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Court: **Commercial Court**

Seat: **Barcelona**

Chamber: **9**

Date: **21/10/2022**

Motion No.: **89/2022**

Order No.: **468/2022**

Type of proceedings: **PI proceedings**

Judge: **MONTSERRAT MORERA RANSANZ**

Type of judgment: **Order**

Order of the Commercial Court of Barcelona – Chamber No. 09

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P.S. *In causa* PI proceedings - 89/2022 - D1

Subject Matter: Intellectual property

Banking entity: BANCO SANTANDER

For cash deposits. Item: 5080000010008922

Payments by bank transfer: IBAN ES 55 0049 3569 9200 0500 1274. Beneficiary: Commercial Court of Barcelona – Chamber No. 09

Item: 5080000010008922

Claimant/executor: VISUAL ENTIDAD DE GESTIÓN DE ARTISTAS PLÁSTICOS

Court representative: Jordi Fontquerni Bas Attorney: JOSÉ LUIS AMÉRIGO SÁNCHEZ

Defendant/executed: PUNTO FA, S.L. Court representative: Ignacio Lopez Chocarro Attorney: Francisco Malaga Dieguez

ORDER No. 468/2022

Judge: Montserrat Morera Ransanz

Location: Barcelona

Date: 21 October 2022

FACTUAL BACKGROUND

By means of pleadings dated 29 July 2022, the claimant brought proceedings on the merits against the defendant with the aim of obtaining a declaration of infringement of IPRs and an order of cease and removal and damages compensation as provided for in Articles 138 to 140 IP Law, by virtue of which the claimant requests the Court to declare that the defendant is infringing the economic and moral rights that Mr. Agustín, Mr. Alejo and Mr. Alfredo hold over five works that the defendant is using without their consent or authorization, and to order to cease such use, along with damages compensation for the infringement of the moral and economic damages (Euro 875.000,00 for economic damages, Euro 500.000,00 for moral damages and Euro 380,21 for research expenses) and the publication of the order.

By means of the first additional pleadings, the claimant requested the Court to issue *ex parte* PI measures to cease the use of the aforementioned works, to remove all the elements reproducing said works, along with to enjoin the defendant from keeping infringing, offering for such purpose a bond of Euro 1.000,00.

By order of 8 August 2022, the Court denied to issue *ex parte* PI measures and summoned the parties for the hearing, held on 11 October 2022 at the presence of both parties. The claimant reiterated its requests and the defendant raised its objections by means of oral pleadings. After the collection of the evidence that was admitted, the parties stated their claims. At the aforementioned hearing, the defendant was requested to provide documentation. The request for PI measures remained pending until the defendant complied with the request to provide documentation and the pertinent services were made, the last of which took place today.

LEGAL BASIS

FIRST.- The Civil Procedure Law regulates the requirements to be met in order to issue a PI measure, which are the following:

a) *Prima facie case*, which is regulated in Article 728.2 Civil Procedure Law that reads as follow: *in order for the* prima facie case *requirement to be met, the claimant must present the information, arguments and documentary evidence that lead the Court, without prejudging the merits of the case, to deliver a provisional and circumstantial order favorable to the merits of the claim*. *Lacking of documentary evidence*, *the claimant may offer it by other evidentiary means*. This requirement consists of the preliminary judicial analysis aimed at verifying the existence of an indication or principle of evidence that the claim on the merits of the claimant is apparently well-founded in law, i.e. that there is a probable appearance of legitimacy of the claim and that at first sight the claim does not appear to be unreasonable, arbitrary or unreasonably founded.

In the present case, the claimant alleges that the defendant is using illicitly and unauthorizedly, by means of NFTs and publications in different digital platforms and social networks (Linkedin, Instagram and TikTok), as well as in the Decentraland metaverse, in the Opensea marketplace and in the physical store of the defendant in New York, the following works: "*Oiseau volant vers le soleil*" and "*Tète et Oiseau*" by D. Alfredo, "*Ulls i Creu*" and "*Esgrafiats*" by D. Agustín and "*Dilatation*" by D. Alejo. The claimant alleges that by these acts the defendant is infringing both moral rights (right to the integrity of the work and disclosure of the work) and economic rights (right of reproduction, communication to the public and adaptation of the work) granted to the authors over their works by Articles 14 and 17 IP Law. Hereinafter they will be referred to as "the works".

In this regard, the defendant argues that the claimant lacks capacity to bring an action for PI measures and denies the infringement the IPRs of those authors for the following reasons: a) the

Mango Group is the owner of the physical supports of the works and, therefore, has the right to publicly display them; b) the creation of digital works starting from original physical works and their subsequent display do not infringe the economic or moral rights of their authors, since it is an "safe use" of the works, which does not require authorization and did not cause any damage to their authors; c) the Mango Group has correctly disclaimed that those digital works were the result of the adaptation of the original, physical works of those authors; d) the NFTs at issue are digital files that have never been minted into blockchain, so they can only be viewed through the platform, but cannot be downloaded, bought or reproduced; e) since the NFTs have not been minted in blockchain, they were not transferred to any wallet of the Mango Group and, therefore, the defendant cannot access them while they are on the Opensea platform; and f) there is no damage to be compensated and, if any, the quantification of the damages would be lower than the amount requested by the claimant.

The main issue is to determine the extent of the rights of Mango as the owner of the original, physical paintings. That is, whether turning an artwork into an NFT involves an adaptation of the work that may affect the rights of its author or whether, instead, the ownership over a physical work gives the right to turn it into an NFT and, therefore, in this case, whether Mango by purchasing the original paintings acquired an absolute right of enjoy and exploit the artwork in any way and in any scenario, and whether the use Mango made of the works can be considered a "safe use" that does not require to be authorized by the authors.

b) *Danger in delay*, which is regulated in Article 728.1 Civil Procedure Law which establishes that "*preliminary measures may only be granted if the claimant justifies that, pending the proceedings on the merits, the effectiveness of the protection that could be granted in an eventual favorable judgment may be prevented or hindered if the requested measures are not adopted*". This requirement deals with the possibility that the irremediable duration of the proceeding on the merits causes harmful situations for the claimant, to the point that the eventual reparation of that possible damage is, from the factual and legal point of view, very costly or factually impossible. Danger in delay shall be concrete and not abstract, such as the *prima facie case*, so it must be assessed in relation to the specific measure requested. To assess such instrumentality it is necessary to take into account the characteristics provided in Article 726.1 Civil Procedure Law that requires that said measures are issued if they are "*exclusively aimed at ensuring the effectiveness of the judicial protection that could be granted in an eventual favorable judgment*, *so that it cannot be prevented or hindered pending the proceedings on the merits*" and they cannot "*be substituted by another equally effective measure, for the purposes of the preceding paragraph, but less burdensome or detrimental to the defendant*.

c) *Provision of bond* by the claimant of the PI measure.

SECOND.- The Court shall examine as first requirement that the danger in delay is met, since if it is not it will be unnecessary to examine the requirement of the *prima facie case*, which guarantees that the merits of the case will not be prejudged in any way.

The claimant justifies that this requirement is met with the following arguments, which will be analyzed separately.

First, the claimant alleges that the requested measures will prevent the public from continuing to believe that there is a relationship between the defendant and Mr. Agustín, Mr. Alejo and Mr. Alfredo, which "may lead other entities to use the works of said authors for their own advertising campaigns or for other types of collaborations, with the consequent loss of profits due to loss of earnings". As argued when the *ex parte* measures were denied, these are mere conjectures, which lack any evidence as to the probability that the works at issue are going to be the object of an advertising campaign or there are other entities interested in exploiting those works.

Secondly, the claimant alleges that the requested measures will prevent that the infringement continues and will avoid offering that this type of conduct remains unpunished. This argument cannot

be accepted either, since the works are no longer publicly displayed, nor can they be marketed (they could not be marketed when they were displayed either, since the defendant displayed was carried out only for display's sake and did not allow their sale or exchange, as it is undisputed by the parties). Indeed, the defendant has stopped any public exhibition of the works, ceasing the use of the works (both physically, analogically and digitally) and ceasing the use of the authors' names in connection with any publication, communication or press release (and thereby also eliminating the appearance of relationship or risk of association between the defendant and the aforementioned authors, referred to above). The cease of the use of the works by the defendant is evidenced by the notary act of 6 October 2022 filed as Exhibit 9 along with the statement of defence. With the cease of the use, the defendant is not accepting as founded the claims of the claimant, yet it is an act of prudence pending the proceedings, but the defendant firmly believes that the use of the works is legitimate.

At the hearing the claimant attested that the press release of the opening of the Mango's store in New York is still on the website of Mango (as Exhibit 1), but in reality the dossier only shows the physical supports of the works (which are owned by the Mango Group) and not the reproduction of said works on networks or digital platforms, nor on the metaverse, nor the NFTs. For this reason, the evidence provided by the defendant (Exhibit 9 along with the statement of defence) on the cease of the use, both physical and virtual or digital, of the works has evidentiary value. Consequently, with respect to these uses, the PI measure has lost its purpose.

The issue focuses on the exploitation of the works through the NFTs created by the defendant (incorporating and transforming the works at issue), and uploaded in the account of the Mango Group has on the Opensea platform (main marketplace for the sale and trade of NFTs and cryptoassets), so that they could be visible on said web page, but without allowing their sale or trade. The defendant alleges that also with respect to these NFTs, the requested PI measure has lost its purpose, since the claimant requested said platform to remove the aforementioned NFTs from its web page and the platform removed the content on 10 June 2022, so that the measure was adopted out of court. The claimant denies that this goes as a removal, since the aforementioned platform has only prevented the NFTs from being displayed, but they are still on the platform and in the defendant's account, so that, on the one hand, anyone could access them (because they are still on the platform, even though Opensea has removed them from display) and on the other hand the defendant could also have them because it still has them at its disposal in Opensea's account and could transmit them to a third party. Thus, the claimant argues that, either because the claimant has them or because third parties can access the platform and remove them, there is a risk that the NFTs at issue will not be at the disposal of the parties and, therefore, a future judgment could no longer be effective.

Well, from the evidence, and especially from the communications with Opensea and from the witness statement of Mr. D. Benito, who contributed to the creation of the NFTs at issue and who, despite being an employee of the defendant, offers no doubts about the credibility, given the categorical nature of his statements and the experience and knowledge that he showed to have in this field, in the exercise of his profession, it can be concluded that the risk that the claimant or a third party could have the NFTs at issue is minimal or nonexistent, since from the moment the NFTs were not minted into any blockchain and from the moment the Opensea platform removed them from its website on 10 June 2022 (at the request of the claimant), the defendant no longer can dispose of them, and neither could access them (since the NFTs were not minted into blockchain assets and consequently were not transferred to either of the two wallets of the Mango Group), and neither could third parties, since they are not displayed (or traded, nor could they be traded when they could be displayed). With this, any risk associated with the perpetuation of the infringement and the image of impunity of these acts (if finally, at the end of the proceedings on the merits, they were considered to be infringing acts) has disappeared.

However, there is a certain danger, due to the doubtful effectiveness of the removal adopted by the Opensea platform, and this for two reasons. Firstly, because the removal lasted 14 days, which would be extended as soon as the platform was informed that proceedings had been instigated in

this regard. The claimant claims that it has not made such communication. Although this is only attributable to the claimant and could not prejudice the defendant, there is a risk that the platform has ended the removal of the NFTs. Secondly because, if they were still under removal, there is no certainty as to how the platform is guarding the NFTs, which makes it impossible to state categorically that they are protected and that no one can access them. These doubts about the guarantee that no one can access the NFTs (the defendant or third parties) is increased if it is taken into account that (as evidenced by Exhibits 2 and 3 submitted at the hearing by the claimant) the Opensea's accounts have been severally attacked for the theft of "juicy" NFTs as the ones at issue, as there have been cases of theft of NFTs of other large companies that were on the same platform. Although the Opensea platform operates in a centralized manner, it can certainly not be absolutely excluded that the platform may be subject to acts of piracy or hacking and that the NFTs may be stolen, being then very difficult to recover and remaining out of reach of the parties.

It can be concluded that the requirement of danger is met, but in a partial and relative way. Partial because, after the voluntary removal by the defendant of the physical supports of the works and their reproductions in the social networks and in the metaverse, the danger has been reduced to the NFTs uploaded to the Opensea platform. And relative because there is a certain risk of ineffectiveness of the judgment that could be issued given the relative guarantee offered by the removal of the NFTs made by the Opensea platform. Consequently, assuming that the claimant cannot access the NFTs and that there is a "relative and partial" danger, the requested injunction should be granted, but only concerning the NFTs and against the Opensea platform, not to the claimant (since it does not have access to the NFTs), with the purpose that the mentioned platform makes the NFTs available to this Court so that they may be kept by the clerk of the Court in the wallet provided by the claimant for this purpose.

As regards the bond, it is considered that the amount of Euro 1.000 euros offered by the claimant is a sufficient, proportional and reasonable amount for the type of PI measure issued.

Having examined these two requirements (danger in delay and bond), and having assessed that both are met, although the danger has been assessed as to be partial and relative, the requested PI measure should be partially upheld, without the need to carry out an exhaustive examination of the requirement of *prima facie case*, especially taking into account in this case the complexity of the disputed issues to be solved in the proceedings on the merits (which have been pointed out in the first ground of law, letter a), which hinders that at such an early moment of the proceeding a provisional and circumstantial judgment can be formed that does not prejudge the merits of the case and that allows to provide with absolute certainty the *prima facie case* to the claims of the claimant.

However, for the sole purpose of issuing the requested PI measures, the Court consider that there is a sufficient factual and legal basis to appreciate the *prima facie case* requirement, for the following reasons. In the first place, as regards the capacity to bring an action, there are certainly doubts that those authors authorized the claimant to bring the proceedings for the cease of the infringement on their behalf, but not for the proceedings for the claim of damages, as it was authorized to "*quantify and claim the amount that Punto Fa should award for the uses made*".

Secondly, it is proven that the Mango Group (to which the defendant company belongs) is the owner of the physical support of the works, since the company of the same group, Punta NA, S.A., acquired them between 1998 and 2008, and said company temporarily assigned to the defendant the right of publicly display of the works (as evidenced in the assignment agreement provided as Exhibit 8 of the statement of defense), it is doubtful that such right of publicly display of the owner of the support of the works can cover the reproduction and transformation of the same through the creation of a new digital artwork that incorporates and transforms the pre-existing one into an NFT, or can be considered as an "safe use", excluding the need for authorization from the owner of the pre-existing work, as the defendant claims.

For all these reasons, it can be provisionally and indirectly concluded, with the aforementioned precautions, that the requirement of the *prima facie case* is also met, which is why the requested PI measures should be issued, albeit partially, in the terms set forth above.

THIRD.- In accordance with the reference that Article 736 Civil Procedure Law makes to Article 394 Civil Procedure Law, the costs of these proceedings are not imposed to any of the parties, not only because of the partial issuance of the requested measures, but also because of the serious doubts of fact and law that this case presents. Regarding the factual doubts, serious doubts have been raised on the effective availability that the defendant may have on the NFTs and on the effectiveness of the removal by the Opensea platform, doubts that have motivated the decision to grant the requested measures, but not addressed to the defendant but to the aforementioned platform. As for the legal doubts, the subject matter of the proceeding presents serious doubts because it raises novel issues (the exploitation of a physical work in the metaverse and in the NFT marketplaces and the need for authorization for the creation of an NFT that incorporates and transforms a pre-existing work) on which there is no case-law, neither in Spanish law nor in comparative law, doubts that have led to the impossibility of carrying out at this time an exhaustive examination whether the *prima facie case* requirement is met.

In view of the aforementioned legal precepts and others of general and pertinent application,

I HEREBY DECREE

I PARTIALLY ISSUE the *in causa* PI measures requested by VEGAP against the company Punto Fa, S.L. and, consequently, I order the custody in this Court of the NFTs created by the defendant that incorporates and transform the following works: "*Oiseau volant vers le soleil*" and "*Tète et Oiseau*" from D. Alfredo, "*Ulls i Creu*" and "*Esgrafiats*" by D. Agustín and "*Dilatation*" by D. Alejo.

I require the company Ozone Networks Inc (responsible for the Opensea platform), through its e-mail address copyright@openseahelp.zendesk.com, to transfer the aforementioned NFTs to the physical wallet designated by the claimant within 2 days, so that they remain under the custody of the clerk of the Court until the proceedings on the merits reach a final judgment.

I order the claimant to designate and deliver to the clerk of the Court, within the term of one hearing, the wallet in which the NFTs will be kept and to provide a bond for the amount of Euro 1.000 in any of the forms admitted by law, with the warning that, otherwise, the agreed PI measure will be terminated and archived.

None of the parties shall bear the costs of the proceedings.

The parties are hereby communicated of the present order and are informed that it is not final and that an APPEAL may be filed against it, *without suspensive effects* (Article 735 Civil Procedure Law), which shall be prepared in writing and filed with this Court within 20 days, and which shall be heard by the 15th Chamber of the Provincial Court of Barcelona. The appeal will not be admitted if the appellant does not prove to have deposited the amount of Euro 50 in the deposit account of this Court.

Thus I pronounce, command and firm.

DILIGENCY: The order is hereby complied with. I bear witness.

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The interested parties are informed that their personal data have been incorporated into the case file of this Judicial Office, where they will be kept as confidential, under the safeguard and responsibility of the same, where they will be treated with the utmost diligence.

They are informed that the data contained in these documents are reserved or confidential and that the treatment that may be made of them is subject to current legislation.

The personal data that the parties become aware of through the process must be treated by them in accordance with the general data protection regulations. This obligation is incumbent upon the professionals representing and assisting the parties, as well as any other professionals involved in the proceedings.

The illegitimate use of the same, may give rise to the legally established responsibilities.

In relation to the processing of data for jurisdictional purposes, the rights of information, access, rectification, deletion, opposition and limitation shall be processed in accordance with the rules applicable to the process in which the data were collected. These rights must be exercised before the judicial body or judicial office in which the procedure is being processed, and the petitions must be resolved by whoever has the competence attributed in the organic and procedural regulations.

All in accordance with the provisions of Regulation EU 2016/679 of the European Parliament and of the Council, Organic Law 3/2018, of December 6, 2018, on the protection of personal data and guarantee of digital rights and Chapter I Bis, of Title III of Book III of Organic Law 6/1985, of July 1, 1985, on the Judiciary.