



## IP BULLETIN

Vol. V Issue II, JULY-DEC., 2024, Pg. 58-66



# LEGAL CHALLENGES: TRADEMARK INFRINGEMENT IN THE WORLD OF CRYPTOCURRENCY

Tisha Sachdeva<sup>1</sup>

### ABSTRACT

*The advent of cryptocurrency and blockchain technology has revolutionized the financial landscape, offering decentralized and secure ways to conduct transactions. However, this innovation has brought forth significant legal challenges, particularly in the realm of trademark infringement. "Legal Challenges: Trademark Infringement in the World of Cryptocurrency" explores these complexities by examining how traditional trademark laws are being tested and adapted in the digital currency arena.*

*Cryptocurrencies, underpinned by blockchain technology, promise transparency, security, and decentralization. Despite these benefits, the legality of cryptocurrency varies globally, with countries adopting different regulatory frameworks. As the use of digital currencies expands, so too do concerns over the protection of intellectual property (IP). Trademarks, essential for distinguishing goods and services, are increasingly at the center of legal disputes within this new financial ecosystem.*

*The article delves into the intersection of trademark law and cryptocurrency, highlighting how courts address these issues. Key cases are analyzed to demonstrate how trademark infringement claims are handled, considering factors like the likelihood of consumer confusion and the distinctiveness of the involved marks. The decentralized and borderless nature of cryptocurrencies poses unique challenges for enforcing trademark rights, complicating the legal landscape.*

*Trademark law's application in cryptocurrency cases is scrutinized, focusing on the strategies used to protect brand identity in a decentralized market. The importance of conducting thorough trademark searches, securing registrations in relevant jurisdictions, and actively monitoring for potential infringements is emphasized. The article provides insights into the proactive measures*

---

<sup>1</sup> Fourth year, Pravin Gandhi College of Law

*businesses can take to safeguard their trademarks and navigate legal disputes effectively.*

*Furthermore, the article addresses broader questions of intellectual property within the cryptocurrency sector, considering how traditional IP concepts are evolving to meet the demands of digital innovation. Legal practitioners and businesses are offered practical guidance on managing IP in this dynamic environment.*

*"Legal Challenges: Trademark Infringement in the World of Cryptocurrency" offers a thorough analysis of the current state of trademark law as it pertains to cryptocurrencies. It aims to inform and guide stakeholders through the intricate legal challenges, ensuring that intellectual property rights are upheld while fostering technological progress. This article underscores the delicate balance between legal protection and innovation in the rapidly evolving world of digital currencies.*

**KEYWORDS:** Cryptocurrency, Trademark Infringement, Blockchain, Decentralised, Digital Currency

## **INTRODUCTION**

The advent of cryptocurrencies and blockchain technology marked the beginning of a new digital revolution that changed traditional concepts of money and gave industries a new dimension. In this decentralized arena, the role of IPR is inclusively very important. With the growing prominence of cryptocurrencies and blockchain technologies, the question of protecting intellectual property, including trademarks, becomes very important. Trademarks are important for indicating the origin of goods and services, and for securing consumer trust—all topics of relevance to a successful cryptocurrency project and associated services. However, where cryptocurrencies meet trademark infringement, there exist specific problems and possibilities. This fast-moving environment requires walking a fine line between innovation, on the one hand, and rigorous protection for trademarks on the other. It is within this intersection that the need to solve a raft of complicated legal problems stemming from the characteristics of blockchain technologies arises: fully decentralized and sometimes anonymous, while at the same time retaining the rights of good-faith trademark holders against abuse and infringement. For continued growth in the cryptocurrency market, therefore, it would have to be the case that these challenges associated with trademarks can be taken cognizance of, and dealt with, by the various stakeholders so that integrity or public trust in the new digital economy is sustained.

## CRYPTOCURRENCY AND BLOCKCHAIN

Cryptocurrency and blockchain technology have propelled changes in how we view and treat digital property and decentralized ledger systems. The simplest explanation for cryptocurrency would be that it is basically a digital or virtual version of money backing advanced cryptographic techniques to secure fiscal transactions, regulate the formation of extra units, and confirm a shift in ownership. The first cryptocurrency, Bitcoin, was created in 2009 by Satoshi Nakamoto. This opened the way to an explosion of alternative digital currencies that came with different features and applications.<sup>2</sup>

The basic innovation behind Cryptocurrencies is blockchain technology. It is a type of ledger system that is decentralized and transparent. A blockchain essentially is a kind of distributed database, managed by a group of computers, usually nodes in a network, recording any transaction chronologically and making it immutable. This decentralized nature removes the need for any middlemen, like banks, to create a trustless environment for one to conduct transactions directly between parties. Not all cryptocurrencies and blockchains are equal, though. Some examples include that some of these use a centralized ledger controlled by a single company, while others are decentralized. Security in blockchains is derived from consensus mechanisms wherein nodes agree upon the validity of a transaction through cryptographic protocols.

## LEGALITY OF CRYPTOCURRENCY

Bitcoin is a decentralized digital currency. The risks associated with trading cryptocurrencies have been hotly debated by Indian lawmakers for the past few years as they test a government-backed digital currency. The Indian government is considering a new bill entitled the *Cryptocurrency and Official Digital Currency Regulation 2021*<sup>3</sup> (the "New Bill"). It seeks not only to restrain private cryptocurrencies but also to promote the basic technology and transactions of virtual currency in India and provide a base for an official digital currency that would be issued by RBI. The other critical proposal of the New Bill pertains to setting up a framework for creating an official digital currency for India. But India now proposes to sponsor legislation to outlaw the trading of any digital currency not approved by the government.

Earlier, the government, through the RBI, tried to prohibit banking transactions with persons or entities holding/trading bitcoins to kill the vehicle. In November 2017, a high-level inter-ministerial committee was arranged to finalize studies on different issues associated with virtual money. Thereafter, the Supreme Court held the RBI ban on financial institutions trading all forms

---

<sup>2</sup> Growing influence of cryptocurrencies: Challenges ahead of trademark law (2022) Lexology. Available at: <https://www.lexology.com/library/detail.aspx?g=359bf598-0fd8-4cc3-af6d-6b5b457f85df> (Accessed: 09 July 2024).

<sup>3</sup> Cryptocurrency and Regulation of Official Digital Currency Bill, 2021.

of virtual currency ultra vires and violative of Article 19(1)(g), thereby lifting the ban that banks and financial institutions was to cease from dealing with cryptocurrency owners and exchanges. One of the main reasons financial institutions were banned from dealing with cryptocurrencies was based on the fact that they did not have an approved form of virtual currency to ban.

In the case of *Internet and Mobile Association v. Reserve Bank of India*<sup>4</sup>, it was the contention of the Internet and Mobile Association that it cannot be denied that cryptocurrency trading is a lawful and licensed business over which the RBI has no jurisdiction, since it is dealt with as a commodity rather than as a national currency. They therefore challenged the RBI's decision to prohibit the functioning of the said cryptocurrency on the ground that it was violative of rights. The Supreme Court opined that instead of banning these virtual currencies, RBI shall look for different ways that may be beneficial to the virtual currency users by imposing appropriate regulations.

The regulatory landscape of cryptocurrencies in India remains fluid. Despite acknowledging the benefit associated with blockchain technology, the government is still very wary of the risks that cryptocurrencies present in terms of fraud and money laundering. Legislation is in the process of forming a regulatory framework that protects investors without strangling innovation.

Or, in other words, though cryptocurrencies are not illegal in India, they remain within the close scrutiny of regulatory frameworks/schemes, many of which are still developing. The approach of the government, therefore, seeks to balance this delicate act between innovation on the one hand and protecting investors and ensuring financial stability on the other.

## **INTERSECTION OF TRADEMARK AND CRYPTOCURRENCY**

A trademark is a distinctive word, label, symbol, or other graphic representation used to differentiate one company's goods and services from others. In the United States, the Trademark ID Manual expressly includes 'cryptocurrency' under various classes within trademark laws, such as Class 9, Class 36, and Class 42.<sup>5</sup> However, some other jurisdictions do not have explicit provisions for cryptocurrency in their trademark legislation. To establish cryptocurrency as a subject of trademark laws, certain questions need to be answered in affirmation.

1. Does cryptocurrency fall under the category of product or service
2. Is it possible to identify cryptocurrencies using words, symbols, logos, or a mix of these?
3. Is the cryptocurrency's name used to indicate where it was created?

---

<sup>4</sup> *Internet and Mobile Association v. Reserve Bank of India* [AIR 2021 SUPREME COURT 2720]

<sup>5</sup> Growing influence of cryptocurrencies: Challenges ahead of trademark law (2022) Lexology. Available at: <https://www.lexology.com/library/detail.aspx?g=359bf598-0fd8-4cc3-af6d-6b5b457f85df> (Accessed: 09 July 2024).

The first answer to this question may prove subjective. Whether or not the use of cryptocurrency as a method to facilitate payment should lead to it being classified as a good or service has always been debatable. Like for instance in the case of *Alibaba Group Holding Ltd. vs. Alibabacoin Foundation*<sup>6</sup>, the Federal District Court ruled in favor of the former arguing that a cryptocurrency could be taken as an item that qualifies for its own trademark. However, it needs to be understood that there is a distinction between using cryptocurrency for commercial transactions and treating it just like ordinary money \_(' similar to cash/commodity money).

If a form of currency exists that would come within the goods or services area, we must address two issues accordingly. That means that the coin itself is an indicator for where it comes from and only one source, i.e., a trademark. However, Bitcoin is not considered a trademark because it operates without a central location. Nevertheless, , it is more likely for capital to be registered as a trademark when it is centralized because there exists one specific place for its production and distribution..

It, therefore, has to be such that it does not convey a generic idea of the type of goods or services being sought so as to create a different mental picture to the public mind. This was the reason the US District Court in *Telegram Messenger Inc. vs. Lantah LLC* <sup>7</sup>restrained the defendants from using the name "gramme" for its cryptocurrency brand from its infringement of plaintiff's trademark of the "Gram" word mark and image since it was similar.

Imagine this; if the only thing that comes to people's minds when we talk about a certain digital currency is real estates transaction in Australia then that currency is a generic term as illustrated by say 'AusieCoin' an imaginary brand meant for buying houses in this country. Identifying the producer behind this particular fake digital money in the form of 'AusieCoin' might subject such firm into commercializing its name which will result in loss due to sheer loss in value incurred. However, as this remains a subjective discretion matter, some countries have already registered, 'Bitcoin' as a valid trademark. These include the United Kingdom Patent Office<sup>TM</sup> No. UK00003279106 and the Spanish Patent and Trademark Office Trademark Number: ES003279106.<sup>8</sup>

Cryptocurrency has come in different forms through its commitment to innovation. After bitcoins came into existence, others changed the face to take the design of 'alt-coins' that serve as options of a different nature in wide ranges. With the introduction of modern blockchains that include Neo and Ethereum, there is a lot more complexity in the world of digital assets. There is so much

---

<sup>6</sup> Alibaba Grp. Holding Ltd. v. Alibabacoin Found., No. 18-CV-2897 (JPO), 2018 U.S. Dist. LEXIS 180884, at \*1–2 (S.D.N.Y. Oct. 22, 2018).

<sup>7</sup> Telegram Messenger Inc. v. Lantah, LLC, No. 18-cv-02811-CRB, 2018 U.S. Dist. LEXIS 133908, at \*2 (N.D. Cal. Aug. 8, 2018).

<sup>8</sup> Growing influence of cryptocurrencies: Challenges ahead of trademark law (2022) Lexology. Available at: <https://www.lexology.com/library/detail.aspx?g=359bf598-0fd8-4cc3-af6d-6b5b457f85df> (Accessed: 09 July 2024).

variation and regulation is impossible, and so no single person or entity can assert that they own it; without doubt in publicly shared blockchains there is scarce Intellectual Property Rights protection.

## **HOW TRADEMARK LAW HAS BEEN APPLIED IN CASES OF CRYPTOCURRENCY**

Obstacles, particularly pertaining to the very features of blockchain technology, may appear in connection with the application of substantive law.

In *United States v. Ulbricht*,<sup>9</sup> which was decided by the United States District Court for the Southern District of New York in 2014, the court rejected an argument made by the defendant, Ross William Ulbricht, who was accused of operating Silk Road. Ulbricht argued that he couldn't be found guilty of the crimes he was charged with (narcotics trafficking conspiracy, continuing criminal enterprise, computer hacking conspiracy, and money laundering conspiracy) because no previous case had found such activities to constitute these crimes. In essence, he was claiming that since there was no precedent for criminalizing what he did, he couldn't be held liable. The court dismissed this argument, stating that the fact that something hasn't been found criminal before doesn't mean it can't be criminal. They essentially said that just because there's no exact precedent for this specific case doesn't mean the law doesn't apply. The court concluded that Ulbricht's activities, involving the exchange of cryptocurrency for illegal goods, clearly fit the definition of the crimes he was accused of. Therefore, the case established that even if there's no directly similar case, the court can still apply existing laws to new situations, especially if the actions clearly fall within the definitions of the crime.

This also applies to the use of substantive laws that already exist in accounting for cryptocurrency and blockchain technology in matters regarding trademark infringement. Recent decision of the Delhi high court<sup>10</sup> that came down on the side of Tata Sons Private Limited has permanently prohibited a UK-based firm from using an Indian company's trademark 'TATA' in marketing and sales of digital tokens or cryptocurrency unlawfully.

In *West v. 0Daycoins.com*<sup>11</sup>, Kanye West brought an action against several defendants for infringing his trademarks in a cryptocurrency called "Coinye." One of the defendants was a developer located in the Netherlands, who claimed to have no contacts with New York and therefore moved that the action should be dismissed as to him for lack of personal jurisdiction. Kanye West responded that he was subject to New York's long-arm statute because he was

---

<sup>9</sup> *United States v. Ulbricht*, 31 F. Supp. 3d 540, 565–566 (S.D.N.Y. 2014)

<sup>10</sup> *Tata Sons Private Limited V. Hakunamatata Tata Founders & Ors.* [2022 DHC 4022]

<sup>11</sup> *West v. 0Daycoins.com*, No. 14 CV 250 (S.D.N.Y.),

marketing and promoting Coinye in New York. The case settled before the court ruled on this issue, but the case illustrates one of the challenges for trademark owners: it can be expensive to enforce rights when defendants are located in multiple jurisdictions, which may require multiple lawsuits.

In 2016 and 2018, the cryptocurrency company BitFlyer tried to register the word "BITCOIN" as its trademark for its goods and services related to cryptocurrencies, namely, software for online transactions, computer programs, and telecommunication equipment. The USPTO rejected both filings, though. Why? They said the word "BITCOIN" was too descriptive of the real products and services that BitFlyer offered. Essentially, the USPTO found the word used to describe the nature of the company's work too obviously in line with the company's basic nature to be recognized as some sort of unique brand indicia. So, it's just like you can't trademark the word "Apple" for a company that sells apples. Equally, "BITCOIN" for a cryptocurrency company wouldn't give away the nature of the trade.

### **What are the legal difficulties and challenges regarding the questions of intellectual property within cryptocurrencies?**

1. Anonymity and Decentralization-The decentralized and anonymous nature of cryptocurrencies makes it difficult to identify and pursue infringers. In *United States v. Zaslavskiy*, Zaslavskiy was charged with securities fraud. The case revolved around two Initial Coin Offerings (ICOs) for REcoin and DRC (Diamond Reserve Club). The government alleged that Zaslavskiy falsely marketed these ICOs by claiming that REcoin was backed by real estate and DRC by diamonds, neither of which were true. The ICOs were alleged to be fraudulent schemes intended to deceive investors. The key legal question was whether the tokens offered in the ICOs could be considered "securities" under U.S. federal law, specifically under the Securities Exchange Act of 1934 and the Securities Act of 1933. The court denied Zaslavskiy's motion to dismiss the indictment. The court found that the allegations in the indictment were sufficient to state a claim that the tokens were "investment contracts" and therefore "securities" under the Howey Test. This test comes from the Supreme Court case *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), which defines an investment contract as an investment of money in a common enterprise with an expectation of profits predominantly from the efforts of others.
2. Jurisdictional Issues- The global nature of cryptocurrency transactions complicates the enforcement of IP rights across different jurisdictions. In *SEC v. Traffic Monsoon, LLC*

[245 F. Supp. 3d 1275 (D. Utah 2017)]<sup>12</sup>The SEC brought an action against Traffic Monsoon, a UK-based company, alleging that it was operating a Ponzi scheme. The court determined that it had jurisdiction under the "conduct and effects" test, as the fraudulent activities had significant effects in the U.S. This case illustrated the application of U.S. securities laws to international cryptocurrency transactions that have substantial connections to the U.S.

3. Unknown party- In *Orchid Labs Incorporated v. Unknown Party*,<sup>13</sup> A company called Orchid Labs sued an unknown person or group for stealing money. An unknown party registered a website called "sale-orchid.com" that was a copy of Orchid Labs' real website, "orchid.com." This website was used to trick potential investors into sending cryptocurrency to the unknown party. Orchid Labs filed a lawsuit against the unknown party in Arizona. The court ruled in favor of Orchid Labs and awarded them over \$600,000 in damages. This included triple the amount of money stolen and attorney fees. The unknown party's identity was unknown, making it extremely unlikely that Orchid Labs would ever be able to collect the money they were awarded.

## CONCLUSION

The digital economy faces both possibilities and difficulties from the intersection of IPR and cryptocurrency. As blockchain technology continues to upend many industries, intellectual property rights protection is essential to promote innovation and maintain the integrity of decentralized networks. The Bitcoin ecosystem's ability to flourish hinges on striking the right balance between encouraging cooperation and upholding security. Policymakers, businesspeople, and stakeholders must collaborate to implement consistent regulatory frameworks that promote responsible growth, protect creators' rights, and foster innovation in the rapidly evolving world of cryptocurrencies and blockchain technology. By doing this, we can effectively advance a wealthy and inclusive digital future while striking a balance between innovation and protection.

Trademark rules have been applied to the cryptocurrency industry thanks to landmark instances like *Telegram Messenger Inc. v. Lantah LLC*<sup>14</sup> and *Alibaba Group Holding Ltd. v. Alibabacoin Foundation*<sup>15</sup>. Still, there are a lot of challenges to be addressed. It is difficult to identify and hold infringers responsible due to the widespread usage of cryptocurrencies and the anonymity of many

---

<sup>12</sup> SEC v. Traffic Monsoon, LLC [245 F. Supp. 3d 1275 (D. Utah 2017)]

<sup>13</sup> Orchid Labs Incorporated v. Unknown Party, No. CV-18-00582-PHX-SMB (D. Ariz.),

<sup>14</sup> supra

<sup>15</sup> supra



of its users. These difficulties show how crucial it is to maintain innovation and foster global collaboration in order to protect intellectual property rights in the bitcoin industry.

\*\*\*\*\*