

Abstract

**Analysis and Implications of the Spanish First Instance
Court's Decision of Mango NFT's Copyright
Infringement Case**

**- Focusing on Property Owner's Lazy Minting, Use in Metaverse,
and Application of U.S. Fair Use Doctrine -**

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On January 11, 2024, the 9th Commercial Court of Barcelona issued a judgment on a case regarding the copyright infringement issue of the creation and use of NFTs. The defendant, Punto Fa, SL, a limited liability company (LLC) of the fashion brand 'Mango' Group, owned 5 artworks (hereinafter, original works) which the plaintiff VEGAP (Visual Management Entity of Plastic Artists) was managing the copyright of the original works. The defendant created digital clothing images using the original works and lazy-minted the images on OpenSea, the NFT market platform. The defendant displayed the digital images with the physical original works at the newly opened 'Mango' store on New York 5th Avenue. Also, these images were displayed on OpenSea, Decentraland, and other virtual or digital platforms including several social network services.

The plaintiff filed a lawsuit alleging the copyright infringement of the moral rights (right to disclosure and right of integrity) and economic rights (reproduction right, right of transformation and public communication right).

The court determined that the digital images were derivative works of the original works and denied the infringement of moral rights regarding the activities of disclosing and providing digital images. The

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court also denied the infringement of economic rights. Based on the Article 56.2 of Spain Intellectual Property Act, the court held that the defendant is legitimate owner of the original work and therefore the defendant is allowed to display the original works physically and virtually.

Finally, in order to determine whether the defendant’s use falls under the copyright limitations, including Article 40. bis (three-step test) of Spain Intellectual Property Act, the court cited the Spanish Supreme Court’s ruling on the ‘Google case’ in 2012. Following the Supreme Court’s ruling, the court applied the ‘ius usus inocui (innocuous use or harmless use)’ doctrine and the US fair use doctrine (Section 107 of the US Copyright Act). Furthermore, in determining whether any of the four elements of fair use were met, the court cited the ‘Andy Warhol’ case of the US court as a comparative example to the case. In conclusion, the court ruled that the defendant’s activities were allowed as fair use and meets the standards of Article 40. bis of Spain Intellectual Property Act and innocuous use.

As technological developments and cultural trends change fast and become more diverse, the new matters of copyright are being massively raised in the fields. The Spanish court case discussed above not only provides pioneering references for resolving issues related to NFT lazy minting and display in metaverse but also provides implications for the litigating parties who attempt to cite foreign legislation, foreign court decision, or their case law in their pleading of domestic cases. Also, the case offers insight to the courts worldwide when examining the possibility of applying foreign legal resources in their domestic decisions.

Keywords

NFT, lazy minting, Metaverse, three-step test, fair use, ius usus inocui, application of foreign law, exhibition, display, ownership