the transaction was "purposeful and there is a substantial relationship between the transaction and the claim asserted."[185] To support the argument that ABBC Foundation had transacted business in New York, Alibaba contended, *inter alia*: (i) that ABBC Foundation's operation of a "highly interactive website," which was accessible to New York residents, constituted transaction of business in New York; and (ii) that ABBC Foundation planned to list its cryptocurrency on exchanges in the United States, including in New York.[186]

When and under what circumstances would a defendant's operation of a website support personal jurisdiction under a state's long-arm

[185] Kreutter v. McFadden Oil Corp., 522 N.E.2d 40, 43 (N.Y. 1988).

[186] Opinion and Order at 6, 11-12, Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 1:18-CV-02897 (S.D.N.Y. Apr. 30, 2018).

statute? In *Alibaba*, the court started by noting that "[i]t is well established that a defendant's operation of a website *can* support personal jurisdiction under § 302(a)(1)."[187] However, to the court, to determine whether jurisdiction is proper, the court must place the website on a "spectrum of interactivity." Quoting from *Royalty Network Inc. v. Dishant.com, LLC*, the court observed:

> At one end are 'passive' websites — i.e., those that merely make information available to viewers. Such websites have 'been analogized to an advertisement in a nationally-available magazine or newspaper, and does not without more justify the exercise of jurisdiction over the defendant.' At the other end of the spectrum are 'interactive' websites — i.e., those that knowingly transmit goods or services to users in other states. Where an 'interactive' website is not only available but also purposefully directs activity into a forum state — for example, by making sales of goods or services to New York residents — those activities can be sufficient to trigger jurisdiction under section 302(a)(1). Finally, 'occupying the middle ground are cases in which the defendant maintains an interactive web site which permits the exchange of information between users in another state and the defendant, which depending on the level and nature of the exchange may be a basis for jurisdiction.'[188]

The court found ABBC Foundation's websites to be highly interactive and to have "significant commercial elements," because through the ABBC website and the Wallet website, individuals could (1) register an online account, or "wallet," to buy, manage, and sell their Alibabacoin; (2) access and download content about ABBC Foundation's cryptocurrency, including the ABBC white paper; and (3) interact with and contact sales representatives with questions.[189] Although the court found ABBC Foundation's websites to be highly interactive and to have "significant commercial elements," it concluded that Alibaba could not base jurisdiction on the interactive websites because Alibaba "ha[d] not established a reasonable probability that these websites have been 'actually used to effect commercial transactions with customers in New York.'"[190] Ultimately, the court concluded that Alibaba failed to allege that even a single sale of Alibabacoin had occurred in New York and

[187] *Id.* at 7 (emphasis added).

[188] *Id.* (quoting Royalty Network Inc. v. Dishant.com, LLC, 638 F. Supp. 2d 410, 418-19 (S.D.N.Y. 2009)).

[189] *Id.* at 7-8.

[190] *Id.* at 8.

had not presented sufficient proof of commercial activity to justify a preliminary injunction.[191] Many courts in New York have held that operating a website was not tantamount to transacting a business.[192] In other words, "[e]ven the existence of an interactive 'patently commercial' website that can be accessed by New York residents is not sufficient to justify the exercise of personal jurisdiction unless some degree of commercial activity occurred in New York."[193]

In an October 22, 2018 decision, Judge Oetken concluded that Alibaba had cured the defect of "not alleg[ing] that even a single sale of Alibabacoin ha[d] occurred in New York, much less present[ing] sufficient proof of commercial activity to justify a preliminary injunction." Essentially, during discovery, ABBC Foundation produced a list of the email addresses associated with investors, and an investigation revealed that at least one of these email addresses — connected to three transactions — belonged to an individual who overwhelmingly appears to be a New York resident. To the court, it did not matter that the alleged sales "consist[ed] of ledger entries made in Minsk, Belarus, following observation of changes in 'blockchain' data outside the United States."[194] According to the court, "[w]hen an individual uses her debit card to make an online purchase from an out-of-state vendor . . . it would strain common usage to say that the transaction occurs at the potentially remote location of the servers that process the buyer's banking activities and not at the location where the buyer clicks the button that commits her to the terms of sale."[195] Ultimately, the court concluded that by adducing evidence that a New York resident had purchased Alibabacoin through ABBC's website, Alibaba "demonstrated a reasonable probability that [ABBC had] transacted business in New York within the meaning of New York's long-arm statute."[196]

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191 *Id.* at 8-9.

192 Savage Universal Corp. v. Grazier Const., Inc., No. 04-CV-01089, 2004 WL 1824102, at *9 (S.D.N.Y. Aug. 13, 2004) ("It stretches the meaning of 'transacting business' to subject defendants to personal jurisdiction in any state merely for operating a website, however commercial in nature, that is capable of reaching customers in that state, without some evidence or allegation that commercial activity in that state actually occurred.").

193 ISI Brands, Inc. v. KCC Int'l, Inc., 458 F. Supp. 2d 81, 87-88 (E.D.N.Y. 2006) (quoting Savage Universal Corp. v. Grazier Const., Inc., No. 04-CV-01089, 2004 WL 1824102, at *9 (S.D.N.Y. Aug. 13, 2004)).

194 Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 18-CV-2897, 2018 WL 5118638, at *3 (S.D.N.Y. Oct. 22, 2018).

195 *Id.*

196 *Id.* at 4.

b. Due Process Analysis

In addition to complying with a state's long-arm statute, the exercise of personal jurisdiction over a defendant must comport with the Due Process Clause of the Constitution.[197] This due process analysis has two related components: the "minimum contacts" inquiry and the "reasonableness" inquiry.[198] With respect to minimum contacts, courts determine whether a defendant has sufficient contacts with the forum state to justify the court's exercise of personal jurisdiction. For purposes of this inquiry, courts make a distinction between "specific" jurisdiction and "general" jurisdiction.[199] A court's general jurisdiction "is based on the defendant's general business contacts with the forum state and permits a court to exercise its power in a case where the subject matter of the suit is unrelated to those contacts."[200] Specific jurisdiction exists when "a state exercises personal jurisdiction over a defendant in a suit arising out of or related to the defendant's contacts with the forum."[201]

Where specific jurisdiction is asserted, courts apply a three-pronged analysis — relatedness, purposeful availment, and reasonableness — to determine the strength of the of the contacts.[202] Courts focus on the totality of a defendants' contacts with the forum state.[203] With respect to the reasonableness inquiry, courts ask whether the assertion of personal jurisdiction comports with "traditional notions of fair play and substantial justice" — that is, whether it is reasonable to exercise personal jurisdiction under the circumstances of the particular case.[204] As part of this "reasonableness" analysis, courts apply a number of factors, including "(1) the burden that the exercise of jurisdiction will impose on the defendant; (2) the interests of the forum state in adjudicating the case; (3) the plaintiff's interest in obtaining convenient

197 *See, e.g.*, Burger King Corp. v. Rudzewicz, 471 U.S. 462, 464 (1985).

198 Chloe v. Queen Bee of Beverly Hills, LLC, 616 F.3d 158, 166 (2d Cir. 2010).

199 *See* Int'l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945).

200 *Id.*

201 Helicopteros Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408, 414 n.8 (1984).

202 *Chloe*, 616 F.3d at 166; *see also Burger King Corp.*, 471 U.S. at 475.

203 *See* Best Van Lines, Inc. v. Walker, 490 F.3d 239, 242 (2d. Cir. 2007) ("A court deciding whether it has jurisdiction over an out-of-state defendant under the Due Process Clause must evaluate the quality and nature of the defendant's contacts with the forum state under a totality of the circumstances test." (quoting *Burger King Corp.*, 471 U.S. at 475)); Grand River Enters. Six Nations, Ltd. v. Pryor, 425 F.3d 158, 166 (2d Cir. 2005) ("No single event or contact connecting defendant to the forum state need be demonstrated; rather, the totality of all defendant's contacts with the forum state must indicate that the exercise of jurisdiction would be proper." (quoting N.Y. C.P.L.R. § 302(a)(1))).

204 *Chloe*, 616 F.3d at 166.

and effective relief; (4) the interstate judicial system's interest in obtaining the most efficient resolution of the controversy; and (5) the shared interest of the states in furthering substantive social policies."[205]

In *Alibaba*, Alibaba never argued that the defendants were sufficiently connected to New York to be subject to general, all-purpose jurisdiction in the state. Consequently, the court analyzed whether New York could constitutionally exercise case-specific jurisdiction over defendants in connection with the action. The court found that that the relatedness and purposeful availment prongs had been met, concluding that where those prerequisites to the application of New York's long-arm statute are satisfied, the constitutional requirements of personal jurisdiction are likewise satisfied.[206]

What about the reasonableness prong? ABBC Foundation argued, unsuccessfully, that an exercise of personal jurisdiction here would fall afoul of the Due Process Clause's reasonableness requirement because, among other things, Alibaba "is a Cayman Islands entity and conspicuously lacked any New York or United States presence."[207] On the specific facts of the case, the court concluded that Alibaba "ha[d] adequately demonstrated a probability that an exercise of personal jurisdiction is reasonable here." The court found the reasonableness factors identified in *Chloe v. Queen Bee of Beverly Hills, LLC* to be present in this case. According to the court:

> Defendants have presented no evidence demonstrating that, "in this modern age and for [litigants] with obvious familiarity with internet communication," subjecting them to "litigation in New York would present so great an inconvenience as to constitute a deprivation of due process." Further, New York has a clear interest in protecting in-state consumers from "confusion resulting from the misappropriation of trademarks or trade dress," and Alibaba likewise has an interest in safeguarding its corporate reputation among potential New York customers or investors. Finally, nothing suggests that an exercise of personal jurisdiction here would be inefficient or would trench on the prerogatives of other states. To be sure, defendants point out that Alibaba has initiated similar proceedings in the United Arab

[205] *Id.*; *see also* Asahi Metal Indus. Co. v. Superior Court, 480 U.S. 102, 113-14 (1987); A.I. Trade Fin., Inc. v. Petra Bank, 989 F.2d 76, 83 (2d Cir. 1993).

[206] Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 18-CV-2897, 2018 WL 5118638, at *5 (S.D.N.Y. Oct. 22, 2018); *accord* Energy Brands Inc. v. Spiritual Brands, Inc., 571 F. Supp. 2d 458, 469 (S.D.N.Y. 2008); H. Blair & Co. v. Gottdiener, 462 F.3d 95, 105 (2d Cir. 2006).

[207] *Alibaba*, 2018 WL 5118638, at *5.

> Emirates, challenging trademark rights Defendants have been granted in that country. But notwithstanding these foreign proceedings, there is nothing unreasonable about Alibaba's turning to a court in the United States to protect its United States trademarks, enjoin Defendants from committing infringing acts in the United States, and otherwise to seek relief under United States (and New York) law.[208]

CONCLUSION

Disruptive technologies from the FinTech sector are not only revolutionizing banking, payments, and insurance, but are also changing trademark law and practice in the United States and around the world. Cryptocurrency startups have a lot to worry about from business failure[209] to derailment of ICOs by securities authorities,[210] criminal indictment and prosecution,[211] and intense scrutiny by regulatory authorities.[212] However, regulatory compliance and lawsuits by

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[208] *Id.*

[209] Kai Sedgwick, *46% of Last Year's ICOs Have Failed Already*, BITCOIN (Feb. 23, 2018), https://news.bitcoin.com/46-last-years-icos-failed-already.

[210] Press Release, U.S. Sec. & Exch. Comm'n, Company Halts ICO After SEC Raises Registration Concerns (Dec. 11, 2017), https://www.sec.gov/news/press-release/2017-227; Press Release, U.S. Sec. & Exch. Comm'n, SEC Emergency Action Halts ICO Scam (Dec.4, 2017), https://www.sec.gov/news/press-release/2017-219; Press Release, U.S. Sec. & Exch. Comm'n, SEC Exposes Two Initial Coin Offerings Purportedly Backed by Real Estate and Diamonds (Sept. 29, 2017), https://www.sec.gov/news/press-release/2017-185-0.

[211] Avi Mizrahi, *FBI Arrests Exchange Operator for Lying About 6000 Bitcoin Hack*, BITCOIN (Feb. 22, 2018), https://news.bitcoin.com/fbi-arrests-exchange-operator-for-lying-about-6000-bitcoin-hack. In a March 2018 bulletin, the SEC warned: "While some ICOs may be attempts at honest investment opportunities, many may be frauds, separating you from your hard-earned money with promises of guaranteed returns and future fortunes. They may also present substantial risks for loss or manipulation, including through hacking, with little recourse for victims after-the-fact." *Spotlight on Initial Coin Offerings (ICOs)*, U.S. SEC. & EXCH. COMM'N, https://www.sec.gov/ICO (last visited Dec. 2, 2019).

[212] *See generally* Press Release, U.S. Sec. & Exch. Comm'n, Statement on Potentially Unlawful Online Platforms for Trading Digital Assets (Mar. 7, 2018), https://www.sec.gov/news/public-statement/enforcement-tm-statement-potentially-unlawful-online-platforms-trading; Press Release, U.S. Sec. & Exch. Comm'n, SEC Halts Alleged Initial Coin Offering Scam (Jan. 30, 2018), https://www.sec.gov/news/press-release/2018-8; Press Release, U.S. Sec. & Exch. Comm'n, Company Halts ICO After SEC Raises Registration Concerns (Dec. 11, 2017), https://www.sec.gov/news/press-release/2017-227; Press Release, U.S. Sec. & Exch. Comm'n, SEC Emergency Action Halts ICO Scam (Dec. 4, 2017), https://www.sec.gov/news/press-release/2017-219; Press Release, U.S. Sec. & Exch. Comm'n, Statement on Potentially Unlawful

disappointed investors are not the only problem and challenges cryptocurrency startups have to worry about.[213] Increasingly, crypto startups have to worry about intellectual property and intellectual property law. FinTechs are not only redefining the financial industry but are also raising thorny issues for other areas of law, including intellectual property law.[214]

Trademark-related lawsuits involving cryptocurrency startups offer many lessons for startup companies looking to issue new currencies that act as both coupons for their services and tradeable securities. The name of a crypto coin matters, as do the names of accompanying products and services. Ideally, companies should resist the temptation to adopt names that are likely to be confused with the names or services of existing companies, particularly companies doing business in the same geographic region or country, or in the same sector.

Alibaba and *Telegram* both buttress the point that trademark woes can delay or disrupt the launch of a cryptocurrency, can entangle a startup company in long, costly, and drawn-out legal battles in multiple jurisdictions, and can implicate thousands of dollars in civil remedies. In March 2019, ABBC Foundation agreed to stop using trademarks including the term "Alibaba" as part of a settlement of the lawsuit brought by Alibaba.[215]

Alibaba and *Telegram* also underscore the importance of trademark due diligence. Given the strategic significance of intangible assets today, and today's globalized, intensely competitive knowledge-based economy market, startup companies must conduct prior and detailed trademark-related investigations long before making any investment, merger, or acquisition decision. IP due diligence cannot be an

Promotion of Initial Coin Offerings and Other Investments by Celebrities and Others (Nov. 1, 2017), https://www.sec.gov/news/public-statement/statement-potentially-unlawful-promotion-icos; Press Release, U.S. Sec. & Exch. Comm'n, SEC Exposes Two Initial Coin Offerings Purportedly Backed by Real Estate and Diamonds (Sept. 29, 2017), https://www.sec.gov/news/press-release/2017-185-0.

213 *See, e.g.*, Shaw v. Vircurex, No. 1:18-CV-00067, 2019 WL 2636271 (D. Colo. Feb. 21, 2019); Moss v. Giga Watt Inc., No. 2:18-cv-00100 (E.D. Wash. Mar. 20, 2018); Sec. & Exchange Comm'n v. PlexCorps, No. 1:17-CV-07007 (E.D.N.Y. Dec. 01, 2017); Fed. Trade Comm'n v. Equiliv Invs., No. 2:15-CV-04379 (D.N.J. June 24, 2015); Gustavo Miguel v. Ari Paul, No. BC683653 (Cal. Super. Ct. Nov. 16, 2017).

214 *The FinTech Challenge*, SMITH, GAMBRELL, & RUSSELL, LLP, https://www.sgrlaw.com/ttl-articles/the-FinTech-challenge (last visited Dec. 2, 2019) ("The convergence of financial services and technology may have simplified our lives, but it presents a regulatory and legal maze for companies to navigate.").

215 *Cryptocurrency Firm Agrees to Stop Using Alibaba Name*, REUTERS (Mar. 11, 2019, 7:36 AM), https://www.reuters.com/article/us-alibaba-lawsuit/cryptocurrency-firm-agrees-to-stop-using-alibaba-name-idUSKBN1QS1SI.

afterthought, as even the best business plans can be disrupted and possibly sink because of inadequate attention to IP-related issues and challenges.

APPENDIX A: SAMPLE OF TRADEMARK APPLICATIONS RELATING TO THE TERM "BITCOIN"

	Name	**Goods and Services**	**Serial No.**	**Current Status**
1.	BITCOIN	Cryptocurrency, namely, providing a digital currency or digital token for use by members of an on-line community via a global computer network; cryptocurrency, namely, a digital currency or digital token, incorporating cryptographic protocols, used to operate and build applications and blockchains on a decentralized computer platform and as a method of payment for goods and services.	88,055,293[216]	LIVE
2.	BITCOIN	Commemorative coins, collectible coins, non-monetary coins.	88,105,510[217]	DEAD
3.	BITCOIN	Boxer briefs; boxer shorts; cloth bibs; clothing for athletic use, namely, padded pants, etc.	88,012,912[218]	LIVE

[216] BITCOIN, Serial No. 88/055,293 (filed July 27, 2018).

[217] BITCOIN, Serial No. 88/105,510 (filed Sept. 5, 2018) ("Abandoned because the applicant failed to respond or filed a late response to [a USPTO] action.").

[218] BITCOIN, Serial No. 88/012,912 (filed June 25, 2018).

4.	BITCOIN	Flavourings, other than essential oils, for beverages; baking powder; pastries; biscuits; sweetmeats [candy]; fizzy lollipops; buns; bread; hot cross buns; petit-beurre biscuits, etc.	79,244,996[219]	LIVE
5.	BITCOIN	Computer programs used in the field of electronic commerce transactions; computer programs; electronic machines and apparatus; telecommunication machines and apparatus.	79,182,945[220]	DEAD
6.	BITCOIN	Currency exchange services; Currency trading; Currency transfer services; Financial services, namely, providing a virtual currency for use by members of an on-line community via a global computer network, etc.	85,883,441[221]	DEAD

[219] BITCOIN, Serial No. 79/244,996 (filed June 6, 2018).

[220] BITCOIN, Serial No. 79/182,945 (filed July 28, 2015) ("Abandoned because the applicant failed to respond or filed a late response to [a USPTO] action.").

[221] BITCOIN, Serial No. 85/883,441 (filed Mar. 22, 2013) ("Abandoned because the applicant filed an express abandonment.").

7.	BITCOIN	Financial services, namely, providing a virtual currency for use by members of an on-line community via a global computer network.	85,353,491[222]	DEAD

[222] BITCOIN, Serial No. 85/353,491 (filed June 22, 2011) ("Abandoned because the applicant filed an express abandonment.").