



IN THE METAVERSE

A REPORT FROM INTA



April 2023



Copyright © 2023 International Trademark Association.

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without prior written permission of the copyright owner, except in the case of brief quotations embodied in critical reviews and certain other noncommercial uses permitted by copyright law.

WHITE PAPER TRADEMARKS IN THE METAVERSE

EMERGING ISSUES COMMITTEE

Committee Chair: Catherine Mateu

Committee Vice Chair: Barbara Porcario

NEW EMERGING ISSUES SUBCOMMITTEE

Subcommittee Chair: Luis Fernando Bermejo

Subcommittee Members: Luis Fernando Bermejo, Megan Martin,
Kate Swaine, Daniel Scales, Mara Mondolfo, John Halski,
Jorge Espinosa, Antonio Turco, Miguel Souto, Mary Stottele,
Nikita Lakhani, Orealuwa Fatimilehin

April 2023

Acknowledgements

This white paper was produced by the New Emerging Issues Subcommittee in cross collaboration with the Anti-counterfeiting, Commercialization of Brands, Copyright, Designs, Famous and Well-Known Marks, Harmonization, In-House Counsel, Internet, Legislation and Regulation, Trademark Offices Practices and the Unfair Competition committees. Special thanks to all the members of these committees that provided input and aided in the drafting of this white paper, including but not limited to: Melissa Berger, Mark Biernacki, Valerie Brennan, Peter Brody, Margret Caruso, Dasha Chestukhin, Jennifer Gruber, Kerstin Gründig-Schenelle, Karla Hughes, Carrie Johnson, Kasey Boucher, Anne Marie Longobucco, Fernanda Magalhaes, Mike Maoz, Madhu Rewari, Erick Osterberg, Ian Raisbeck, Sarah Robertson, Maria Luisa Santamaria, Ivan Sempere, Jamie Sternberg, and Claudette Vernot. In addition, special recognition is warranted for the staff liaisons that aided with input, drafting, and review of the white paper, including but not limited to: Kensey Cybul, Iris Günther, Sheila Francis, José Luis Londoño, Bruce Macpherson (Chief Policy Officer), Christina Mitropoulos, Helena Rother, Lori Schulman, Jennifer Simmons, and Erica Vaccarello.

Disclaimer

All information in this White Paper is provided to the public by the International Trademark Association as a source of general information on the metaverse in relation to trademarks and other related intellectual property issues. In legal matters, no publication, whether in written or electronic form, can take the place of professional advice given with full knowledge of the specific circumstances of each case and proficiency in the laws of the relevant country. While efforts have been made to ensure the accuracy of the information in this document, it should not be treated as the basis for formulating legal or business decisions without professional advice. We emphasize that trademark rights and related intellectual property laws vary from country to country, and between jurisdictions within some countries. The information included in this document will not be relevant or accurate for all countries or states.

Contents

EXECUTIVE SUMMARY	10
INTRODUCTION	12
1 METAVERSE: DEFINITION AND STATE OF THE ART	12
1.1 DOES THE METAVERSE EXIST TODAY?	14
1.2 THE IMPORTANCE OF THE TERMS OF SERVICE	14
1.3 WHAT WILL YOU LIKELY BE ABLE TO DO IN THE METAVERSE TOMORROW?	14
1.4 BLOCKCHAIN DOMAINS	15
1.5 INTERACTION OF BRANDS IN THE METAVERSE	16
1.6 PERSONHOOD IN THE METAVERSE	16
2 TRADEMARKS IN THE METAVERSE: TRADEMARK APPLICATION AND REGISTRATION ISSUES	17
2.1 ARE VIRTUAL GOODS IN THE NATURAL ZONE OF EXPANSION OF THEIR PHYSICAL COUNTERPARTS?	17
2.2 TRADEMARK APPLICATIONS COVERING THE METAVERSE	19
2.3 WHERE TO FILE APPLICATIONS	19
2.4 CLASS COVERAGE: DOES THE CURRENT NICE CLASSIFICATION SYSTEM WORK?	20
3 USE OF TRADEMARKS IN THE METAVERSE	23
3.1 HOW DO TRADEMARK OFFICES CURRENTLY UNDERSTAND TRADEMARK USE FOR METAVERSE-RELATED GOODS AND SERVICES?	24
3.2 HOW DOES TRADEMARK USE IN THE METAVERSE DIFFER FROM TRADEMARK USE IN THE PHYSICAL WORLD?	26
3.3 TRADEMARK PRESENTATION ACROSS PLATFORMS IN THE METAVERSE	26
3.4 ASSOCIATION OR FIXATION OF TRADEMARKS WITH VIRTUAL GOODS AND SERVICES	27
3.5 RELATIONSHIP BETWEEN VIRTUAL GOODS AND SERVICES AND PHYSICAL WORLD COUNTERPARTS	28
3.6 HOW WILL TRADEMARK USE IN THE METAVERSE ALIGN WITH THE GEOGRAPHIC NATURE OF TRADEMARK RIGHTS?	29
3.7 WHAT WILL TRADEMARK ABANDONMENT LOOK LIKE IN THE METAVERSE?	30
3.8 FURTHER CONSIDERATIONS REGARDING TRADEMARK USE IN THE METAVERSE	31

4	TRADEMARK LICENSES	32
4.1	LICENSED GOODS AND SERVICES	33
4.2	TERRITORIES	33
4.3	EXISTING LICENSEES	33
4.4	CHANNELS OF TRADE	34
4.5	THE LICENSED MARK	34
4.6	QUALITY CONTROL/TECHNOLOGICAL CONTROLS	34
4.7	GOVERNING LAW AND FORUM	34
4.8	ENFORCEMENT	35
4.9	ADDITIONAL CONSIDERATIONS	35
5	INFRINGEMENT IN THE METAVERSE	35
5.1	JURISDICTION	37
5.2	UNITED STATES	38
5.3	EUROPEAN UNION AND THE UNITED KINGDOM	39
5.4	CHINA	42
5.5	INDIA	42
5.6	BRAZIL	44
5.7	DIFFICULTIES ESTABLISHING JURISDICTION	44
5.8	CAUSES OF ACTION	45
5.8.1	TRADEMARK INFRINGEMENT	45
5.8.2	ANTICOUNTERFEITING	49
5.8.3	TRADE DRESS/PASSING OFF AND UNFAIR COMPETITION	50
5.8.4	DESIGN RIGHTS	50
5.9	PRACTICAL ENFORCEMENT CONSIDERATIONS	51
6	MULTIJURISDICTIONAL ENFORCEMENT INITIATIVES RELATED TO THE INTERNET MAY BE APPLICABLE TO THE METAVERSE	51
6.1	ESTABLISHED INTERNET ENFORCEMENT REGULATIONS	52
6.2	INTERNET AND METAVERSE-RELATED ENFORCEMENT FORUM AND INITIATIVES	54

7	ADDITIONAL CONSIDERATIONS ON DISPUTE RESOLUTION IN THE METAVERSE	56
7.1	FORMATION AND VALIDITY OF FORUM SELECTION CLAUSES AND ARBITRATION AGREEMENTS IN THE METAVERSE	56
7.2	TYPES OF DISPUTES POSSIBLE AND ISSUES THAT MIGHT ARISE	57
7.2.1	DISPUTES AGAINST METAVERSE PLATFORMS	57
7.2.2	DISPUTES AMONG METAVERSE USERS	57
8	WHERE DO WE GO FROM HERE? ISSUES FOR FURTHER CONSIDERATION AND POSSIBLE ADVOCACY BY INTA	58
8.1	THE NICE CLASSIFICATION SYSTEM	58
8.2	ZONE OF EXPANSION	58
8.3	METAVERSE BORDERS	59
8.4	LICENSING IP IN THE METAVERSE	59
8.5	MODIFICATION OF COVERAGE OF EXISTING REGISTERED RIGHTS	59
8.6	HARMONIZATION ON WHAT CONSTITUTES TRADEMARK USE	60
8.7	JURISDICTION AND ENFORCEMENT ISSUES	60
8.8	INTA INVOLVEMENT	60

Table of Abbreviations

Abbreviation	Meaning
CJEU	Court of Justice of the European Union
DMCA	Digital Millennium Copyright Act 1998
DNS	Domain Name System
EUIPO	European Union Intellectual Property Office
EUTM	European Union Trademarks
GDPR	European Union General Data Protection Regulation
ICANN	Internet Corporation for Assigned Name and Numbers
IP	intellectual property
NFT	non-fungible token
NGO	non-governmental organization
RCD	Registered Community Design
REUT	Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union Trade Mark
TM	trademark
UDRP	Uniform Domain Name Dispute Resolution Policy
WIPO	World Intellectual Property Organization



Executive Summary

The introduction of the Internet in many ways upended the lifestyle of people around the world. It forever changed the way people communicated and expressed themselves, made information of all sorts readily available to anyone who searched for it, and changed the way people do business. It would be impossible to fathom modern life without the use of the Internet or without the existence of social media.

The Internet is now evolving into a three-dimensional (3D) experience in which people will be immersed into a whole different reality, where there will be no “borders” because platforms will be interoperable. This will certainly bring positive developments, but it will also bring about challenges to the legal landscape including new avenues for nefarious activity of all kinds. As occurred in the 1990s and early 2000s, lawmakers, policy makers and the IP community must consider how this burgeoning new reality could impinge on trademark owners’ rights and how to address the challenges it will bring about. In this white paper, we provide an introduction to the metaverse and address the diverse challenges that its development will cause for brand owners. We identify the pitfalls that practitioners should be aware of, as well as the possible pathways of research and advocacy that INTA might undertake to shape the future legal environment of the metaverse. These, in essence, are the following:

- There is a need to harmonize classification of trademarks for metaverse activity and digital assets. The current approach of the USPTO and EUIPO of establishing Classes 9, 35, 41, and 42 as the main Nice Classes to protect virtual goods/services should be taken into account when crafting filing strategies. However, some stakeholders appear to be in favor of establishing a new Nice Class 46 for digital goods and services, while even others have argued for virtual goods to be registered under the same classes as their non-virtual or physical good counterpart. These possible solutions, among others, should be studied by INTA committees to identify and establish the proper approach so that INTA can advocate on behalf of brand owners.
- Trademark owners have no certainty that under a traditional zone of expansion analysis, a court would find that virtual goods are in the natural zone of expansion of their physical world counterparts. Further research and advocacy might be warranted to establish guidelines for courts and tribunals to exercise flexibility when tasked with determining whether owners of trademarks for physical goods can enforce their rights in the metaverse without additional registration or use of a mark that is specific to the metaverse.
- INTA should take a stance on how use of a trademark in the metaverse should be assessed. Since national trademark laws and offices already take diverse views of trademark use for the purposes of trademark registration, renewals, and enforcement, INTA should consider how it might advocate for better international alignment so that there are commonly understood norms of trademark use across both borders and metaverse platforms.
- Questions on how licensing practices should adapt to the metaverse landscape as its development evolves are ripe for study. It would be beneficial for INTA to set forth best practices or educational campaigns regarding ownership, licensing, and assignment of digital assets and their underlying intellectual property rights.

- The legal concepts of habitual residence, domicile, place of business of the parties or real estate property location, which are traditionally at the core of private international law rules, are based on geographical or territorial terms. However, the upcoming decentralization of the Internet will make these concepts less meaningful. Thus, in IP law, unique barriers to successful counterfeit detection and enforcement of trademarks, design rights, and trade dress that exist in the metaverse, including the difficulty in identifying infringers and establishing court jurisdiction, create uncertainty for brand owners. Multiple issues in this regard are ripe for study and advocacy to establish proper guidelines. By way of example, it is still unclear whether, as in the Internet setting, a brand owner might be able to “target” particular markets or platforms (and exclude others) to limit its legal exposure to being summoned inadvertently to court proceedings in jurisdictions not being targeted. INTA should develop and advocate for criteria to establish jurisdiction, balancing the need to protect trademark owners from being summoned to courts with little or no connection to disputes due to the decentralized and borderless nature of the metaverse, with the need of trademark owners to establish jurisdiction in order to take action against infringers.

In conclusion, there is ample room—and reason—for INTA to be involved in advocacy efforts to shape the legal aspects of the future operation of the metaverse.

Introduction

The advent of the Internet in 1990s caused a revolution in many aspects of modern life. From the ability to communicate and transfer data more easily, to the way companies advertised and offered goods and services through e-commerce, the Internet became a source of almost unlimited information for millions of people. Later, the Internet also paved the way for social media platforms, which have also revolutionized the way people interact with each other and the market of ideas. Even the political playing field has been influenced.

The Internet opened the doors for all kinds of technological progress and for the sharing of information. However, the Internet also created legal challenges on many fronts of everyday life. In particular, in the intellectual property (IP) field, an additional avenue for the trade of counterfeits was created. The problem of cybersquatters was born. Suddenly, brand owners had to devise new mechanisms for monitoring infringement of their marks on the web. Over time, several of these challenges were addressed in the legal community by way of national legislation, treaties, or inter-governmental cooperation and action. But there are numerous legal aspects in the IP field that are still the subject of study and advocacy by stakeholders hoping to better address the problems and challenges of the Internet.

Now, even though we are still coping with legal issues in connection with nefarious online activity, the Internet continues to evolve and the metaverse is promising to revolutionize how we experience the Internet. Suddenly, in its nascent form, the idea of the metaverse is causing the legal community to re-think, again, many of the same issues that it had to address in the late 1990s and early 2000s, on how the interactive and decentralized version of the Internet will affect daily lives. Again, the IP community must consider how this development will affect brand owners and the proper way to address the challenges that it will bring about. The purpose of this white paper is to provide an introduction to the metaverse and the diverse problems and issues that its development may cause for brand owners. To do so we will describe the state of the art of the metaverse, the challenges that brand owners will have to cope with to protect their trademarks assets, the doubts and queries surrounding registration strategies and how use will be affected and determined in the metaverse. We will then explore how licensing should evolve in light of this new phenomenon and the challenges posed by the decentralized nature of the Internet in the metaverse regarding enforcement of TM rights across national boundaries. In each section we attempt to identify the future avenues of research and advocacy that INTA should seek to endeavor. Moreover, this paper is intended to be a tool to help practitioners identify the issues they will need to address to protect their trademark assets in this new digital world. This paper will broadly identify issues ripe for future study by INTA and its committees in order to develop INTA's position for advocacy purposes. Due to the ongoing nature of the development of the metaverse, this paper cannot possibly identify every issue with absolute completeness, further study will be required in due course.

1. Metaverse: Definition and State of the Art

The word “metaverse” was coined in 1992 by Neal Stephenson in his cyberpunk novel Snow Crash to describe a digital space in which users interact and create social relationships, using avatars to escape a dystopian reality. Similarly, many of the technological concepts related to the metaverse

date back to William Gibson’s 1984 science fiction novel, *Neuromancer*. This book is set in a digital world in which “console cowboys” model their movement from one computer network to another as they travel through a three-dimensional digital “cyberspace.” More recently, Ernest Cline’s 2011 novel and Steven Spielberg’s 2018 movie adaptation of *Ready Player One* again involved a digital space, accessed through virtual reality of the digital universe or “VR” gear, in which players used avatars to interact with each other and their shared digital environment.

With the rise of persistent interactive digital environments, including games such as *Fortnite* and *Minecraft*, the metaverse gained digital reality. While there is no universally agreed-upon definition, for the purpose of this paper we will use the word metaverse to refer to a “convergence of our physical and digital lives”¹ through a network of interoperable virtual spaces or worlds. It includes virtual reality experiences, augmented reality experiences, interactive, persistent digital spaces, or all of them, and differs both from the “physical world” and from most conventional 2D experiences of “the Internet”. The metaverse also differs from centralized forums such as social media platforms and websites connected to registered domains. As Mark Zuckerberg says, the metaverse is “an embodied Internet that you’re inside of rather than just looking at.”² But, to a substantial extent, it remains mostly fictional, aspirational, and hypothetical.

The metaverse currently does not identify a single shared virtual space, but is decentralized across various platforms and therefore can only come into full existence once there is a true interoperability between these different platforms. In this paper, the word metaverse will interchangeably be used to talk about the metaverse in this sense, but also about what presently could be called a metaverse embryo.

The crucial element—which is not yet in existence—is interoperability. This is such an important issue, that on June 21, 2022, a “Metaverse Standards Forum” (<https://metaverse-standards.org/>) was established, which aims to be “A Venue for Cooperation between Standards Organizations and Companies to Foster the Development of Interoperability Standards for an Open and Inclusive Metaverse”³. Of course, the success in fixing standards largely depends on which companies are on board. Presently, some major players such as Meta and Microsoft are in, but there are also notable absences such as Apple and Roblox. It is too early to comment on the activity of this forum, which should be watched by INTA for future developments.

Virtual reality games and the video game industry in general came close to an embodiment of a metaverse, with the current most popular games being *Fortnite*®, *Roblox*®, *World of Warcraft*®, and *Minecraft*®. Presently, popular metaverse platforms in early, rudimentary forms are *Decentraland*® and *The Sandbox*™. Great expectations surround the metaverse platform that is yet to be released by Meta® (formerly Facebook®), which, in the meantime recently launched its own virtual reality game, *Horizon Worlds*™.

Whatever its form and definition, experts expect that the metaverse will grow quickly and be immensely valuable. According to Bloomberg, the metaverse may be a US \$800 billion market in

[1] <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/what-is-the-Metaverse-and-what-does-it-mean-for-business>.

[2] <https://www.inc.com/christine-lagorio-chafkin/metaverse-virtual-world-layers.html#:~:text=Mark%20Zuckerberg%2C%20Meta's%20chief%20executive,re%20a%20skeptical%20you%20might>

[3] See: (https://docs.google.com/presentation/d/1tpKTlp9aVeJGD0E_0yBGuo37omZhGAjWmM1OH8hnsQ8/edit#slide=id.g135378f59d9_40_68).

2024.⁴ JP Morgan values the metaverse as a market opportunity of US \$1 trillion annually and Goldman Sachs sees it as an US \$8 trillion-dollar opportunity.⁵ These figures seem plausible since, in addition to the video game industry, there are signs that consumer products, the fashion field, education, healthcare, and banking will all possibly benefit of this new business area and contribute to the global growth of business in the metaverse.

1.1. Does the Metaverse Exist Today?

As mentioned above, the metaverse presently exists in some rudimentary forms. On the one hand, several apps allow users to login with their accounts from other platforms (e.g., Apple or Google), as an alternative to a fresh registration, therefore *de facto* recognizing the identity of the user across different platforms. On the other hand, more and more we see free-to-play games with internal microtransactions, by which users can buy clothes and accessories for avatars, as well as tools and instruments integrated into the game. A high avatar personalization seems to be crucial for the popularity of these games and platforms. Indeed, purchases serve an important role in the business model of the metaverse. Social and economic relationships between users have already attained popularity: the trading of virtual items is an important part of the customization of characters, or even for the customization of the game itself. In some cases, users can invest in virtual lands that can be rented or sold afterwards. Some of the most successful recent metaverse experiences include concerts, such as one on Fortnite featuring Travis Scott and Ariana Grande. Another example is Traviata Virtual Reality, the first Italian experiment of an opera designed for the metaverse. It is a revisited La Traviata to be enjoyed in a completely new way: thanks to Oculus Quest 2 technology, the opera can be seen in 360° and within an immersive experience. The viewer will observe the melodrama from a never-before-seen point of view, either alongside the singers or flying over the orchestra, while “bridging” scenes are projected between one musical fragment and another. This offers the chance to fantasize about the application of new technologies to the world of opera, but of course other types of completely different experiences can be envisaged.

1.2. The Importance of the Terms of Service

As noted earlier, the metaverse is not a single virtual space, but is decentralized across various platforms, and each of the platforms is governed by its own contractual agreement with its users. The Terms of Service will govern how the users interact with each platform and other users within the virtual world. The Terms of Service normally include language around laws governing the use of the platform and the venue, or forum, for bringing disputes against other users within the platform. This affords metaverse operators the opportunity to dictate the answers to some of the questions raised in this paper concerning the use and enforcement of trademark rights within the metaverse.

1.3. What Will You Likely be Able to Do in the Metaverse Tomorrow?

The main features that distinguish the metaverse from traditional video games as we know them now are *persistence*—that the space continues to exist and that things continue to happen within the metaverse even when the user is not connected—and *interoperability across platforms*—being able to move a virtual good purchased on one platform to another, or avatars themselves being able to travel across platforms. While interoperability gives rise to several legal questions that are discussed later in this paper, it is essential to the idea of a metaverse itself, impacting how we experience reality—either physical, virtual, or augmented—and affecting our social, economic, and

[4] <https://www.bloomberg.com/professional/blog/Metaverse-may-be-800-billion-market-next-tech-platform/>

[5] <https://fortune.com/2022/02/16/jpmorgan-first-bank-join-Metaverse/>

working lives.

In the technology sphere, the turning point for the metaverse is represented by new cutting-edge hardware like Virtual Reality (VR) or Augmented Reality (AR) headsets, sensors, and other interfaces. VR headsets provide an immersive virtual reality for the wearer, while AR headsets create virtual interaction with elements from the physical world. For example, project Cambria is a virtual headset announced by Meta that will link face and eye movement in the physical world with our digital avatar in order to increase immersion in the virtual world. In a nutshell, the metaverse will evolve our current experience of the Internet from a 2D perspective to a 3D one.

1.4. Blockchain Domains

With the advent of the metaverse, non-fungible tokens (NFTs) have gained popularity and importance and have become an emerging valuable digital asset. NFTs represent physical things such as art, music, digital goods, videos, etc. As discussed later in this section, domain names primed for use on the decentralized web, e.g., blockchain domains, also known as Web3 domains, are NFTs that can function as domain names on the decentralized web. Use of blockchain domains is not the norm yet, but if the march toward a decentralized web continues, blockchain domains will likely function as its address system. In the following paragraphs, we identify key differences between traditional domains and Web3 domains, and their potential impact on brand owners.

Like traditional domains (e.g., www.inta.org or www.nytimes.com), blockchain domains were created to simplify the naming of an Internet address from a series of letters and numbers to a more readily identifiable and communicable address. One of the primary current uses of blockchain domains is as user-friendly wallet names to store NFTs and as an address to which to transfer cryptocurrency. In addition to their use as a wallet name, blockchain domains can also point to a website on certain Internet browsers that operate on the decentralized web (currently such browsers include Bravo and Opera). On the surface, the functionality of blockchain domains may be similar to Web2 domains, but the decentralized nature of Web3 and blockchain domains may be harmful to brand owners due to a lack of regulation and legal enforcement mechanisms.

Traditional domains are directed by browsers to a Domain Name System (DNS) server that connects it to the corresponding website. The DNS is governed and managed by the Internet Corporation for Assigned Name and Numbers (ICANN). Blockchain domains do not use a DNS to connect the domain name with a website. Rather, the blockchain domain links to an NFT existing on a blockchain. These blockchain domain names are purchased from blockchain domain name services providers, such as Unstoppable Domains or Ethereum Name Service (ENS). They do not govern the operation of the underlying website under the blockchain domain, and once the name is transferred from the blockchain domain name service, its control over the blockchain domain is narrow and limited. Indeed, this is consistent with the idea and philosophy of a decentralized web system.

The operation of traditional domains is regulated and governed through ICANN. A distinct feature of a blockchain domain is that it is controlled by the owner of the domain and is not regulated by a central entity like ICANN or a registrar. While this decentralization will likely provide significant flexibility and control to the owner over the domain and the underlying Web3 website, a collateral impact is that it may attract cybercriminals and invite intellectual property theft. For example, traditional domains governed by ICANN are subject to the Uniform Domain Name Dispute Resolution Policy

(UDRP). The UDRP has been a tool for brand owners to enforce against illegitimate and bad faith users of trademarks as domains. If the traditional domain at issue violates ICANN's UDRP policy, it can be transferred to the complainant. Moreover, a complainant can also initiate proceedings in court under the U.S. Anti-Cybersquatting Protection Act and under similar laws in other countries. These enforcement mechanisms are not currently available against blockchain domains due to a lack of a central governing body regulating the domain names, as well as jurisdictional issues (jurisdictional concerns are discussed in detail in section 5.1 in this paper).

Given the current nascent state of blockchain domain use and its scant regulation, there are limited tools for brand owners to protect their marks against infringing and illegitimate use. One suggestion is to secure blockchain domains as early as possible from blockchain domain name service companies like Unstoppable Domains and ENS. Another is to submit take-down requests to NFT marketplaces, like OpenSea and Rarible, where the blockchain domain is offered for sale. While a takedown does not result in the transfer of the domain, it may impact the value of the domain as speculators likely purchased it to seek offers on the marketplace.

These are rudimentary and not highly effective tools to protect the public and brand owners from nefarious and infringing uses of marks as blockchain domains. With the growth of NFTs and their potential use as domains, there clearly is a compelling need for the legal and consumer protection community to lobby for enforcement mechanisms and policies to prevent illegitimate use of trademarks as blockchain domains.

1.5. Interaction of Brands in the Metaverse

Brands may exploit the metaverse to enhance engagement with consumers, for example by promoting events, creating virtual stores (to sell virtual or physical goods), or by launching virtual products before their physical counterparts, as prototypes, for market testing, or in order to increase influence on consumers. Brands appreciate that establishing a virtual presence in digital worlds allows them to engage with a largely younger audience (Nike® or Vans® in the videogame Roblox®) and have been offering common objects used in games, so called “skins” or “looks”, such as Balenciaga® clothing in the online game Fortnite®. Other uses of brands in the metaverse relate to events in digital worlds: for example, the Metaverse Fashion Week held in Decentraland® in March 2022 attracted brands to exhibit their digital products, which in turn could be sold inside or outside the metaverse.

One should also consider that there might be use of a brand specifically for the metaverse, and not as a link to the physical world. New brands may come into existence in the metaverse and then move (or not) to the physical world.

1.6. Personhood in the Metaverse

The blurring between the physical and virtual worlds brings about the question of how the classic concepts of personhood, individual rights, privacy, and accountability can be applied in the metaverse. First, one should understand what “personhood”, i.e., “having status as a person,” means and how this is different from mere “digital identity” as accorded to users by the platforms. Personhood in the physical world has rights attached to it, including for example the right to fully own one's belongings. The status of digital belongings in the metaverse is instead uncertain and allowing users to “use”

their digital belongings across platforms, rather than being required to re-purchase them, seems essential to the attractiveness of the metaverse from the consumer point of view.

Another side of this issue is the open question of whether, in the metaverse, concepts like privacy or accountability for online actions will be enhanced, since the experiences related to it are likely to be more “realistic.” For example, there are considerable risks concerning unsuitable content for minors,⁶ sexual harassment of or by users,⁷ fraud,⁸ and cybersecurity. Regulating how platforms will link avatars to persons and businesses in the physical world, as well as the terms of use of the platforms, might become necessary. If and how public authorities may intervene in the future in order to avoid illegal acts in the metaverse is also an open question.

Turning to trademarks, for most businesses one sensitive issue will be to avoid trademark infringement and business identity theft. Considering that the metaverse is often based on user-generated content, nefarious actors can easily impersonate businesses or even sell fake virtual assets.

Key Takeaways

- The metaverse is still in a rudimentary form, but already shows huge potential for brand owners
- The metaverse poses many open questions and how they will eventually be resolved will determine whether it will be a brand-friendly space

2. Trademarks in the Metaverse: Trademark Application and Registration Issues

Due to the novelty of the notion of the metaverse, there are still several areas of trademark law and practice that are open to discussion and debate. Below is a brief discussion of the matters that brand owners and practitioners should consider.

2.1. Are Virtual Goods in the Natural Zone of Expansion of their Physical Counterparts?

One of the main questions faced by existing brands is whether their preexisting registrations for physical goods are sufficient, or if it is necessary to apply separately for trademark rights for virtual counterparts. If a brand does not either apply for virtual goods or create virtual goods, could they be superseded by the metaverse equivalent of a cybersquatter? Or will tribunals enforce preexisting rights in physical world goods in the metaverse?

These questions have been tentatively answered at least once in favor of expanding preexisting physical-world rights into the metaverse. In *Hermès International, et al. v. Mason Rothschild*, 1:22-cv-00384-JSR (S.D.N.Y. May 18, 2022), a New York federal jury heard one of the first cases ever filed applying preexisting trademark rights in physical-world goods to the virtual world and found in favor of the trademark owner. According to the complaint, Mason Rothschild has earned over one million

[6] <https://www.bbc.com/news/technology-60415317>

[7] <https://www.washingtonpost.com/technology/2022/02/07/facebook-Metaverse-horizon-worlds-kids-safety/>

[8] <https://www.eweek.com/security/fraud-in-the-Metaverse/>

dollars by selling “MetaBirkins,” virtual Birkin bags authenticated by NFTs. Hermès International, the Plaintiff, claims that Rothschild’s use of METABIRKIN as a trademark for the virtual goods is an infringement of Hermès’s BIRKIN trademarks and that the images he used likewise violated its trade dress rights in the highly famous and valuable Birkin bag. The complaint cites examples of physical world consumer confusion and attributes the monetary value of the virtual goods to the goodwill derived from Hermès’s intellectual property. In May 2022, the district court denied Rothschild’s motion

to dismiss, recognizing that Hermès’s claims could have merit. The district court declined to decide that “Metabirkins” had the minimal artistic relevance required for First Amendment protection of the unauthorized use of trademarks in artistic works, and it concluded that Hermès had adequately alleged that the METABIRKIN label was explicitly misleading and could therefore state a claim that METABIRKIN infringes on Hermès’s trademarks. In a Final Judgment issued on February 14, 2023, the jury found that Rothschild was liable in the amount of \$133,000 for trademark infringement, trademark dilution, and cybersquatting. The saga continues, however, as Hermès, on March 3, 2023, filed a motion for a preliminary injunction accusing Rothschild of continuing to infringe even after entry of the jury verdict.⁹ As the time to appeal the verdict has not yet expired as of this writing, we continue to watch.

The present outcome in *Hermès* arguably follows a simple logic that trademark attorneys have seen play out in comparable situations. Where the value of a virtual good is derived from its physical-world value, it only makes sense for the physical-world owner to reap the benefits. Under a traditional zone of expansion analysis, a court generally would not find that non-downloadable software services are in the natural zone of expansion of a physical-world item like clothing. Indeed, a fashion brand’s sale of its physical clothing as virtual clothing in the metaverse seems entirely different from a situation where a clothing brand transitions to offering software.

Furthermore, from a policy perspective, it would make little sense for courts to punish existing brand owners by permitting third parties to use sales of digital images of recognizable goods to profit from the preexisting goodwill developed by sales of the physical goods shown in the images. It would therefore make sense for tribunals to exercise flexibility when tasked with determining whether owners of trademarks for physical goods can enforce their rights in the metaverse without additional registration or use of a mark that is specific to the metaverse. The same may hold true for preexisting shape trademarks and trade dress where sufficient evidence of secondary meaning can be established. Because such marks generally are not recognized as inherently distinctive, if courts refuse to impute secondary meaning earned in the physical world to the digital world, it will be virtually impossible for existing shape mark and trade dress owners to stop sales of digital goods reflecting their recognizable designs in the metaverse. Absent a compelling free speech concern, (see Section 5.4) tribunals should focus on the consumer interaction with the brand in the metaverse and soberly recognize who is the rightful owner of the goodwill being exploited.

That being said, open questions remain about how tribunals will handle the case of brands that exist solely in the metaverse enforcing their marks for virtual goods against use of the mark for physical world counterparts. For example, should a non-famous brand that sells virtual clothing only in the metaverse be able to successfully demand that a small clothing boutique operating under the same mark and that has never had a presence in the metaverse cease and desist use? As the present example illustrates, the metaverse will present new questions related to both likelihood of confusion and zone of expansion that courts will need to grapple with in the years to come.

[9] See <https://www.thefashionlaw.com/hermes-pushes-for-permanent-injunction-after-metabirkins-trial-win/>

2.2. Trademark Applications Covering the Metaverse

Due to uncertainty about whether registrations for physical goods will translate into virtual protection and proliferation of new brands that exist only in the metaverse without a physical counterpart, trademark offices around the world have been inundated with applications for goods and services related to the metaverse. As an example, the United States Patent and Trademark Office (“USPTO”) has seen thousands of applications in the past year alone, most filed on an intent-to-use basis, and many for preexisting brands. This level of filing activity, combined with delayed examination times, has resulted in relatively few applications issued as registrations to date. Practitioners and intellectual property offices alike continue to develop strategies and procedures for how to handle metaverse-related trademark filings. The following remarks have been gleaned from how applicants, the USPTO, EUIPO, and WIPO have handled the prosecution of such marks to date, and also raise unanswered questions as this field continues to evolve.

2.3. Where to File Applications

The metaverse, much like the Internet, is not restrained by geographical boundaries. Therefore, by placing a brand into the metaverse, a brand owner arguably enters international commerce. This is all the more true if we take interoperability as an essential feature of the metaverse, so that use would not be restricted to some particular platform or depend upon a specific service provider.

Trademark owners that already operate online seemingly would not need to reinvent the wheel with regard to their global strategy and should continue to focus clearance and filing resources on important jurisdictions, e.g., key consumer markets, key places for production of goods, and/or other places where piracy justifies additional prophylactic steps.

It is worth noting that new metaverse-based consumer interactions could open up previously unforeseen markets for a trademark, and accordingly, it would behoove brand owners who are active in the metaverse to be reasonably attentive to new market penetration with consumers and pirates in the metaverse, as this information could impact which jurisdictions are deemed important for protection.

In common law jurisdictions, like the United States, brand owners need not register their marks in order to acquire trademark rights. Simply using a particular mark in commerce affords the owner common law trademark rights in the geographic region of use. Brands therefore may be able to gain common law trademark rights in the United States simply by establishing use in commerce in the metaverse. This would apply to both brands that wish to expand use of their existing marks into the metaverse and to new brands that form in order to participate in the metaverse. Brand owners that establish common law rights can file for federal registrations at a later date and note the date of first use in the metaverse. Like owners of federal registrations, common law trademark owners are responsible for policing use of their mark to ensure exclusive use.

Unlike federal registrations, common law rights are restricted to the geographic area of use of the mark and therefore cannot always be enforced across the country if use is limited to certain states. This presents unique challenges when applied to the metaverse, which is geographically unbounded. See Section 5.11 (detailing jurisdictional issues in the metaverse). To enforce a common law

trademark, the owner generally must establish rights in the mark in the U.S. state in which the lawsuit is brought. Given the lack of geographical limitation on metaverse goods and services, it may be difficult to adequately enforce common law rights in multiple states. Additionally, unlike federal registrations, common law marks do not enjoy the benefit of placement on national registers of marks, which serves the purpose of easily putting third parties on notice of a brand's exclusive rights. However, for small businesses with limited resources that wish to dip a toe into metaverse commerce, common law rights afford them limited protection to build and enforce their brand. The extent to which use in the metaverse will be deemed trademark use in a particular country for purposes of supporting a registration or an infringement analysis could depend on a number of factors, including language and level of interaction with local consumers, among others. Outstanding questions also remain regarding how current and future trademark coexistence agreements will be drafted, adapted, and enforced in the metaverse. It stands to reason that legal analysis for both infringement and coexistence agreements would be informed by prior decisions involving marks used in international e-commerce and/or on social media platforms. It seems worth considering that the potential intensity of interactions in the metaverse may further inform how these kinds of decisions are rendered and how this area of the law develops. The ongoing influx of metaverse trademark applications and potential for attendant litigations could accelerate development.

2.4. Class Coverage: Does the Current Nice Classification System Work?

There are a variety of goods and services that brand owners may wish to provide in the metaverse—from the digital counterparts of a brand's physical goods to immersive virtual reality experiences, to new forms of digital currency to use within the space. As brand owners contemplate potential commercial activity in the metaverse, many are wondering whether their existing registrations for physical world goods will extend into the metaverse or whether they will need to file new applications. If the latter, they wonder in which classes they should file and for what goods and services.

In some IP Offices, applications for metaverse goods and services¹⁰ have mostly been in Classes 9, 35, 36, 41, and 42. Generally speaking, applicants have typically included the following categories of goods in each of these classes:

- Class 9: virtual goods, including goods authenticated by non-fungible tokens (“NFTs”).¹¹
 - Example, *U.S. Reg. No. 6,731,817*: Downloadable multimedia file containing artwork relating to hand-drawn non-generative works authenticated by non-fungible tokens (NFTs); downloadable software for generating non-fungible tokens used

[10] Although this section includes only examples of registrations from the USPTO, other intellectual property offices have taken steps to indicate how they will handle goods and services in the metaverse. Notably, the Canadian Intellectual Property Office (“CIPO”) has added a series of acceptable identifications for goods and services related to NFTs and blockchain technology in Classes 9, 36, and 42 to its Goods and Services Manual. As of the time of this paper's publication, CIPO is experiencing a lengthy backlog in prosecution, so it is uncertain how the Office will handle other virtual goods that do not exactly conform to those published in the Goods and Services Manual.

[11] Although consumers colloquially refer to a digital good, like a virtual trading card image, as “an NFT,” it is important to understand that the actual good being purchased is a digital media file that itself is not the NFT. The NFT is a unique piece of computer data used in this example to verify the digital good at issue. It typically is publicly recorded on a blockchain, which is an often-public digital ledger where data can be securely recorded (due to the decentralized nature of the blockchain). In addition to verifying ownership, brands have used NFTs to act as keys to exclusive membership benefits or content. The final aim of NFTs is to create scarcity in the digital world and certify the possession of a digital file, which like any asset can be exchanged and sold to others. The USPTO has at least in one case taken the position that it is not proper to file for “non-fungible tokens” alone in Class 9. Instead, the USPTO identification manual identifies a number of formulations as acceptable that refer to downloadable files of some kind that are “authenticated by non-fungible tokens.” CIPO has taken the opposite approach and has included the following language in its Goods and Services Manual as an acceptable identification in Class 9: “computer software namely non-fungible tokens for facilitating commercial transactions.”

with blockchain technology, namely, digital media with blockchain technology for representing a collectible item; downloadable software for generating crypto-collectibles and non-fungible tokens.

- Class 35: marketplaces and exchanges for virtual goods, including NFT exchanges (e.g., the popular platform OpenSea); auction services.
 - Example, *U.S. Reg. No. 5,797,815*: Providing an online marketplace for buyers and sellers of crypto collectibles; providing an online marketplace for buyers and sellers of blockchain-based non-fungible assets; operating online marketplaces featuring crypto collectibles and blockchain-based non-fungible assets.
- Class 36: financial exchange services related to virtual goods; cryptocurrencies; tokenization and fractionation of physical world assets (e.g., real estate or valuable art pieces).
 - Example, *U.S. Reg. No. 6,726,315*: cryptocurrency exchange services; cryptocurrency exchange services featuring blockchain; cryptocurrency trading services; currency exchange services; financial exchange of virtual currency; financial brokerage services for cryptocurrency trading.
- Class 41: virtual experiences.
 - Example, *U.S. Reg. No. 6,364,707*; providing online augmented reality games; entertainment services, namely, providing online video games; entertainment services, namely, providing online virtual reality environments in which users can interact for recreational and business purposes.
- Class 42: third-party software providers and back-end blockchain coding services.
 - Example, *U.S. Reg. No. 6,007,102*: providing user authentication services using blockchain-based software technology for cryptocurrency transactions.

As can be seen above, virtual goods generally are being filed in Class 9 and not in the same class as their physical-world counterparts. For example, a fashion boutique that owns existing federal registrations for apparel and footwear in Class 25 and wants to obtain a registration that technically covers virtual apparel and footwear, under current practice, is constrained to file for virtual goods in the field of fashion in Class 9.¹² This seems to be the approach taken by the EUIPO in its recent guideline on this matter and on NFTs,¹³ and WIPO also recently introduced “downloadable digital files authenticated by non-fungible tokens [NFTs]” as a Class 9 good in the 12-2023 Nice Classification edition. This seems to indicate that virtual goods, whether or not authenticated by means of NFTs, will be placed in Class 9 with software and other digital items. A potential exception to this

[12] Whether coverage for physical-world goods is sufficient to enforce against digital goods is currently being litigated in the U.S. See above; see generally <https://www.thefashionlaw.com/hermes-response-in-metabirkins-case-raises-questions-about-virtual-marks/> <https://www.thefashionlaw.com/hermes-response-in-metabirkins-case-raises-questions-about-virtual-marks/>

[13] See: https://euipo.europa.eu/ohimportal/en/news-newsflash/-/asset_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-to-kens-and-the-metaverse

rule is the case in which a company wishes to sell physical goods that have certificates of ownership that are authenticated by NFTs on the blockchain. For example, a company offering a limited release of high-end/designer goods may wish to issue the certificate of authenticity as an NFT that comes with other digital benefits (perhaps exclusive access to a branded area of the metaverse). If the goods were watches, it is plausible that the company could file for something like “watches authenticated by digital tokens, namely non-fungible tokens” in Class 14. It is not clear that such a filing would be necessary or advisable, given that a preexisting registration for watches in Class 14, without reference to NFTs, would cover the physical goods, and a metaverse experience could be covered in a Class 41 registration. Such a filing seems on balance likely to draw an office action over whether physical goods can be authenticated by NFTs, which should be permissible but could bear explanation to trademark offices at this point.

Meanwhile, the USPTO has indicated that it will reject identifications that attempt to claim virtual goods in the class of their physical world counterparts. For example, Yuga Labs LLC initially applied for the mark BA KC for “digital collectibles; digital collectibles sold as non-fungible tokens” in Class 16, presumably because Class 16 is the appropriate class for physical world paper collectibles, such as trading cards. In a non-final office action issued in March of 2022, the USPTO examiner notes that Class 16 is for printed and paper goods and suggests that applicant amend the identification to Class 9 instead. The examiner also notes that the goods are indefinite and require further clarification since “digital collectibles” could encompass a wide variety of fields. The examiner suggests instead: “Digital collectibles in the nature of downloadable multimedia file [sic] containing artwork relating to {indicate field or subject matter of file} authenticated by non-fungible tokens (NFTs); Digital collectibles in the nature of downloadable image files containing {indicate subject matter or field, e.g., trading cards, artwork, memes, sneakers, etc.} authenticated by non-fungible tokens (NFTs).”¹⁴

The examiner’s requirement that the applicant narrow the identification to include a type of digital good and further information relating to, e.g., commercial field/subject matter/purpose reflect predominantly U.S.-related prosecution requirements that arise in relatively few other trademark offices. Unlike in many other jurisdictions, applicants in the U.S. cannot have identifications that broadly claim “computer software” because such identifications are considered overly broad and would frustrate other applicants’ ability to develop rights in a mark for software that has little to no likelihood of confusion with a prior existing mark for software. Given that many jurisdictions have no such requirements, applicants that look to do business outside of the United States can find themselves facing legal risk based on foreign registrations with broad coverage held by prior rights owners operating in unrelated fields. An influx of thousands of new applications in Class 9 for metaverse goods will add to this ongoing backup of unreviewed applications at many trademark offices and will continue complicating trademark owners’ and practitioners’ clearance efforts.

Just as identifications that are too broad can create problems for trademark owners, specifications should not be unduly narrow. One approach is to include a description of the virtual goods themselves, which does not limit the authentication method both to cover the virtual goods with or without authentication by NFTs now and to avoid having a specification become unintentionally narrowed or rendered obsolete over time if the preferred authentication method changes.¹⁵

[14] See: <https://tsdr.uspto.gov/documentviewer?caselid=sn90837143&docId=NFIN20220321093418#docIndex=10&page=1>

[15] It is not inconceivable that someday NFTs could be replaced by a newer technology that offers even more security or built-in contractual advantages.

As mentioned above, the developing consensus appears to be that virtual goods and services, including those authenticated by NFTs, belong in Class 9 (with the exception of marketplace and financial services related to virtual goods, which belong in Classes 35 and 36, respectively); however, the question remains as to whether this is the correct approach. There are at least two other potential solutions: 1) create a new 46th Nice Classification specifically for virtual goods and services, or 2) permit applicants to file for virtual goods and services in the same class as their physical counterparts.

A 46th Nice Class would alleviate some of the over-crowding of Class 9 discussed above. However, a new class would share many of the drawbacks of the current Class 9 approach. Specifically, Class 46 could become overcrowded with applications that broadly claim goods and frustrate clearance searches.

Registering virtual goods in the same class as their physical counterparts may present a solution to overcrowding trademark registers with overly broad registrations for “virtual goods.” By having to file in the corresponding real-world class, the virtual goods would necessarily be limited to the scope of that class. This would also assist businesses in identifying marks for related goods and services during trademark searching and clearance. For example, a virtual shoe is quite different from a virtual tennis racket, but under the current Class 9 approach, both are likely to appear in a search for virtual goods in Class 9. If the virtual tennis racket were instead registered in Class 28 with other sports equipment, and the virtual shoe in Class 25 with clothing and footwear, a clearance search could more easily identify marks that could compete either in the virtual or real world for related goods.

Regardless of what approach ultimately becomes the dominant one, the need for international uniformity is paramount. Otherwise, it will prove difficult for applicants to take advantage of the WIPO system for extending international registrations.

Key Takeaways

- The application of preexisting trademark law to a completely virtual world raises many challenges for trademark filing strategies and uniformity in trademark prosecution worldwide.
- Trademark offices appear to agree that most virtual goods belong in Class 9, but whether that is the most prudent strategy is yet to be determined.

3. Use of Trademarks in the Metaverse

The aspects of the metaverse that render it distinct from the physical world—principally, the interoperability of digital features across multiple proprietary platforms—also raise questions about trademark use in the metaverse. Trademark use is intertwined with trademark rights, and in some jurisdictions can be a prerequisite to claiming trademark rights, obtaining and maintaining a registration, and enforcing those rights against others.¹⁶ Therefore, determining how trademark use

[16] In the United States, for example, use of a trademark in commerce is a pre-condition to registration unless the application is based on a foreign registration from a “country of origin” that is a party to a convention or treaty relating to trademarks to which the United States is also a party, or that extends reciprocal registration rights to nationals of the United States by law. 15 U.S.C. §1126(e), 37 C.F.R. §2.34(a)(3). The owner of a trademark registration must then submit a Declaration of Use and provide evidence of continuing use of the registered mark for or in connection with all listed

in the metaverse may align or conflict with local legal standards for physical-world trademark use will inform how trademark rights linked to metaverse activity will be established, maintained, and enforced across jurisdictions.

This section considers how differences between traditional trademark use in the physical world and trademark use in the metaverse could impact trademark rights across jurisdictions. In particular, this section explores challenges applicants have already encountered in establishing trademark use for metaverse-related goods and services; how differences between virtual and physical goods and services may create difficulties for trademark owners to show trademark use in practice; how the lack of geographic boundaries may be understood in the metaverse and how this may impact trademark ownership and enforcement; and how the “permanence” of virtual objects and avatars in the metaverse may impact trademark clearance and standards for trademark abandonment.

For purposes of this discussion, trademark use may be broken down into several core elements: (1) the fixation of a mark in consistent or substantially similar appearance, (2) in association with certain specified goods or services, (3) within a specified geographic region, (4) regularly and/or consistently over a period of time. Each of the elements may be interpreted differently in different jurisdictions and on a fact-specific basis.

3.1. How Do Trademark Offices Currently Understand Trademark Use for Metaverse-Related Goods and Services?

The potential shortcomings of the Nice Classification System were discussed above in Section 2.4. But the problems for brand owners may also extend to how trademark offices understand how trademarks are used in the metaverse, and how that can differ from traditional trademark use. The potential disconnects between the two can be seen already in a handful of examples from the USPTO, where applicants have faced refusals for specimens submitted in support of trademark registration for metaverse-related goods and services.

The question of what trademark use will look like in the metaverse has already faced some scrutiny in the United States, even while the metaverse is still in an early stage of development. This is because the USPTO is one of a relative handful of trademark offices that requires proof of use to obtain a registration—that is, at least for applications not based on foreign registrations. As mentioned above, only a small percentage of applied-for marks dealing with virtual goods in the metaverse have begun the examination process in the United States, and even fewer have registered. Accordingly, there are many unanswered questions regarding what evidence will and will not be accepted by the USPTO for metaverse-related goods and services. The following examples provide some indications of what brand owners may have to face to obtain registrations for their trademarks based on use in the metaverse.

goods and services (a) six years after registration, and (b) every ten years after registration. Failure to do so, or to provide a sufficient specimen of use, will result in the automatic cancellation of the registration.

Other countries require evidence of use only after an application has been filed. The Philippines requires a declaration of use in the national territory three years from the date of filing of the trademark application, and then again at the fifth year and every five years thereafter. Cambodia requires a declaration of use in the national territory on each renewal. In Mexico, use of the trademark must be declared in the national territory within the three months following the third year of validity of the registration, otherwise the trademark is considered expired. Argentina and Indonesia also have use requirements.

In most other countries, confirmation of use is not required to obtain or to maintain registration as an affirmative obligation. However, proof of use may be required to maintain the registration against a cancellation action by a third-party. In most countries, with the notable exception of Chile (where non-use cancellations are not available), lack of use over a period of time can constitute a basis for a third-party to seek to cancel a registration.

- On April 30, 2021, Creatd, Inc. filed to register the trademark OG in connection with, among other services, “providing online publications in the nature of [NFTs].”¹⁷ The applicant supported the application with a screenshot of its website promoting the clips with a button that read “BUY ON OPEN SEA.” The examiner rejected the screenshot as a specimen of trademark use on the grounds that it did not reference NFTs, notwithstanding that Open Sea is arguably widely known as an NFT marketplace. The applicant responded with an updated screenshot that replaced the button with one that read “EXPLORE THE NFTs.” The application proceeded from there to registration.
- On June 4, 2021, Dream Big Kiddo LLC filed to register the trademark CUTIECOIN in connection with “digital tokens, cryptographic tokens, non-fungible tokens (NFTs), and digital artworks” in Class 9.¹⁸ The examiner rejected the application on the grounds that the specimen—a screenshot of a website where the artwork could be purchased—did not clearly indicate that the “digital tokens” could be downloaded. The applicant amended the description to “providing online nondownloadable image files” in Class 42, and the examiner subsequently approved the application for publication.
- On November 18, 2021, YUGA LABS, INC. filed to register the trademark BA YC BORED APE YACHT CLUB and Design for downloadable and non-downloadable NFTs and related goods and services.¹⁹ Among other objections, the examiner rejected the specimen on the grounds that a button stating “BUY AN APE ON OPENSEA” suggested that OpenSea (the NFT marketplace) was the source of the goods and services—not the applicant. The applicant overcame this refusal by amending the application to an “intent-to-use” basis, thereby postponing the specimen requirement until after publication.

These examples highlight that trademark offices may need time to react to developments in the metaverse, and specifically how users engage with goods and services from brand owners in the metaverse. Brand owners should not take for granted, for example, that an examiner will be familiar with popular marketplaces such as OpenSea when entering the metaverse. In this respect, brand owners may need to consider how they can “mimic” traditional trademark use in the metaverse and incorporate elements that an examiner will be more likely to recognize as trademark use.

Another consideration for brand owners is how the user experience in the metaverse may change over time as compared to the user experience with pre-metaverse technology. Currently, the difference between “downloadable” and “non-downloadable” files is widely understood by consumers, and the difference makes sense in the context of a physical mobile device that can either download or stream software from one physical location to another. From the perspective of an examiner reviewing a specimen of use, the difference can be simplified to whether a screenshot includes a “Download” button. There is no guarantee, however, that this same distinction will make sense in the metaverse, or that a user will ever have the need to click a “Download” button to purchase and retain a software-based product. This has the potential of posing a challenge for the brand owner who must find a way to establish that it offers the equivalent of “downloadable software” for registration purposes.

Trademark offices will need to make efforts to stay informed on how trademark use in the metaverse differs from traditional trademark use in practice. Likewise, trademark attorneys should stay on top of innovations in the metaverse to be ready to argue how new forms of trademark use in the metaverse by their clients still meet the legal requirements to maintain their clients’ trademark rights. And in

[17] U.S. Serial No. 90684262.

[18] U.S. Serial No. 90755739.

[19] U.S. Serial No. 97132874.

the meantime, brand owners are encouraged to deploy their trademarks in the metaverse in such a way as to resemble traditional trademark use as much as possible, at least in these early stages of development.

3.2. How Does Trademark Use in the Metaverse Differ from Trademark Use in the Physical World?

The issues raised in the last section beg the question of how trademark use in the metaverse may differ in fact from traditional trademark use. At this stage of development, we can only speculate, but the core attributes of the metaverse—namely, the interoperability of digital features across platforms—point to at least a few possible differences from trademark use in the physical world. Unlike physical features that can be understood as “fixed,” digital features may differ not only from one platform to the next but also from one user to the next. This technological variability may pose a special challenge to brand owners, given that brand ownership is premised on the owner controlling how, when, and where their brands appear.

Projecting forward to a time when the metaverse is fully functioning, we must ask how trademark use may look in the metaverse, and how differences in such use from trademark use in the physical world may impact trademark rights

3.3. Trademark Presentation Across Platforms in the Metaverse

The promise of interoperability in the metaverse presumes that there will be some degree of visual consistency for a digital feature that moves between platforms. Consider for example a personal avatar that a user creates in Decentraland[®] and moves to The Sandbox[™]. Presumably, that user will expect that the digital features of their avatar will remain the same—if not exactly so, then at least substantially identical. Part of the promise of the metaverse is that it will “reflect the physical world” at least in part (if not always exactly so).²⁰ But while the physical world offers object permanence, there is no guarantee that in the metaverse how a digital object appears to one user will be the same as it looks to another user, given the platform and device each happens to be using at the time.

These differences may be minor, such as differences in color grade, resolution, or object size. However, even relatively minor changes in the appearance of digital features could have a profound impact on brand owners. Similarly, these standards of review may differ from one jurisdiction to the next.

The problem for brand owners is therefore twofold. First, trademark use in the metaverse may face two related but contrary challenges. On the one hand, trademark use in the metaverse is not jurisdiction specific. This means that trademark owners may not be able to tailor the appearance of their trademarks on a jurisdictional basis. By contrast, trademark owners commonly tailor their trademark use in the physical world on a jurisdictional basis to align their trademarks with the version(s) registered in each jurisdiction. In situations where trademark owners have registered different versions of their trademarks in different jurisdictions—either as a marketing decision, for regulatory purposes, or perhaps to avoid a dispute in certain countries—they may face a difficult decision as to which version of their trademark to use in the metaverse. On the other hand, while the metaverse is not jurisdiction-specific in nature, it is (or may be) platform-specific in its possible manifestations. For the trademark owner, this means that there is no guarantee that the presentation of their trademark(s) on one platform will align with its presentation in the next. Depending on the degree of vari-

[20] Scott Nover, *The meaning of the ‘metaverse,’ and all the terms you need to understand it*, Quartz (Nov. 15, 2021) <https://qz.com/2089665/everything-you-need-to-know-to-understand-the-Metaverse/>.

ation from one platform to the next, brand owners may find that the presentation of their trademarks in one platform or another may vary to the extent that it either fails to support that brand owner's registration or it may even conflict with a third party's trademark. Consider, for example, competing color marks held by two different brand owners, each of which are defined according to specific Pantone color codes. Differences in presentation of a trademark from one platform to the other can mean the difference between proper trademark use and a potential trademark dispute.

Second, as discussed above, the metaverse is expected to function across jurisdictional lines. This means that brand owners may find it difficult, if not impossible, to tailor the appearance of their trademarks on a jurisdictional basis. By contrast in the physical world, brand owners commonly tailor their trademark use on a jurisdictional basis—for example, for marketing purposes, or to align their trademark use with the version of that trademark registered in a given jurisdiction. Consider in this respect that brand owners often must agree to restrictions on trademark use, such as using a modified version of their trademarks in certain countries under settlement terms with a local competitor. If a brand owner cannot control where and how their trademarks may appear, then they may open themselves up to liability through no direct act on their part.

Brand owners will need to be mindful not only of the technological differences between platforms, but also how different user devices for engaging with the metaverse may affect how their trademarks appear. Staying on top of these differences may become critical to maintaining brand consistency and, by extension, trademark rights. Brand owners will also have to be diligent about how the platforms they allow their trademarks to enter may cross jurisdictional lines (see Sec. 3.6 below), and what control (or lack thereof) they can maintain over the presentation of their trademarks.

3.4. Association or Fixation of Trademarks with Virtual Goods and Services

The potential variations in trademark presentation across platforms may also raise issues as to how trademarks are “associated with” or “affixed to” goods and services in the metaverse.

Because the metaverse will consist in whole or in part within virtual environments, our conventional understanding of what it means for a trademark to be associated with or affixed to a product may not necessarily apply. The USPTO provides detailed guidance in the Trademark Manual of Examination Procedure regarding appropriate specimens of use in both the physical world and online.²¹ These examples include several illustrations provided to demonstrate what constitutes use of a trademark “in association with” the sale of goods through an online retail store. The detail provided by the USPTO reflects the time spent developing an understanding of how an “electronic display” compares to a point of service display in the physical world. It may take some time for the USPTO to develop equivalent guidelines for brand owners to understand how examiners will assess specimens of use pulled from 3D virtual environments, which are not bound by the limitations of either the physical world or a 2D webpage.

A related question is how trademark use in “mixed” realities may differ from use in entirely physical or virtual environments. For example, will it suffice for a trademark owner to offer users an augmented reality experience that superimposes a virtual image of a trademark over a physical good? Will this association between trademark and goods suffice, even if the augmented reality experience does not permit customers to purchase or acquire the goods in question at that time?

[21] See TMEP 900 et seq. (July 2022) <https://tmep.uspto.gov/RDMS/TMEP/current#/current/TMEP-900d1e1.html>.

3.5. Relationship Between Virtual Goods and Services and Physical World Counterparts

When a brand owner uses a trademark in the metaverse, what is the good or service with which the mark is being used? Is the mark being used on a virtual good? Or is the mark being used virtually to promote a physical world good? Or both? Is the mark merely a display of advertising? Is the mark being used in connection with the offering of a service, and is the service performed partially or wholly within the metaverse? For example, in the Metaverse Fashion Week held in March 2022 in Decentraland, which saw participation over four days from over seventy brands and artists, including major labels Tommy Hilfiger, Dolce & Gabbana, and Etro, one could easily walk from virtual store to virtual store and purchase virtual clothing for one’s avatar.²² One could also be redirected to a webpage allowing the purchase of a real-life version of the outfit purchased for the digital avatar.

In some cases, virtual goods or services are not simply counterparts to physical world goods or services but do relate to them. For example, based on recent trademark applications, McDonald’s is planning to operate virtual cafes that offer the ability to order physical-world food to be delivered to you. It will need to be determined if this is use of a mark with a virtual service or if it is promotion of a physical-world service.

In other cases, virtual and physical services may be the same. For example, training services can be provided in both the physical and virtual world. While some providers may provide training services in one realm or the other, there does not seem to be anything inherently different in the services requiring a distinction to be made for trademark purposes. A brand owner providing training services in the physical world should be able to rely on its trademark registration for training services if it chooses to offer training services in the virtual world. From a different perspective, it does seem possible that there could be confusion between use of a mark for training services provided in the metaverse and training services provided in the physical world.

As discussed in Section 2.4, WIPO has taken steps already to designate a place for NFTs in Class 9 under the latest Nice Classification edition. However, this step alone may not address all potential trademark uses in the metaverse with virtual goods and services. This uncertainty raises troubling questions for brand owners relying on registrations in jurisdictions that do not review evidence of use during the examination stage. For example, a brand owner offering digital jewelry may have registrations covering a broad range of goods in Class 9 for downloadable software as well as in Class 14 for physical jewelry, only to find in a cancellation action filed years later that the local Trademark Office does not consider the sale of digital jewelry in the metaverse to satisfy the use requirement for either class.

While use of a trademark in relation to a good in the metaverse may differ in its dimensions, the activity represented, and the physical-world equivalent will inevitably be interrelated. A virtual bottle of wine cannot be drunk, but nevertheless, can be used to convey a sense of drinking wine. Use in commerce as a virtual good is effectively related to the underlying purpose that the good represents.

Ultimately the interaction and relative importance between physical-world brands and metaverse brands and their goodwill, will perhaps run on overlapping spectrums:



[22] *Fashion takes center-stage in the Metaverse at Decentraland’s Metaverse Fashion Week*, GlobeNewswire (March 23, 2022) <https://www.globenewswire.com/en/news-release/2022/03/23/2408307/0/en/Fashion-takes-center-stage-in-the-Metaverse-at-Decentraland-s-Metaverse-Fashion-Week.html>.

The more that these two spectrums overlap, the more that consumers may see the virtual good and the physical world good as interrelated. Consumer recognition and relation of the goods and services emulated in the metaverse to those manifested in the physical world will ultimately have to form a material element of the legal concept of virtual “use.” The challenge, of course, is that the relationship will vary depending on the nature of the good or service, the industry, the target consumers, and other factors. The metaverse, as a “still in development” proposition, may present new and unique ways for trademarks to be displayed or experienced and for goodwill to be developed that a trademark office or a court has yet to consider.

Governments, trademark offices, and treaty organizations should consider issuing guidance on standards of review for associating trademark use with goods and services in virtual or augmented environments. By way of example, the Trademark Manual of Examining Procedure (TMEP) issued by the USPTO includes a section with a series of webpage screenshots and mock-ups used to highlight acceptable and unacceptable specimens of use in the context of the Internet.²³ One could imagine the USPTO adding a new section to the TMEP with a similar series of demonstrative virtual and augmented environments to guide applicants on acceptable trademark use in the context of the metaverse.

3.6. How Will Trademark Use in the Metaverse Align with the Geographic Nature of Trademark Rights?

As discussed in Section 3.3, the metaverse raises unique questions regarding location of trademark use. The issues and questions discussed in that section apply equally to considering the geographic aspect of trademark use. This is particularly important as trademark owners look to develop a registration strategy to protect their trademarks on the various metaverse platforms and to enforce existing physical-world trademark registrations on these platforms. In this paper we have defined the metaverse as a “convergence of our physical and digital lives.” This definition suggests that, at its full potential, the metaverse would create a blurring between, or a layering of, the physical and virtual worlds that could cause us to redefine our traditional ideas on jurisdiction.

Trademark owners should carefully review the legal standards applied by every jurisdiction of interest with respect to establishing a presence. Considerations could include whether the trademark owner has any physical presence in that jurisdiction (offices, employees, servers, etc.), targets that jurisdiction, conducts business in the local language(s), and has customers in that jurisdiction. Trademark owners should also keep in mind that conducting business in a jurisdiction may also trigger requirements beyond those required for establishing trademark rights. For example, entering a new market may create unique obligations, particularly in the areas of privacy, government regulation of certain product types or content, and taxation.

Here again, brand owners would benefit from guidance from governments, trademark offices, and treaty organizations. In addition, platform providers can aid brand owners by providing user data and other information that reflects the physical locations of servers and other resources that may support a use claim. As noted above, this will likely also raise liability questions for brand owners who should carefully consider whether their engagement with any particular platform may open them to taxation requirements or other legal actions, based on the same theory of jurisdiction trademark owners may rely upon for establishing trademark rights.

Another consideration for brand owners is how the non-jurisdictional nature of the metaverse may

[23] TMEP 904.03(i) et seq (July 2022), <https://tmep.uspto.gov/RDMS/TMEP/current#/current/TMEP-900d1e882.html>.

conflict with split ownership of a trademark across different jurisdictions. Consider an international conglomerate with affiliates in the United States, China, and the European Union, each of which holds ownership rights to a common trademark in their respective jurisdictions. The metaverse poses a unique challenge to these related entities insofar as determining which entity controls the trademark when the geographic scope of use is unclear or possibly even impossible to determine. This situation will be even more complicated in the case of adverse parties, each of whom may acknowledge the other party's rights to a common trademark within certain geographic boundaries. Brand owners will have to consider how and to what extent they can align the use of their trademark rights in the metaverse with physical geographic boundaries. In lieu of direct control over how goods and services travel within the metaverse, brand owners may need to find contractual solutions. For example, companies may enter agreements to share costs and profits from metaverse activities connected with common trademarks, effectively creating co-ownership arrangements specific to the metaverse while each party maintains exclusive ownership to those trademarks in the jurisdictions of the physical world.

Alternatively, similar to the “region codes” used on DVDs, brand owners may attempt to compel metaverse platforms to adopt geographic tracing that would allow brand owners to control when and how their trademarks will appear to users based in different regions. Unless and until such controls can be developed, however, brand owners should prepare for complications to arise from the non-jurisdictional nature of the metaverse.

3.7. What Will Trademark Abandonment Look Like in the Metaverse?

The metaverse may raise unique questions with respect to trademark use over time and abandonment. As noted above, a signature feature of the metaverse is its persistence—*i.e.*, the fact that this space continues to exist and things continue to happen within the metaverse, even when the user is not connected. The fact that virtual objects and avatars may continue to exist and function within the metaverse without any direct involvement of a user in the physical world means that our conventional understanding of trademark abandonment may need to be reconsidered.

Depending on the platform, it may be that an avatar or virtual storefront will remain in the metaverse for years or even decades without any clear indication on the surface that the company or individual behind it has long since moved on.²⁴ In this respect, the persistence of trademarks in the metaverse may be comparable to trademark use on the Internet, where websites and social media profiles may continue years after the owners have either abandoned those websites and the marks used therein, or even ceased to exist. On this point, the USPTO has found that a cached website submitted by the trademark owner did not establish use of a trademark, given evidence submitted by the counterparty that the website in question was no longer active.²⁵ The fact that the website could still be visited in some form did not mean that the owner was still “using” the trademark or exhibiting the required

[24] Recently, an announcement was made by the CEO and founder of the metaverse platform Somnium Space that the service would include a feature allowing users to achieve a kind of “immortality.” John Wanguba, Somnium Space To Offer Immortality Via ‘Live Forever’ Mode In The Metaverse, E-Crypto News, <https://e-cryptonews.com/somnium-space-offer-immortality-via-live-forever/><https://e-cryptonews.com/somnium-space-offer-immortality-via-live-forever/>. With this feature, the platform will collect a wealth of personal data from the user in order to create an avatar of that user, which, after their passing, may continue to interact with their survivors and decedents, presumably for as long as the metaverse exists. While such features may sound more like science fiction at this point, the possibility raises at least the prospect of a trademark that outlives its owner and achieves something closer in nature to personality rights.

[25] *Canine Caviar Pet Foods, Inc.*, 126 USPQ2d 1590, 1593-95 (TTAB 2018).

sufficient intent to resume use that is necessary to avoid abandonment.

The difficulties that arise in these situations are not limited to trademark owners, but third parties as well. Brand owners will need clarity on the amount of engagement with their virtual counterparts that is necessary to demonstrate that their use is “active.” Third parties seeking to clear new trademarks will also need guidance on whether persistent objects in the metaverse reflect active trademark use or merely phantoms of past activity (akin to a cached website or inactive Facebook account). Platforms may be able to assist third parties by making user information available, such as by (a) indicating the last time a user updated or activated a persistent virtual object or avatar and (b) implementing policies on clearing out “abandoned” objects or avatars after a certain period of user inactivity.

Governments, trademark offices, and treaty organizations are also encouraged to issue guidelines directed specifically to the standards for determining whether trademark use in the metaverse is “continuous.” It is probably not premature to consider whether trademark use conducted entirely by artificial intelligence in the metaverse will constitute “use,” given the possibility that persistent avatars may operate independently of any human input.

3.8. Further Considerations Regarding Trademark Use in the Metaverse

The discussion above is not exhaustive of issues that will arise around questions of trademark use in the metaverse. In the physical world, trademark use is defined by the laws and regulations of the jurisdiction where registration is sought. See the discussion above in sections 3.5 and 3.6. Due to the varied nature of the different platforms that currently make up the metaverse and the lack of national boundaries in this virtual world, does use on all or some of the platforms constitute use in all jurisdictions? Are the contractual terms and other governing policies between metaverse platform operators and their users (“Terms of Service” or “TOS”) controlling on this question? Should we be looking to governments and big technology companies like Facebook and Microsoft to create a global framework—a meta jurisdiction with rules that may be enforced by many stakeholders and not just states? And how might this new regulatory framework interact with national or territorial laws and govern the use of marks within the metaverse and the physical world? How might our common understanding of “use” in the metaverse evolve over time? Will trademark use in the metaverse provide evidence of fame and recognition of a trademark in the physical world, and vice versa? Or will the divide between use in physical and virtual environments render the goodwill in one space irrelevant to the other?

For all the opportunities the metaverse opens up in terms of new forms of trademark use, the metaverse also creates opportunities for fraud. Even in the case of good faith trademark use, it is entirely possible that two users in the same virtual world space may experience digital features differently, rendering verification of trademark use far more difficult than in the physical world. Much like personalized ads are used on the Internet, experiences can be personalized on metaverse platforms, for example, as a result of personal subscriptions, such that one user may see different brands than the next. Given the ephemeral and evolving nature of the metaverse, conditions may be ripe for applicants to doctor or simply misdescribe specimens.

Brand owners will have to be mindful and consider whether the adaptation of their marks from the physical world or the “2D environment” of the Internet satisfies, e.g., the “substantially exact

representation” standard applied by the USPTO or the “distinctive character” standard applied by the EUIPO for European Union Trademarks (EUTM). Likewise, governments, trademark offices, and treaty organizations should consider whether their guidelines on trademark use adequately address the use of marks in virtual spaces, particularly insofar as those spaces need not mirror the physical world contemplated by current legal standards. These entities may provide some stability to the metaverse by establishing clear and explicit policies that (a) trademark use equivalent to Internet use (for example, similar to the examples provided in the Trademark Manual for Examining Procedure, by the USPTO) will also suffice in the metaverse, and (b) minor differences in a trademark attributable to different technical standards between platforms will not impact the trademark rights of a brand owner who is active across platforms. Since these policy proposals are based on our understanding of trademark use in the pre- metaverse world, further study will be necessary to account for how brand owners and consumers actually function in the metaverse.

Key Takeaways

- Trademark use in the metaverse may not always resemble trademark use in the physical world. It is unclear how consumers will engage with virtual goods and services, and therefore how brand owners can clearly associate their trademarks with their products.
- Since proper trademark use is necessary to support trademark rights, brand owners should pay close attention to (a) how their trademarks appear across platforms in the metaverse, and (b) how trademark offices and courts interpret trademark use in the metaverse.
- Trademark offices likewise should consider how current trademark laws and policies may need to be updated to reflect how consumers typically experience and understand trademarks for virtual goods and services in the metaverse.
- In the meantime, brand owners entering the metaverse should (a) try their best to emulate acceptable trademark use in the physical world and the Internet, (b) be mindful of the technical differences and different Terms of Services between platforms, and (c) keep in mind that the metaverse is not bound by jurisdictional boundaries.

4. Trademark Licenses

While many of the other sections of this paper highlight questions for governments, trademark offices, and treaty organizations, it is brand owners and their licensees who will be on the front lines of answering many of the new questions raised by the metaverse with respect to trademark licenses. Of course, brand owners, by themselves or through licensee’s use, will need to establish the necessary rights to license to others (See the discussion above about the registration and use of trademarks in the metaverse). Some common trademark license topics are covered below, but trademark owners and their licensees should explore all details of their relationship in the current and future metaverse landscape. Many decisions about license agreements will depend on the specific details of each party and the licensed marks; there do not appear to be many “default” approaches. It is far better to proactively reach an agreement to avoid disputes, but the parties need to be flexible and recognize that it is impossible to anticipate how the issues created by future incarnations of the metaverse will impact their relationship. This will require frequent and detailed

conversations between the parties.

4.1. Licensed Goods and Services

As discussed above, it is both important and challenging to describe the goods and services for which a mark is licensed in the metaverse clearly. Licensors should specify if the licensed goods or services include both physical and virtual goods or services, or if one “world” is excluded from the license grant. In addition, new types of rights and contracting models used in connection with NFTs further blur the lines between the goods and services licensed for use with a particular mark, and which rights are owned versus licensed.²⁶ Brand owners who use the Nice Classification System to define the scope of the licensed trademark rights will need to consider whether they will continue to follow the System for goods and services in the metaverse while governments determine how to classify these goods and services, or whether, in the meantime, they wish to clarify whether or not the scope of the license grant includes virtual counterparts to physical world goods and services.

4.2. Territories

Trademark licenses typically define a geographic scope of the license grant—either worldwide or in some defined subset of the physical world. Where the license grant is less than worldwide, that could be because the brand owner does not want to market licensed goods or services in excluded jurisdictions, or it has already licensed its trademark rights in some or all excluded jurisdictions. In these early stages of the metaverse, brand owners will need to balance precision with flexibility. While it seems wise to identify the specific platforms on which its trademarks are licensed for use, brand owners will also need to anticipate new platforms and forthcoming interoperability among platforms

4.3. Existing Licensees

4.3.1 Licensees with Worldwide Rights

Where a current licensee already has worldwide rights to use a trademark with certain licensed goods and services, the nature of the good/service would seem to dictate whether the existing license grant includes the metaverse. However, brand owners and their licensees should discuss this to make sure that they are aligned.

4.3.2 Licensees with Less Than Worldwide Rights

Where a current licensee has rights to a specific, limited physical-world jurisdiction, it seems impractical to extend those rights into the metaverse. Often, in this case, the brand owner has granted rights to use the same mark with the same goods or services in the excluded jurisdictions to another

party or retained those rights for its own exploitation. Brand owners will need to discuss with their

[26] See the International Trademark Association NFT White Paper (2022) for a detailed discussion of the goods and services covered by NFTs, the classification of the NFT itself as a separate asset, and different approaches to ownership and licensing of intellectual property rights in NFTs.

licensees whether to expand the license grant to include the metaverse, in such a way that avoids overlapping grants with their other licensees.

4.4. Channels of Trade

Brand owners and their licensees will also need to reevaluate how they identify channels of trade in their license agreements. Many current license agreements distinguish between sales through online channels and brick-and-mortar channels. As discussed in Section 3 above, these traditional distinctions are blurred by the metaverse. May a licensee who is authorized to sell only through brick-and-mortar outlets sell licensed physical goods through a 3D store in a virtual world? In the near term, brand owners may need to specifically describe licensed channels of trade related to the metaverse (or specifically exclude them) in their license agreements. For example, they may choose to identify specific metaverse platforms on which real or virtual goods bearing their marks may be used, until new norms for terminology (e.g., online vs. brick-and-mortar) are established that are commonly understood by all parties, trademark offices, and courts. In addition, brand owners may use technology tools in the metaverse such as the blockchain to restrict where licensees display their marks. Licensees planning to offer licensed goods or services in the metaverse will need to determine if their plans to expand channels of trade are permitted by their license agreement, and also confirm that any technology tools used by their licensors will not interfere with such plans

4.5. The Licensed Mark

As in any trademark license, brand owners should specify which of their marks are covered by a license agreement. By its very nature as a digital world, the metaverse may make defining the mark a more complex process. The technical standards for things such as supported colors and resolution on the various metaverse platforms will influence how trademarks will be seen and heard by consumers. Brand owners will need to consider what modifications will be allowed to their trademarks to enable use in the metaverse and what translations/transliterations will be permitted, both in written and aural forms.

4.6. Quality Control/Technological Controls

Brand owners must develop and enforce standards for the quality of licensee goods and services provided in connection with their trademarks. In the metaverse, brand owners will have additional tools available to them, as they may provide some or all of the digital files necessary to display their marks and use smart contracting on a blockchain to enforce how and when they are displayed. This likely will require increased participation from technical advisors who can work with the capabilities and limitations of each metaverse platform.

4.7. Governing Law and Forum

Parties should choose governing law and forums carefully for their metaverse trademark license agreements. In addition to jurisdictions with logical connections to the agreement (or jurisdictions with laws that do not require such connections), parties should monitor courts to see which courts have frequent experience considering such issues and develop subject matter expertise.

4.8. Enforcement

Trademark owners and licensees will need to coordinate with each other on enforcement of trademark rights in the metaverse. For infringement in the metaverse, this will include determining who may file a complaint under the metaverse platforms' trademark abuse policies and who has the information necessary to support the claims. In addition to traditional trademark enforcement tools, much of the rich functionality of the metaverse will be enabled through the use of smart contracts. The use of blockchain or ledgering technologies can enable brand owners to authenticate use of their trademarks where the proper credentials have been supplied.

4.9. Additional Considerations

Brand owners should also be mindful of any trademark rights granted to the operator of the metaverse platforms in their terms of service and whether those grants align with the brand owners' business goals. The description in the platform terms of service of the specific intellectual property assets and the rights granted therein may not be as clear as brand owners would prefer.

Key Takeaways

- Brand owners and licensees should both take a fresh look at the terms of existing and new trademark license agreements to cover new issues raised by the metaverse.
- Brand owners and licensees will also need to monitor changes in statutes, case law, and trademark office practices, and adjust their license agreements appropriately.

5. Infringement in the Metaverse

The greatest challenge posed by the metaverse is how a virtual world can exist within a real-world legal framework and, importantly, what that framework should comprise?

It is worth first looking back to what happened with Second Life, the virtual reality world created by Linden Labs that allows people to create an avatar and have a "second life" in an online virtual world. Second Life was launched in 2003 to much acclaim as a visionary new concept.

Linden Labs required every user to sign up to its Terms of Service Agreement, which included the following provisions:

"Users of the Service can create Content on Linden Lab's servers in various forms. Linden Lab acknowledges and agrees that, subject to the terms and conditions of this Agreement, you will retain any and all applicable copyright and other intellectual property rights with respect to any Content you create using the Service, to the extent you have such rights under applicable law."

Clause 4.1 of the Terms of Service stated that the user agreed to a number of terms preventing illegal practices, including agreement not to;

“(i) take any action or upload, post, e-mail or otherwise transmit Content that infringes or violates any third-party rights; (ii) impersonate any person or entity without their consent, including, but not limited to, a Linden Lab employee, or falsely state or otherwise misrepresent your affiliation with a person or entity; (iii) take any action or upload, post, e-mail or otherwise transmit Content that violates any law or regulation;”

Linden Labs also required the user to comply with the processes laid down in the Digital Millennium Copyright Act 1998 (the “DMCA”). Linden Labs’ own compliance process states that it will respond to any notice lodged in accordance with the DMCA by removing infringing content.

So, an IP infringement can be addressed as a breach of the Terms of Service or as a breach of an intellectual property right under the relevant statutory provisions governing that right. We will turn to the thorny questions of which legislation will apply and from which jurisdiction, for the purpose of enforcement, below.

Second Life has encountered widespread IP infringements. Films have been shown in Second Life without any license, fake virtual Ferraris have been sold, Herman Miller (the furniture designer company) established a virtual world presence in response to sales of infringements of its designs online and Playboy instigated an investigation into infringement of its trademarks on Second Life. Despite this, there has been little litigation over virtual world activity. One of the few examples came from Eros LLC (*Eros, LLC v. John Doe, case no. 2007cv01158, 2007, US District Court for the Middle District of Florida*). Eros created and sold the SexGen bed, a piece of virtual furniture that allows avatars to be “intimate” with each other. An avatar called Volkov Cattaneo was alleged to have infringed the copyright in the SexGen bed by selling copies of the bed. However, as Eros was unable to confirm the identity of the person or persons behind Volkov Cattaneo, it was forced to issue its complaint against John Doe. It then subpoenaed Linden Labs, PayPal, AT&T, and Charter Communications (Internet service providers) to disclose the true contact details for Volkov Cattaneo. Eventually the information was disclosed, and Robert Leatherwood was identified as the individual behind Volkov Cattaneo. As Leatherwood never responded to the amended complaint, Eros succeeded by way of default judgment. The case therefore did nothing to demonstrate how IP infringement is evaluated in the virtual world, but it did show the delays and challenges faced when seeking to enforce a physical world complaint against a virtual world entity.²⁷

While Second Life (and other virtual worlds like The Sims and World of Warcraft) provide a useful jumping off point for any evaluation of IP infringement and the metaverse, there are significant differences when talking about the metaverse in the context of IP rights.

First, as set out throughout this paper, we are speculating. The detail and execution of the metaverse are yet to materialize. When we are speaking of the metaverse, we are speaking of various visions that combine technology, platforms, and infrastructure in a digital world and economy. We do not yet know how that will translate into reality and or interact with the real world. Meta has its vision. Microsoft has another, and so on. Interoperability and standard setting will be key.

[27] Second Life Workshop – Marques, Noordwijk, 18 September 2008. Speaker: Kate Swaine

Second, when people speak of the metaverse, they are not speaking about a singular platform. All visions appear to be based on the principle that the metaverse will coalesce many platforms and users will move between them. In those circumstances, how would Second Life's Terms of Service apply? Would users be subject to numerous and differing terms of service as they navigate the metaverse and move through platforms when they become interoperable? How will an infringing act be linked to a singular platform or moment and therefore a contractual obligation?

Third, how will infringement in the metaverse actually fit within legislative frameworks that are fixed by definitions of rights, local history, and geographic location and were not developed with the metaverse in mind? In considering what causes of action, jurisdictions, and remedies are at play, we can shine a light on the challenges faced and the questions raised.

5.1. Jurisdiction

Considering all the queries above, a 2007 case about Second Life may prove instructive. In *Bragg v. Linden Research, Inc.*, 487 F.Supp.2d 593 (E.D. Pa 2007), a player in the massively multiplayer on-line role-playing game (MMORPG) Second Life, sued the operator of the game claiming that the operator expropriated his property by nullifying a transaction completed by the participant and freezing his account. In the game, people bought and sold land and were then taxed by the game operator for the land. In this case, the user sued Linden Research, the operator of the virtual world, claiming that the operator unlawfully confiscated his virtual property and froze his Second Life account. In addressing the question, of whether the court had jurisdiction over the defendant, the court found that Linden Research's representations and marketing efforts, although regional in scope, were made to induce interaction from users all over the country with its virtual world. The court found that Linden Research had made representations nationwide regarding their virtual world that did not exclude Pennsylvania (the plaintiff's state of residence) and that its actions were of a nature that encouraged users all over the country, including Pennsylvania, to purchase virtual property, thereby subjecting Linden Research to jurisdiction in the state. Applying the *Bragg* line of reasoning, we can extrapolate that any type of broad-based marketing or sales campaigns or efforts from any of the existing or future metaverse operators or service providers that induces anyone globally to interact with their platforms could be sufficient grounds for jurisdiction. This could potentially pave the way for making a claim for use within a national territory that could show use in an infringement proceeding.

What about cases where there is no active or elaborate targeted marketing campaign inducing users to undertake one or many actions in the specific virtual world? Herein lies the limitation of *Bragg*, as it reiterated the principle that mere operation of a website by a service provider was not sufficient to subject that service provider to jurisdiction within the state. While the *Bragg* line of reasoning demonstrates an approach that has been taken in the US, it dates back to 2007 and the specifics of determining which jurisdiction will apply and what acts are deemed to have taken place will inevitably vary based on the local law of the relevant country or countries.

In fact, one of the difficulties in grappling with the use of a trademark in the metaverse is the question: "when a trademark is used in the metaverse, what national or geographic territory does that use correspond to?" (i.e., jurisdiction). This jurisdictional question around use is particularly important for trademark owners that wish to develop a registration strategy. In the physical world, the issue is relatively straightforward, that is, a trademark owner will likely register where the company

has sales, markets for export, and wherever they foresee that such activities might continue in the future. However, this is much less straightforward in the metaverse. The metaverse might cause a blurring between, or a layering of, the physical and virtual world and cause us to redefine our traditional ideas on jurisdiction, particularly for enforcement purposes and especially for litigation purposes. If a person or company is infringing a mark in the metaverse, where does the trademark owner sue for redress? Where does the infringement take place? If a trademark owner wishes to seek an injunction to prevent use in the metaverse, in what country should it apply? Terms of Use and End User License Agreements of the metaverse platforms might bind parties to litigate or arbitrate when there is privity among the parties, but if the trademark owner is not privy to them, where can he or she find judicial redress?

It is well understood that for a legal judgment to have force, the rendering court must have jurisdiction, with notice and an adequate opportunity to be heard by the parties to be bound by the judgment. The question of how the international jurisdiction of national Courts is assessed depends, in most cases, on the domestic law of those Courts. This paper cannot and will not try to do a comparative view of domestic laws for jurisdiction purposes in metaverse disputes, particularly with regard to IP. However, with broad strokes we will try to examine the situation in important jurisdictions like the U.S., China, Brazil, Europe, and the UK.

5.2. United States

In the U.S., a state has general jurisdiction to hear legal claims against a defendant if that defendant is “domiciled” or “essentially at home” in that state—for example, where the state is the company’s state of incorporation or principal place of business. *Daimler AG v. Bauman*, 571 U.S. 117, 133 n.11, 137 (2014). Otherwise, a court must have specific personal jurisdiction over the defendant, through a showing that the claim relates to activities within that state. In a landmark case, *International Shoe*, the U.S. Supreme Court established the “minimum contacts” standard for specific personal jurisdiction, stating that “[d]ue process requires that non-resident defendants have ‘minimum contacts’ with the forum, such that the exercise of personal jurisdiction does not offend ‘traditional notions of fair play and substantial justice.’” *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

The Court further held that the “contacts” themselves must be measured by the “quality and nature of the activity in relation to the fair and orderly administration of the laws.” *Int’l Shoe Co.*, 326 U.S. at 319. This holding reflected a shift from basing jurisdiction solely on a party’s presence within the forum to evaluating whether exercising jurisdiction would be fair and reasonably anticipated.

The minimum contacts standard has three prongs: relatedness, purposeful availment, and reasonableness. A plaintiff must show that (1) its “claim directly arises out of, or relates to, the defendant’s forum state activities”; (2) the defendant’s forum contacts “represent a purposeful availment of the privilege of conducting activities” in that forum, thus invoking the benefits and protections of the forum’s laws and rendering the defendant’s involuntary presence in the forum’s courts foreseeable; and (3) “the exercise of jurisdiction is reasonable.” *A Corp. v. All Am. Plumbing, Inc.*, 812 F.3d 54, 59 (1st Cir. 2016) (internal quotation and alterations omitted).

The U.S. Supreme Court has not yet provided a standard for how a defendant’s virtual or online activities translate into contacts for purposes of the minimum contacts analysis. However, several U.S.

courts have examined this question, including in the IP infringement context. A consistent view has emerged that the “purposeful availment” prong is not satisfied by merely operating a website accessible in a state. *Plixer Int’l, Inc. v. Scrutinizer GmbH*, 905 F.3d 1, 8 (1st Cir. 2018) (collecting cases). This is so even if a website is “interactive.” See, e.g., *be2 LLC v. Ivanov*, 642 F.3d 555, 558–59 (7th Cir.2011). Instead, the defendant must have purposefully exploited the market of the forum state, such that it could reasonably expect to be hauled into court in that state. See *Plixer Int’l Inc.*, 905 F.3d at 11.

For example, the First Circuit Court of Appeals affirmed a finding of jurisdiction over a German software site in a trademark infringement claim, where the site sold U.S.D. \$200,000 worth of its services to U.S. customers over three years. *Id.* The court described this activity as “sizeable and continuing commerce with United States customers,” and further noted that the site could have blocked U.S. users’ ability to access its website, posted a disclaimer that its service is not intended for U.S. users, or otherwise declined to accept U.S. customers. *Id.* at 8-9. By contrast, a New Mexico court found no personal jurisdiction in a trademark claim against an out of state clothing manufacturer that sold its apparel nationwide through Nordstrom.com, because while the defendant’s merchandise was available and advertised nationwide on Nordstrom’s website, it had not sold a single item in New Mexico, except to plaintiff’s investigator. See *Origins Nat. Res., Inc. v. Kotler*, 133 F. Supp. 2d 1232, 1236 (D.N.M. 2001).

It is notable that, in its “MetaBirkins” complaint (discussed above and further below) , Hermes’s asserted personal jurisdiction over the defendant in New York on the basis that (1) the defendant offered METABIRKINS NFTs on OpenSea, among other NFT marketplaces, which is a Delaware corporation with a principal place of business in New York; (2) at least one consumer living in New York purchased a METABIRKINS NFT; and (3) defendant’s conduct has caused harm to Hermes in New York, where it maintains a principal place of business. *Hermès International, et al. v. Mason Rothschild*, 1:22-cv-00384 (SDNY Jan. 14, 2022). The defendant did not challenge personal jurisdiction in its motion to dismiss the complaint or the amended complaint.

With regard to trademark infringement claims arising from the existence of the metaverse, which like the Internet itself, by definition is “borderless,” courts will continue to look to the facts of the particular case to determine whether a defendant has sufficient “minimum contacts” in a forum to establish personal jurisdiction.

5.3. European Union and the United Kingdom

In Europe, it is important to take into account that court jurisdiction with regard to trademark disputes is regulated by the Brussels Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (hereafter, Brussels Regulation) and by Regulation 2017/1001 on the European Union Trademark (hereafter, “REUT”) with regard to disputes on European Union trademarks. Additionally, the domestic provisions on court jurisdiction are applicable in instances where the abovementioned regulations do not apply, or in some cases, by express provision of the same.

With regard to disputes related to domestic or national trademarks, the Brussels Regulation 1215/2012 rules establish international jurisdiction in the courts around notions of “domicile” (see, for examples, articles 4 and 5), which as noted, is complicated by the fact that usernames and

ownership of avatars might be difficult to determine. On the other hand, in relation to infringement of trademarks, the Brussels Regulation in article 7(2) states that “[a] person domiciled in a Member State may be sued in another Member State: ...2) in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur...” Thus, the Regulation sets forth, as a competent court, the forum in which the tort was committed (*forum delicti commissi*). Additionally, in contract disputes, regarding obligations to be complied with in the metaverse (not in the physical world), what is the “place of performance of the obligation” to establish international jurisdiction of the Courts? Where are goods “delivered” in the metaverse? These sorts of questions are likely to complicate an IP dispute beyond the usual considerations of infringement and harm.

The REUT also stipulates in articles 125(1) and (2) that actions can be brought in the Courts of the Member State where the defendant has its domicile (125(1)) or where it has its establishment (125(2)). Moreover, when neither the defendant has its domicile or establishment in the court of a Member State, article 125(5) provides for the typical *forum delicti commissi* stating: “Proceedings in respect of the actions and claims referred to in Article 124... may also be brought in the courts of the Member State in which the act of infringement has been committed or threatened....”

At first glance, the comparison between the grounds on jurisdiction in the Brussels Regulation (applicable to disputes on national trademarks) and the REUT (applicable to EU trademarks) are quite similar. Thus, when the defendant is domiciled in a Member State, the complaint can be brought before the courts of that State (Art. 4 Brussels Regulation and Art. 125 (1) REUT), or before the courts of the *forum delicti commissi* (Art. 7 (2) Brussels I Regulation, Art. 125 (5) REUT). “The Court of Justice of the European Union (CJEU, hereafter) has interpreted that, similar to the provisions of Art. 125 (5), the courts of *forum delicti commissi* can only be seized about complaints concerning trademark infringements committed in the territory of that Member State.”²⁸

Very important to metaverse situations, the CJEU has adopted a flexible interpretation of *forum delicti commissi* in several judgments where the Court has stated that the mere accessibility of a website from the territory of a Member State is sufficient enough basis for courts of that State to declare jurisdiction.²⁹ Commentators argued that since the “Coty Germany” case the CJEU has not been as consistent with regard to establishment of clearer criteria on how it has applied the same standard applying the REUT. However, since the interpretation in “AMS Neve”³⁰ it seems there might be more consistency. The said case involved a company domiciled in Spain that was offering in its website products to consumers in the United Kingdom that infringed the European Union and United Kingdom trademarks of a British company. According to the CJEU case law, English courts had jurisdiction to hear the complaint about the UK trademark per Art. 7 (2) Brussels Regulation but, due to the holding in “Coty Germany” the court apparently was doubtful of its jurisdiction pertaining to the EUTM.³¹ The Court in its judgment stated that, for the purpose of present Art. 125(5), an infringement of a EUTM is committed in the place “of the Member State within which the consumers or traders to whom that advertising and those offers for sale are directed are located.”³² By the said judgment trademark owners can bring their legal action before the courts “...of the Member State

[28] Lopez-Tarruella, A. (2021). International jurisdiction in EU trademark infringements on the internet – is it possible to complicate things even further?. *CUADERNOS DE DERECHO TRANSNACIONAL*, 13(2), 352-361Pp. Page 354. Obtained from: <https://e-revistas.uc3m.es/index.php/CDT/article/view/6261>.

See also: CJEU Judgement of 19 April 2012, C-523/10, “Wintersteiger”.

[29] *Id.* page 357. See also: CJEU Judgments of 22 January 2015, C-441/13, “Hedjuk”; of 3 October 2013, C-170/12, “Pinckney”; of 21 December 2016, C-618/15, “Concurrence”.

[30] See CJUE judgment of Case C-172/18 of September 5, 2019, “AMS Neve.”

[31] Lopez-Tarruella, A. *Op. Cit.* Page 357.

[32] See CJUE judgment of Case C-172/18 of September 5, 2019, “AMS Neve.”

within which the consumers or traders to whom that advertising and those offers for sale are directed are located, notwithstanding that that third party took decisions and steps in another Member State to bring about that electronic display.”³³ “This is highly convenient for EUTM owners because the place where it is domiciled and where it carries out its main commercial activities will usually be the same.”³⁴ However, divergences appear on the interpretation of the *forum delicti commissi* between the Brussels Regulation and the REUT because the decision introduces the so-called “targeting activities” criterion, that is, for the EUTM Court of a Member State to declare jurisdiction, it needs to be shown that the defendant targets its activities to that Member State’s market.³⁵ However, this is not applicable in disputes concerning national trademarks or claims of unfair competition. On the contrary, there is a consolidated case law of the CJEU favoring the application of the “mere accessibility” criterion to be able to assume jurisdiction in accordance with *forum delicti commissi* in Art. 7(2) Brussels Regulation.³⁶ Hence, different interpretations of the grounds of jurisdiction persist and create complications for litigators.

For the purposes of this paper, perhaps the most salient or important aspect is that the “mere accessibility” criterion can be deemed in some cases as a source of legal uncertainty to any participant in the metaverse marketplace. It is foreseeable that participants in the metaverse marketplace will have a tough challenge assessing their risks of being sued in a particular jurisdiction. Some commentators have argued that *forum delicti commissi* in Art. (2) Brussels Regulation should only give jurisdiction to the courts of the Member State where a company is geographically “targeting” (akin to the test for REUT in “AMS Neve”) its commercial activities to lessen the risk of uncertainty in companies doing business in the metaverse.³⁷ Under these criteria, the defendant would not be hauled without sufficient reason before courts of a Member State that lacks sufficient connection with the case. In a sense, if adopted for national trademarks it would establish a sort of “minimum contacts” test akin to the one existing in the U.S. of “purposeful avilment of activities in the forum” test.

In the cases in the EU discussed above, REUT and the Brussels Regulation state that for infringement actions the courts of the place where the harmful acts occur or may occur can be accessed. However, due to the uncertainty on how these standards are going to be applied in practice, brand owners that intend to have a presence in the metaverse must take sufficient precautions to try to limit their exposure or risk of being called upon to appear in court for actions brought by plaintiffs who try to base jurisdiction on the “mere accessibility” criterion. There is no clarity on whether the development of the metaverse will allow trademark owners to limit this risk by disabling access to users of certain jurisdictions that do not want to be targeted as can be done for websites in the current Internet environment.

For completeness, since Brexit (the withdrawal of the United Kingdom from the European Union January 31, 2020), the UK has maintained jurisdiction over UK national marks but not over EUTMs. The exception to this is in relation to EUTM infringement proceedings that were pending in the UK courts on December 31, 2020, where the UK court remained an “EU Trade Mark Court” (*Easygroup Limited v Beauty Perfectionists Limited & Ors [2021] EWHC 3385 (Ch) (17 December 2021)*).

[33] *Id.*

[34] Lopez-Tarruella, A. (2021). International jurisdiction in EU trademark infringements on the internet – is it possible to complicate things even further? *CUADERNOS DE DERECHO TRANSNACIONAL*, 13(2), 352-361. Page 358. Obtained from: <https://e-revistas.uc3m.es/index.php/CDT/article/view/6261>

[35] *Id.* Page 358.

[36] *Id.* Page 358.

[37] *Id.* Page 358.

The status of EU law in the UK is governed by the European Union (Withdrawal) Act 2018 (EU(W)A 2018) and the European Union (Withdrawal Agreement) Act 2020 (EU(WA)A 2020). The effect of these statutes is to repeal the European Communities Act 1972 (by which EU law took effect in the UK), to incorporate into the law in the UK the *acquis* (the existing body of EU law) as of December 31, 2020, to the extent this is possible as “retained EU law,” and to facilitate the making of secondary legislation to supplement UK law where necessary.

It is not possible for the UK unilaterally to preserve all of the existing *acquis* as retained EU law. Unitary EU-wide regimes, such as the EUTM regime, the Community designs regime, mechanisms in areas of law neighboring copyright, the Customs regime and the Brussels regime governing service, jurisdiction and enforcement, all involve reciprocity of rights and obligations between Member States. In these areas the UK may only remain within the existing regime if it reaches agreement with the EU to do so; and so UK legislative arrangements do not seek to preserve the UK’s involvement. However, the CJEU’s jurisprudence on the interpretation of retained EU legislation, for example the meaning of use “in the course of trade” in EU trademark legislation, will form part of the retained EU law.³⁸

Turning to the issue of targeting, under section 9 (1) of the UK Trade Marks Act 1994, “[t]he proprietor of a registered trademark has exclusive rights in the trademark which are infringed by use of the trademark in the United Kingdom without his consent.” With regard to online use of UK trademarks, ‘targeting’ of online activity is crucial in determining where an act of infringement has taken place. In *Lifestyle Equities CV v Amazon UK Services Ltd* ([2022] EWCA Civ 552), the Court of Appeal provided a useful reminder of the key principles governing the approach to and interpretation of targeting in the UK. The Court of Appeal confirmed that the objective assessment of whether use has taken place of a trademark in a specific territory will require consideration of a number of factors including the perception of the average consumer, the intention of the party using the trademark, and the alleged complained of acts. In particular: whether delivery and shipping are available to the relevant territory, what the language of the website is, what the currencies used on the website are, and what references are included to import duties.

5.4. China

Although the Chinese Government has started formal studies on the metaverse, so far there have been no specific laws or regulations introduced in this respect. However, it seems that the Chinese courts did have difficulty establishing personal jurisdiction in the first lawsuit in China about an NFT, namely, “Fat Tiger.” The case is about the copyright owner suing an NFT platform on which an NFT of the copyright owner’s work was minted and sold by another party without authorization. Having said that, for that particular case, it appears that the jurisdiction of the Court was not challenged since the brand owner plaintiff and the NFT platform defendant were both Chinese local entities. In particular, the Court looked at the act of trading an NFT as dissemination of information on the Internet. As one may see, the more traditional approach is being adopted and therefore jurisdiction can be handled by adopting traditional rules.

5.5. India

Attributing use of an infringing trademark in the metaverse to the physical area of jurisdiction of a national Court in India (or any court in the world for that matter) will be difficult. In India, it is well-set-

[38] See <https://gowlingwlg.com/en/insights-resources/articles/2020/what-does-brexit-mean-for-intellectual-property/>

tled that long arm jurisdiction allows a court to obtain personal jurisdiction over a non-resident defendant if that defendant has a sufficient connection with the forum state. Given that there is no codified law in this respect, courts have held that they can exercise long arm jurisdiction if compelling circumstances exist and where grant of such an injunction is imperative to meet the ends of justice. In *Swami Ramdev & Anr v Facebook & Ors* (2019 [263] DLT 689), the Indian court, albeit in a case concerning the jurisdiction of a court over a multi-national intermediary platform, considered the presence of a computer network in India that is used to host or publish the information in dispute, to determine the jurisdiction of courts in Delhi to grant a global injunction. In the case of *World Wrestling Entertainment v. Reshma Collection* (2017 (70) PTC 550), the Delhi High Court observed that “[b]ecause of the advancements in technology and the rapid growth of new models of conducting business over the Internet, it is possible for an entity to have a virtual presence in a place which is located at a distance from the place where it has a physical presence. The availability of transactions through the website at a particular place is virtually the same thing as a seller having shops in that place in the physical world.”

In a very recent decision by the Delhi High Court in *Tata Sons Private Limited v Hakunamatata Tata Founders* (2022 (92) PTC 635), the Court further relaxed the jurisdictional threshold for cases concerning the Internet or virtual worlds. The Court held *inter alia* that the mere accessibility of a website in India was sufficient for the Court to consider that consumers in that geographic area were being targeted, and the jurisdiction could be considered as being ousted if the website of the defendant excluded or prevented customers from that geographical area from accessing the website.

Thus, the current line of cases in India has tipped the scale in favor of the Court assuming jurisdiction in cases where the infringing act was committed through or on a globally accessible website. Whether this line of cases will be directly applicable to the metaverse, or whether the unique nature of the metaverse will require a different judicial approach to jurisdiction remains to be seen.

Another thing that courts will need to grapple with is the issue of territorial limits within which their decisions can be enforced. The case of *Swami Ramdev v Facebook* saw the Court assume jurisdiction on globally accessible websites, so long as the computer network from which the infringement (or an otherwise unlawful act) emanated, was in India. However, with regard to the enforcement of its decision, the Court recognized that a global injunction is impractical and may conflict with the jurisdiction of other sovereign courts.

In the metaverse scenario, how does one define territorial limits? And even if they can be defined in the same way as they are for the Internet, how does one ensure that a court order from an Indian court is enforced for the territory of India, while the disputed content is made available in other territories? It may not be as simple as blocking a webpage in India or employing geo-blocking to make the webpage inaccessible to Internet users with an Indian IP address. Will the problem of bypassing territoriality through the use of proxy servers also be applicable in the metaverse?

On the question of use of a trademark, Indian law is broad and does not require use on products or services to find infringing, trademark use. Use, in other contexts such as use in advertising, stationery, business papers, and corporate names constitute infringing use under section 29 (5), (6), and (8) of the Trade Marks Act, 1999. However, does every reference to a trademark, especially in the virtual world of the metaverse, constitute use in the sense of a trademark such that consumers are likely to be confused? While one argument is that the metaverse will not change basic fundamental

principles to determine what constitutes use, the other argument is that the relevant public which accesses and uses the metaverse will be more adept at differentiating between use of a trademark with use in a descriptive, generic, or informative sense.

Another interesting arena for much legal discussion will be the liability of organizations that operate metaverse platforms. Will they be considered intermediaries and be entitled to safe harbor under the law, just like giant social media platforms or e-commerce platforms? There are some other cases like *Christian Louboutin SAS v Nakul Bajaj & Ors* that have provided certain guidelines on intermediaries in e-commerce, the adoption of these principles in the context of the metaverse is not clear. While general principles in relation to intermediaries may be applicable to some extent, it will be an involved exercise to determine the roles of different parties in the metaverse.

5.6. Brazil

In Brazil (or any other LATAM country), new legislation has not yet been established addressing the metaverse. Even though different infringements are already occurring in the metaverse, authorities and brand holders have the challenge of trying to adapt current law to attempt to prosecute these infringements in the metaverse. Internet legislation was in force in Brazil in 2014, by means of civil law No. 12.965, which establishes the principles, guarantees, rights, and obligations for the use of the Internet in Brazil. The Internet Law and other laws like the Federal Constitution (Section 5, Item XXIX) and the Federal Industrial Property Law (9.279/96) will facilitate the intervention of illicit trade and activities within the metaverse, developing new approaches and analyses of this current legislation until new laws or modifications of current laws are made by the local government. In Brazil, in June 2022, the Ministry of Justice and Public Security declared that the first case in the metaverse was prosecuted. This case was prosecuted to fight against digital piracy and crimes against intellectual property. According to the webpage www.techupdate.com, the case was reported as follows: “Called Operation 404, the supervision arrested, on Tuesday (21), 11 people in four Brazilian states. In all, 266 illegal sites were removed in Brazil, in addition to 53 in the United Kingdom and 6 in the United States. More than 700 streaming apps and 461 music apps, with millions of active users, were also blocked. Several fake profiles and pages on social media were also taken down.” According to the report, the authorities stated that the infringers could be indicted for criminal association and money laundering. Although this lone case can be reported, the metaverse is beginning to grow globally and new regulations will be needed to enforce IP rights.

5.7. Difficulties establishing jurisdiction

When engaged in commerce in the metaverse, defendants’ identities may be masked by usernames, avatars, and wallet addresses, adding complexity to the jurisdictional inquiry. In cases where the factual record on defendants’ contacts with a forum is insufficiently developed, a court may grant a plaintiff’s request to conduct jurisdictional discovery, as the U.S. 9th Circuit did in a recent copyright infringement claim against a Belarusian developer of an app-based video game available for download in the US. *Good Job Games Bilism Yazilim Ve Pazarlama A.S. v. SayGames, LLC*, No. 20-16123, 2021 WL 5861279, at *1 (9th Cir. Dec. 10, 2021).

Yet the decentralized nature of NFT and cryptocurrency transactions will inevitably pose jurisdictional challenges. Plaintiffs seeking to name a defendant in a case involving cryptocurrency may seek to unmask the defendant’s identity by contacting the company that administers the defen-

dant’s crypto wallet, but the wallet company may not have an affirmative obligation to provide this information absent a court order. And seeking such a court order may be a circular question. Where a plaintiff could identify Doe defendants by only their crypto wallet addresses and sought to obtain early discovery to identify those defendants, a California District Court ruled that the plaintiff first needed to demonstrate a likelihood that the court possessed personal jurisdiction over the Doe defendants before such discovery was warranted. *Strobel v. Lesnick*, No. 21-CV-01010-LB, 2021 WL 3604681, at *3 (N.D. Cal. Aug. 13, 2021).

5.8. Causes of Action

Virtual worlds and the metaverse are ripe for intellectual property disputes. The freedom that users have to create virtual assets makes it as easy for them to create and sell infringing items as it is to create original non-infringing items. It is equally simple for users to create and sell unauthorized digital replicas of physical world content frequently branded with physical world trademarks.

5.8.1. Trademark infringement

The primary challenges to an allegation of trademark infringement appear to be establishing that the infringement has taken place in the course of trade, and, at least in the U.S., potentially having to balance the trademark owners’ rights with a third-party user’s First Amendment rights. See *Hermès International, et al. v. Mason Rothschild*, 1:22-cv-00384 (SDNY).

As discussed above, a preliminary issue in some jurisdictions will be whether use of a brand outside of a commercial transaction (such as on wallpaper or on an avatar’s free clothing) will satisfy the requirements for use in the course of trade or use in commerce.³⁹ If this preliminary use threshold is met, the similarity of the goods on which the parties’ use the marks may be an issue. For example, if consumers encounter a brand on virtual goods, will they believe the virtual goods to be authorized by a trademark owner who sells only corresponding physical goods with the same brand? What if the trademark owner does not offer corresponding physical goods?⁴⁰

There has been some justifiable debate as to whether metaverse-based goods or services are even covered in existing trademark specifications for real world goods and services. It is worth noting that several brand owners have filed trademark applications that cover virtual goods and services offered in the metaverse, presumably in order to avoid any argument from an infringer that the “virtual” goods are not covered by a registration for “real world” goods.

There may be some overlap in the channels of trade, however. For example, both virtual and physical goods may be sold “online” and even within the same platform within the metaverse. Therefore, it may be possible to assert that a sale in the metaverse is confusing with any other sale within the same platform, since a consumer may assume that, for example, the metaverse store is connected to or endorsed by the brand owner.

[39] In the U.S., trademarks are not required to be displayed directly on the goods being sold in order to be deemed used in commerce. Rather, whether any particular use of a trademark constitutes use in commerce would depend on context, including if a mark is displayed as wallpaper or on an avatar’s item of clothing.

[40] At least in the U.S., infringement is not inherently limited by the registration class of the mark, and use on identical goods is not a requirement for an infringement action. Rather, the proximity of the goods is an element to be considered in assessing whether a likelihood of confusion exists.

The question ultimately relates to whether an unauthorized virtual product is likely to cause confusion with a real-world product. First, will the definition and approach to confusion be the same in the metaverse as in the physical world? Applying our current understanding of physical world concepts of confusion, on a preliminary assessment, the differences in the goods or services and the potentially differing trade channels may seem to favor the defendant. However, as noted above, the claimant appears to have a stronger argument when the perception of the consumer is taken into account. Specifically, many well-known brands are now, or have been, present in the virtual world. Further, many have indicated an intention to be active in the metaverse. Accordingly, it is reasonable to assume that the use of a brand in the metaverse denotes at the least an association with the brand owner. While consumers may not view the virtual world as a commercial alternative to the real world when exercising their purchasing power, it is more than arguable that they would associate brands in the metaverse with their physical world equivalents.

One strong option for a brand owner appears to be an argument that the unauthorized use would lead to dilution of their brand or have a negative impact on the brands distinctiveness or goodwill. A defendant will likely have difficulty in arguing that its unauthorized use in the course of trade of a trademark in the metaverse does not seek to take unfair advantage of the trademark's "real world" reputation.

Finally, at least in the U.S., there are issues raised by the First Amendment to the U.S. Constitution that may pose a further obstacle to enforcing trademark rights. See *Hermès International, et al. v. Mason Rothschild*, 1:22-cv-00384 (SDNY May 18, 2022). Courts have held that there is a First Amendment interest in protecting free artistic expression. *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989). When a creator of an expressive work incorporates a well-known trademark into the work, what recourse should the trademark owner have for infringement of its mark, if any? At the intersection of trademark infringement under the Lanham Act and the First Amendment, depending on the use at issue, the trademark owner's property interest could yield to the right to free expression.

"The predominant approach taken by [U.S.] courts is to limit the application of the Lanham Act to expressive works where 'the public interest in avoiding consumer confusion outweighs the public interest in free expression' as set forth by the Second Circuit in *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989). Under the two-part *Rogers* test, the use of another's mark in an expressive work will not be actionable under the Lanham Act unless it 'has no artistic relevance to the underlying work whatsoever, or if it has some artistic relevance, unless [it] explicitly misleads as to the source or content of the work.'"⁴¹ Stated differently, the First Amendment protects against infringement claims "if defendant's use of the mark is (1) 'artistically relevant' to the work and (2) not 'explicitly misleading' as to the source or content of the work." See e.g., *Louis Vuitton Mallatier S.A v. Warner Bros. Entm't Inc.*, 868 F. Supp. 2d 172, 177 (S.D.N.Y. 2012). Generally, courts have held that the standard for whether a work is "expressive" is low, while the standard for whether a use "explicitly misleads" is high. *Id.* at 78-79. In *Rogers*, the court analyzed whether the use of a trademark in the title to a film was protected by the First Amendment, but later cases expanded the test to use of trademarks in other aspects of expressive works.

Numerous other U.S. courts have adopted the *Rogers* test. See, e.g., *Mattel, Inc. v. MCA Records*, 296 F.3d 894 (9th Cir. 2002); *Sugar Busters LLC v. Brennan*, 177 F.3d 258 (5th Cir. 1999); *Parks*

[41] Laura Goldbard George, Binni Shah, The First Amendment: Apparent Immunity from Trademark Infringement? (Oct. 10, 2018), <https://www.jdsupra.com/legalnews/the-first-amendment-apparent-immunity-83717/>

v. LaFace Records, 329 F.3d 437 (6th Cir. 2003); *Univ. of Ala. Bd. of Trs. V. New Life Art, Inc.*, 683 F.3d 1266, 1278 (11th Cir. 2012). But one court recently departed from the Rogers test, finding that it is too deferential to the junior user's First Amendment interests. See *Stoufer v. Nat'l Geographic Partners, LLC*, 400 F. Supp.3d 1161, 1178 (D. Colo. 2019).

There are various examples of courts applying the *Rogers* test in situations arguably similar to the metaverse. In *AM General v. Activision Blizzard*, No. 17-cv-8644 (S.D.N.Y. 2020), AM General, the company behind the HUMVEE truck, sued Activision Blizzard alleging trademark infringement for including the truck in Activision's CALL OF DUTY video game. The court ruled in favor of Activision Blizzard on summary judgment based on the First Amendment, explaining that (1) "Defendants' uses of Humvees in 'Call of Duty' games have artistic relevance," and that (2) "[f]eaturing actual vehicles used by military operations around the world in video games about simulated modern warfare surely evokes a sense of realism and lifelikeness."

A similar result can be seen in a case involving a physical world strip club and whether a virtual depiction of it in the video game "Grand Theft Auto: San Andreas" infringed the real Los Angeles strip club's logo and exterior design and trademark and trade dress rights. See *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008). In that case, the U.S. Ninth Circuit held that such use did not infringe the actual club owner's trademark and trade dress because the video game was "artistic" and protected by the First Amendment. *Id.* The court noted that the Lanham Act applies to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. *Id.* at 1099. First Amendment protection was afforded to the video game producer because "a reasonable consumer would not think a company that owns one strip club in East Los Angeles...also produces a technologically sophisticated video game[.]" *Id.* At 1100-01. The question as to whether the metaverse as a whole, or only certain uses within the metaverse, will be deemed "artistic expression" has not yet been formally answered, but this will likely depend on the particular metaverse application at issue.

Cases like *AM General* and *E.S.S. Entertainment* pose a challenge for trademark holders seeking to enforce their rights against unauthorized use in the metaverse because they support an argument that virtual depictions of real-world marks carry artistic relevance and that consumers would not confuse virtual depictions with the source of the real-world marks. However, there could also arguably be distinctions in metaverse platforms where, unlike most video games, the platform producer does not produce and own everything featured within the platform. In addition, other courts have applied the *Rogers* test in favor of plaintiffs.

For example, in *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 271 (9th Cir. 2018), the Ninth Circuit held that the use of a trademark in a greeting card presented a triable issue of fact because use of the mark may cause consumer confusion as to the source of the product. The plaintiff acquired trademark rights in various phrases, including "Honey Badger Don't Care," and a greeting card company used the exact same phrase in a greeting card. *Id.* at 260. The trademark holder presented evidence that it used the trademark on greeting cards and similar merchandise. *Id.* at 271. While the Ninth Circuit recognized that the defendant's use was expressive, the court held that there could be confusion as to source because the trademark holder was using the mark in a similar context. *Id.* at 271. See also *Parks v. LaFace Records*, 329 F.3d 437 (6th Cir. 2003) (use of "Rosa Parks" as song title sent to trier of fact to determine artistic relevance; if found artistically relevant, should find in favor of defendants). Based on this, trademark holders may have an argument that use of their

marks in the metaverse could cause consumer confusion, especially if the mark holder is using the mark in the metaverse.

Further, as the metaverse becomes further integrated with everyday life, there is also an argument that it should not be treated as merely a video game or work of art, but rather the same as we would treat the physical world. For instance, the metaverse can be an avenue for brands to sell both virtual and real-world goods and services, and an increasing number of brands are beginning to offer virtual versions of their physical products. The metaverse can also be a place to meet and interact with others for reasons beyond simply playing a video game. And as virtual reality and augmented reality become more prevalent, the interplay between the physical world and virtual worlds will become much more closely connected, i.e., to be the metaverse.

In *Hermès International, et al. v. Mason Rothschild*, discussed above, the U.S. District Court for the Southern District of New York shed some light on how courts might assess allegations of infringement based on virtual goods in the metaverse. 1:22-cv-00384-JSR (S.D.N.Y. May 18, 2022). In that case, Hermès, the owner of the famous BIRKIN mark for physical handbags, sued Rothschild alleging that his sale of MetaBirkin NFTs, which were digital images of handbags tied to NFTs, constituted a sale of commercial products that infringed Hermès' trademark rights in the mark BIRKIN. In response, Rothschild argued the MetaBirkin NFTs were expressive works entitled to First Amendment protection, and which did not infringe Hermès trademark rights. The court ultimately deemed the MetaBirkin NFTs to be expressive works, meaning the *Rogers* test might apply at least with respect to the first element, but denied Rothschild's motion to dismiss on the basis that Hermès could still prevail under such test. *Id.* The jury ultimately concluded that the MetaBirkin NFTs did not qualify for protection under the First Amendment, and while the Final Judgment does not go into detail, it is possible that Rothschild was deemed to fail the second element of the *Rogers* test, i.e., by being "explicitly misleading" as to the source of the work in question. Regardless of the jury's rationale, the outcome of this case offers no help to artists working in virtual worlds but may bolster trademark owners seeking to prevent the exploitation of their preexisting rights in the metaverse under the shield of the First Amendment.

Unless and until the judgment is appealed, the *Hermès* case stands for the notion that trademark rights in physical goods can be asserted against unauthorized uses for virtual images or goods, and potentially succeed even if the *Rogers* test is considered. Further, the MetaBirkin NFTs were *images* of handbags tied to NFTs, and the court added in a footnote that if the MetaBirkin NFTs were *virtually wearable handbags*, they might not be treated as expressive works subject to the *Rogers* test, meaning one less defense under the First Amendment for defendants to rely upon. *Id.* at n.3. Accordingly, that footnote, although *dicta*, could support an argument that any trademark assessment as applied to virtual goods/services in the metaverse should be analogous to the physical world. In other words, if there is a virtual work of art that is used and viewed as art in the metaverse, it can be entitled to First Amendment protection, meaning the *Rogers* test would apply in most U.S. jurisdictions. But if there are *virtual goods/services* in the metaverse that are used by avatars in a manner that humans would use such products in the physical world (i.e., a virtually wearable handbag for an avatar), it should be treated as a commercial product, in this case, the same as physical handbags would be treated, and not be eligible for First Amendment protection under the first prong of the *Rogers* test. Although virtual products could possibly be entitled to broader copyright protection than physical products,⁴² brands should be careful not to undermine their own trademark arguments by claiming broader copyright protection in virtual products than they would for their physical

[42] While we will not engage in a full analysis here, a question arises as to whether virtual products are not "useful" as their design does not impact functionality.

counterparts, as that could be deemed to be a concession that such products are expressive works that would be entitled to expanded protection under the First Amendment.

Conversely, brand owners may find that the USPTO is more open to taking an expansive view of the trademark protection established by registration for physical goods and services against their virtual counterparts. This is because the USPTO is likely to find virtual goods and services to be sufficiently related to the corresponding real-world goods/services in conducting a likelihood of confusion analysis between competing filings. Specifically, the USPTO has already at least initially refused registration of Application No. 97-112,038 for the mark GUCCI and Application No. 97-112,054 for the mark PRADA, each covering virtual goods and related services, based on existing registrations for the well-known brands' marks GUCCI and PRADA, respectively.

In refusing the third-party application for GUCCI, the USPTO noted that Gucci's existing registration for retail services featuring clothing, jewelry, and handbags, is broad enough to encompass the applicant's narrower retail services featuring virtual goods. It also added that the applicant's virtual goods and the registrant's cited physical goods are of the type that can emanate from a single source and be protected by the same mark, citing the registrant's recent involvement on Roblox called "Gucci Grail." In the USPTO's refusal of the third-party application for PRADA, it reasoned: "Applicant's goods and/or services are related to the registered goods and/or services because applicant's goods are just virtual versions of the registered goods. The same providers of real fashion goods often provide virtual fashion goods, including the registrant."

5.8.2. Anticounterfeiting

While the metaverse affords brands numerous opportunities to sell legitimate virtual goods, it also provides a new, digital forum for the sale of counterfeit goods.

Counterfeiting is the illegal production and sale of goods (including packaging) bearing without authorization a trademark that is identical to a validly registered trademark or that cannot be distinguished from such a trademark. The sale of counterfeit goods is a significant issue facing consumers, industry, and governments. The Internet heightens the problem, as counterfeiters can find simplified means and additional channels in the digital world to promote and sell their counterfeit goods.

While there is still uncertainty regarding the metaverse, brand owners must be forward thinking in their anticounterfeiting investigation and enforcement efforts and must consider how emerging metaverse platforms might become a conduit for fakes. Historically, counterfeit sellers flock to platforms that allow them to remain anonymous (likely in an effort to evade enforcement efforts by rights owners and law enforcement). Additionally, there are many environments to be created for consumers in the metaverse. In this regard, rights owners may be subject to the internal policies adopted by these platforms to obtain any meaningful enforcement.

Popular metaverse platforms, such as Roblox, are also considering the introduction of enforcement measures and counterfeit detection systems. Roblox recently filed a patent application (No. 20210174132) for methods, systems, and computer-readable media to detect counterfeit virtual three-dimensional (3D) objects. It is likely that other metaverse platforms will follow suit and begin

to adopt policies and implement systems to help brand owners engage in anti-counterfeiting measures. Moreover, it is interesting to consider how counterfeiters might adapt their business models. For example, if a user purchases a counterfeit virtual good, could they then also be sent the physical counterfeit good as well? Additionally, each transaction will likely involve the exchange of digital currency only, either cryptocurrency or some other form of digital currency. This will make it even more difficult for rights owners to investigate and enforce intellectual property rights.

As the technologies connected to the metaverse take shape at an accelerated pace, it is important for brands to develop their own internal strategies that factor in potential counterfeiting challenges and to exchange best practices with other IP and enforcement practitioners as the landscape continues to evolve.

5.8.3. Trade Dress/Passing Off and Unfair Competition

Issues related to the enforcement of unregistered trademarks in the form of get up, trade dress, passing off, and unfair competition (depending on jurisdiction) are similar to issues relating to the enforcement of registered trademarks. Assessing confusion, jurisdiction, and enforcement will raise the challenges already set out in this paper. There are nuances in some jurisdictions. In the previously mentioned *E.S.S. Entertainment* case, a U.S. court addressed whether use of trade dress may be protected by the First Amendment as an expressive work, as use of trademarks can potentially be. The U.S. Ninth Circuit held that the depiction of a business's trademark and trade dress in a video game did not infringe the actual business owner's trademark and trade dress because the video game was "artistic" and protected by the First Amendment. See *E.S.S. Entertainment 2000, Inc.*, 547 F.3d 1095. As noted above, the distinction the court drew between the real world and a video game may not apply in situations where brands are active in the metaverse. For example, a physical world strip club operator could establish a virtual strip club in the metaverse that replicates the look and feel of its physical world establishment. A subsequent user attempting to open their own club with the same or similar name or trade dress could cause a reasonable consumer to be confused as to which club was the "authorized" metaverse location.

5.8.4. Design Rights

Questions regarding the enforcement of design rights in the context of the metaverse are also unanswered. For example, in some jurisdictions regulatory or judicial guidance has yet to appear on the issue of whether design rights in physical items can be infringed by virtual goods (e.g., whether the protected design of a chair is infringed by the same design of a virtual chair).

In the United States, no court has squarely addressed the issue. However, years before the recent development of the metaverse, one district court dismissed a complaint for design patent infringement, finding that a depiction of a weapon in a video game did not constitute infringement of a design patent for a similar weapon, because no reasonable person would purchase the virtual depiction believing they were purchasing the real product embodying the patented design. (See *P.S. Products, Inc. v. Activision Blizzard, Inc.*, 2014 WL 1053078, 140 F.Supp.3d 795 (E.D. Ark., 2014)). The issue has yet to be addressed by the Court of Appeals for the Federal Circuit (CAFC) or the U.S. Supreme Court.

As to the EU design protection regime, one might expect that the scope of a protected design would not be limited to a certain product indication, including a virtual product. A Registered Community Design (RCD) confers an exclusive right to use and to prevent the use of the RCD for all types of products, independently of the product classification used in the RCD.

Finally, the product indication terminology of the Locarno Classification and the various IPOs' practice in this regard should be reviewed, updated and harmonized to include the terms of the metaverse digital elements, such as NFT or other digital goods.

5.9. Practical Enforcement Considerations

As metaverse platforms gain in popularity, the misuse of trademarks continues to grow. Due to the enhanced pseudonymity of users on metaverse platforms, as a practical matter, in most situations enforcement starts and ends with reporting infringement to the operators of the metaverse platform. This is because identifying the actor behind the infringement can be difficult and expensive, due to the greater ease of hiding one's identity on platforms where transactions are in cryptocurrency and not tied to traditional banking systems (which require certain personal information). In addition, reporting the infringement to the platform operator usually leads to a quicker and less costly solution. As a brand's goal is often just to remove infringing content, reporting to the platforms serves this end well.

As with traditional websites, social media, and online platforms, the existing metaverse platforms typically provide reporting mechanisms for IP violations, including trademark and copyright. For the most part, these metaverse platforms accept and take action based on the reported infringements. This is perhaps because, while users of metaverse platforms benefit from the pseudonymity allowed by the technology and platforms, the platform operators are well known and could face liability for contributory infringement if they fail to take action after reported infringements. See *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 940, 947 (9th Cir. 2011) (reversing trial court's judgment as to contributory infringement claims and awarding damages for contributory infringement where plaintiff provided actual notice of infringement to defendant webhost).

Key Takeaways

- Determining jurisdiction will be a key issue and also a challenge. The ability to identify the alleged infringer and their place of domicile will place plaintiffs in a stronger position.
- There is a balance to be struck between IP protection and free expression.

6. Multijurisdictional Enforcement Initiatives Related to the Internet May Be Applicable to the Metaverse

To the extent that the metaverse of the future truly will become universal, it is likely to implicate cross-jurisdictional issues that governments have been grappling with for some time in the context of Internet/digital regulation. In section 5.1, above, we addressed the difficulties that trademark owners and litigants may encounter establishing jurisdiction in local courts due to the lack of clear geographic situs of metaverse interactions and players as needed for the commencement of an ac-

tion. The concepts of habitual residence, place of business, and real estate property location, upon which legal systems are generally based, may become meaningless in the context of the metaverse. Similar challenging jurisdictional issues, some of which still have not been resolved, have been raised since the dawn of the Internet. Institutions and organizations, including NGOs, have attempted to address (and, in some cases, to resolve) these cross-jurisdictional issues for some time.

The same complications that arise when multiple jurisdictions assert an ability to hear a particular dispute related to website, domain name, and Internet-related infringements are likely to emerge in the metaverse as well. As such, it is worthwhile to look at the ways in which cross-border cooperation has already been addressed in connection with Internet disputes, as this will be instructive and provide a strong baseline for how to treat conflicts that arise in the metaverse. However, there are other aspects of metaverse-based dispute resolution that still need to be thought through by practitioners and brand owners.

6.1. Established Internet Enforcement Regulations

There are a number of established multijurisdictional regulations and policies that allow the takedown of infringing content on the Internet. Such measures, which transcend borders, could be used to take down infringing content across the metaverse, as discussed above, or could be the basis for newly developed takedown procedures specifically applicable to the metaverse. Ultimately, the metaverse is grounded in the Internet. Without access to the Internet, the metaverse could not exist. The challenge with the metaverse is applying such measures or similar measures across decentralized platforms.

An example of an established cooperative Internet takedown procedure that could be applicable to the metaverse is the EU E-Commerce Directive, which advises that hosting providers in the EU are not liable for the information they store on the condition that, if they are made aware of illegal activity, they act expeditiously to remove or disable access to the information. There is a similar provision in the United States under the Digital Millennium Copyright Act (DMCA), which allows anyone worldwide to request that a U.S.-based Internet service provider take down content that infringes the requestor's copyright. Such provisions could be used to take down infringing content in the metaverse if there were an overarching operator; however, without a central contact for complaints to be lodged, such procedures may not be applicable in the metaverse.

With respect to major top-level domains (TLDs) like .com, .net, and .org, the multijurisdictional policy established by ICANN under the UDRP becomes applicable once a domain name is registered under one of the TLDs. This policy requires registrants to submit to arbitration should the registration of domain names and their use infringe the rights of others. Under the UDRP, a brand owner can file a complaint and the case is decided by an arbitration panel from a dispute resolution service provider accredited by ICANN, like the WIPO Arbitration and Mediation Center. If the complainant succeeds, the domain name is transferred to the brand owner. While the UDRP is a good example of a successful cross border takedown measure that could be instructive to metaverse takedowns, its applicability to the metaverse is questionable given the decentralized structure of the metaverse, the distinction between website domain names and blockchain domain names (that is, domain names that operate and are stored in a decentralized network or a blockchain), and the challenge of locating the appropriate party with which to arbitrate the dispute.

Europe, specifically the EU, is already addressing how to better police the digital world in its introduction of the Digital Services Act (DSA). The DSA came into force in the EU on November 16, 2022. The purpose of the DSA is to:

- Better protect consumers and their fundamental rights online;
- Establish a powerful transparency and a clear accountability framework for online platforms; and
- Foster innovation, growth, and competitiveness within the single market.

The DSA provides that online platforms must comply with a number of requirements, including but not limited to:

- Having an internal complaint handling system;
- Creating an ADR process to resolve disputes with their users (the out-of-court dispute settlement mechanism);
- Publishing detailed reports on the removal and the disabling of illegal content or content contrary to their terms and conditions;
- Prioritizing requests for illegal content removal from “trusted flaggers”;
- Complying with additional transparency rules for online advertising;
- Requiring that online platforms that allow consumers to conduct distance contracts with sellers ensure that sellers can only offer goods and services via their platforms after complying with strict “Know Your Customer” procedures;
- Keeping information about the sellers in order to help track down sellers of illegal goods or services;
- Assisting with compliance with a seller’s obligations to keep consumers informed and provide appropriate product safety information;
- Verifying information relating to sellers using their platforms, including collecting the sellers’:
 - detailed contact information;
 - personal or business identification documents;
 - bank account numbers and financial details; and
 - any registration with trade registers.

The requirement for ADR dispute resolution methods, signals that the EU intends to bypass the difficulties of establishing territorial court jurisdiction. It is important to note that INTA expressed several concerns on the proposed out-of-court dispute settlement mechanism envisioned in the draft DSA. In its comments to the draft DSA, INTA expressed concerns that the proposed process, when it comes to issues of trademark or copyright infringement, will likely create problems and negative unintended consequences for stakeholders, including multinational corporate brand owners, small trademark owners, consumers, and online platforms. In particular, the specific concerns raised by INTA were the following:

- Factually complex trademark and copyright disputes are not appropriate for the draft DSA out-of-court dispute settlement process.
- The system could potentially result in inconsistent decisions, particularly relating to cross-border disputes and application of different national trademark laws.
- The mechanism potentially could encourage forum shopping in different EU

- Member States, with negative unintended consequences to global commerce, lawful trademark use, and free speech.
- The current procedure could lead to duplicate legal proceedings to circumvent the out-of-court dispute settlement body decisions.

In terms of next steps, online platforms were required to publish their number of active users by February 17, 2023. If the platform or a search engine has more than 45 million users, then the Commission will designate such services as either a very large online platform or a very large online search engine. These entities will have four months in which to comply with the obligations set out in the DSA. Platforms with less than 45 million active users have until February 17, 2024, to comply.

6.2. Internet and Metaverse-Related Enforcement Forums and Initiatives

As discussed above, the forums and remedies available for Internet disputes are likely to be used when issues arise in the metaverse as well, at least initially. Accordingly, a review of the current state of these topics as addressed with regard to the Internet is instructive and helps to inform the policy approach that could be taken. The Internet & Jurisdiction Policy Network (“I&JPN”), a multistakeholder organization addressing the tension between the cross-border Internet and national jurisdictions, released a detailed and informative report in 2019 suggesting that there is a need to coordinate and harmonize any regulatory initiatives (including those providing for dispute resolution), whether they are legally mandated or voluntary. The UN Secretary-General’s High-Level Panel on Digital Cooperation also issued a 2019 report decrying the fact that, while global interconnectivity has grown with the expansion of Internet access, there has been insufficient coordination of the governance of this landscape.⁴³

The uniformity of rules governing the Internet and, by extension, the metaverse, is crucial to providing clarity and predictability to various Internet stakeholders (such as platforms and consumers, to name a few). It is also important that any governing rules reflect the different types and sizes of the subject entities, including by considering that some entities are large multinational companies while others are single-operator businesses. Such rules must also be readily accessible to members of the public. The ultimate goal of such coordination (at least from a brand owner’s perspective) is to protect IP rights, particularly trademark rights, in accordance with the principle of “universality,” i.e., by having analogous or even identical standards of protection and infringement across jurisdictions.

Thus far, Internet conflicts have increasingly arisen in connection with determining when jurisdiction (especially extraterritorial jurisdiction) may be permissibly asserted, in particular, where the laws of different jurisdictions may result in different legal outcomes.⁴⁴ Although the decentralized nature of the metaverse might suggest a possible solution to such discrepancies, in reality, legal demands and actions—even if relating to metaverse-only infringement—still need to be based on and grounded in the laws or rules of a particular jurisdiction. As such, harmonization will still require cross-border cooperation, whether at the level of government or the private sector. The EU’s General Data Protection Regulation (GDPR) provides an interesting case study. In some regard, the GDPR

[43] The Age of Digital Interdependence, available at <https://www.un.org/en/pdfs/DigitalCooperation-report-for%20web.pdf>.

[44] There are already cases showing the potential complications of simultaneous assertions of jurisdiction by different courts. In *Google Inc. v. Equustek Solutions Inc.*, the Supreme Court of Canada issued an injunction requiring Google to remove certain results from its search engine worldwide. 2017 SCC 34 (June 28, 2017), available at <https://globalfreedomofexpression.columbia.edu/wpcontent/uploads/2015/02/Google-Inc-v-Equustek-Supreme-Court-Ruling.pdf>. A U.S. federal court subsequently granted Google’s request for a preliminary injunction stating that the Canadian court’s order cannot be enforced in the United States. See *Google LLC v. Equustek Sols. Inc.*, No. 5:17-cv-04207- EJD, 2017 U.S. Dist. LEXIS 182194 (N.D. Cal. Nov. 2, 2017), available at <https://www.eff.org/document/google-v-equustek-nd-cal-order-granting-preliminary-injunction>

has increased harmonization in the realm of data privacy on the Internet because other jurisdictions have adopted similar laws and because private companies may have chosen to comply with the GDPR's requirements outside the EU as well. However, given the extraterritorial application of the GDPR and copycat laws, one entity may be subject to liability in multiple jurisdictions. Moreover, because other jurisdictions (like the United States, China, and Japan) have taken different approaches to data privacy than the EU, an entity may be faced with complying with inconsistent or incompatible requirements. Provisions for IP disputes in the metaverse could benefit from the learnings from these experiences. Ideally, that would result in the establishment of consistent, cross-border rules and enforcement mechanisms early on, either as formal laws and regulations or as voluntary private sector best practices. Although it may not be possible in all spheres of law, it is possible that such rules could be adopted in connection with trademark disputes—similar to how the UDRP has provided a consistent set of rules and enforcement mechanisms for generic top-level domain name disputes. This could create a single forum with a single set of rules for a limited set of disputes and reduce the costs of compliance for all parties.

One thing separating the metaverse from the Internet is the former's nascency, which means that, unlike the now-entrenched Internet, technical considerations (particularly the interoperability of various metaverse platforms) must still be resolved.

Indeed, interoperability is such an important issue that—as already addressed on Section 1—on June 21, 2022, a “Metaverse Standards Forum” was established, which according to its own presentation aims to be “A Venue for Cooperation between Standards Organizations and Companies to Foster the Development of Interoperability Standards for an Open and Inclusive Metaverse”.⁴⁵ Of course, the success in fixing standards largely depends on who is on board. Presently, some major players such as Meta, Microsoft, Epic Games, Adobe, Nvidia, Sony, and Unity are involved, but there are also notable absences such as Apple, Roblox and Snapchat. It is too early to comment on the activity of this forum, which should, however, be closely monitored. Still, given that the rules for the metaverse are being written now, this may provide a unique opportunity for the rights of IP holders to be considered and protections thereof to be incorporated from the ground up.

The ongoing difficulties in harmonizing the governance of the Internet are likely to be seen in the metaverse as well. By the same token, however, dispute resolution mechanisms already being deployed to resolve Internet-based disputes can be used as a starting point for similar procedures in the metaverse. Moreover, the metaverse offers an opportunity to create a program that offers a centralized, consistent set of criteria for identifying and redressing various infringements. The work already being done to ensure interoperability indicates that it would be feasible to integrate such a program into the technology upon which the metaverse rests.

Key Takeaways

- Existing takedown systems may well prove useful in the metaverse.
- There are currently inconsistent or incompatible requirements between jurisdictions in dealing with some issues such as data, but progress in harmonizing the governance of the Internet will benefit the approach to the metaverse.

[45] See: (https://docs.google.com/presentation/d/1tpKTlp9aVeJGD0E_0yBGuo37omZhGAjWmM1OH8hnsQ8/edit#slide=id.g135378f59d9_40_68).

7. Additional Considerations on Dispute Resolution in the Metaverse

As noted earlier, the metaverse does not identify a single virtual space but rather is decentralized across various platforms, and each of which is governed by its own contractual agreement with its users (“Terms of Service” or “Terms of Use”). The Terms of Service will govern how the users interact with the platform and other users within the platform. The Terms of Service might also include language around laws governing the use of the platform and the venue, or forum, for bringing disputes against other users within the platform. However, what happens if a court finds some contractual clauses in the Terms of Service to be void and unenforceable? In the current metaverse landscape, the different Terms of Service may make it inefficient for trademark owners not only to police their marks on the myriad platforms, but also to bring claims of any potential infringement on the individual platforms. Also, as metaverse platforms become interoperable, would Terms of Service need to be harmonized across platforms? If the Terms of Service are not harmonized or “interoperable,” what happens when there are conflicting clauses between platforms? Which Terms of Service should control? These questions have given some traction to support for the creation of a “meta jurisdiction” with global rules that apply to all metaverse platform operators.⁴⁶ This would require collaboration between technology companies, government entities, and non-governmental organizations, and there is uncertainty as to whether this will happen.

7.1. Formation and Validity of Forum Selection Clauses and Arbitration Agreements in the Metaverse

Parties to contracts, subject to domestic laws and limitations, can submit disputes to particular courts if they include a choice of venue clause in their agreement. Alternatively, parties can include an arbitration clause identifying arbitration as the preferred method of dispute resolution. In most jurisdictions, choice of venue and arbitration clauses—subject to domestic law or by way of international conventions (New York Convention⁴⁷ and the Convention on Choice of Court Agreements⁴⁸)—must be made in writing. We must ask whether an electronic form of contracts in the metaverse will be sufficient for those cases—will they be considered to be a writing? In the realm of the physical

[46] <https://thehill.com/opinion/technology/583529-why-we-need-meta-jurisdiction-for-the-metaverse/#:~:text=Nor%20should%20the%20metaverse%20be,shoulder%2C%20all%20donning%20their%20headsets>

In this article it is argued: “If the Metaverse is to unleash the full potential of the Internet, it should not be stymied by nefarious actors, Big Tech, or self-interested states exercising digital realpolitik. Nor should the Metaverse be bound by traditional notions of jurisdiction. Instead, we need “meta jurisdiction” for global rules that could be enforced by many stakeholders, not just states. Technologists, nongovernmental organizations and lawyers need to work shoulder to shoulder, all donning their headsets.”

[47] United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 10 June 1958) - Article II:

1. Each Contracting State shall recognize an agreement in writing under which the parties undertake to submit to arbitration all or any differences which have arisen or which may arise between them in respect of a defined legal relationship, whether contractual or not, concerning a subject matter capable of settlement by arbitration.
2. The term “agreement in writing” shall include an arbitral clause in a contract or an arbitration agreement, signed by the parties or contained in an exchange of letters or telegrams.
3. The court of a Contracting State, when seized of an action in a matter in respect of which the parties have made an agreement within the meaning of this article, shall, at the request of one of the parties, refer the parties to arbitration, unless it finds that the said agreement is null and void, inoperative or incapable of being performed.

[48] Convention on Choice of Court Agreements: Article 3. Exclusive choice of court agreements: For the purposes of this Convention –

- a) “exclusive choice of court agreement” means an agreement concluded by two or more parties that meets the requirements of paragraph c) and designates, for the purpose of deciding disputes which have arisen or may arise in connection with a particular legal relationship, the courts of one Contracting State or one or more specific courts of one Contracting State to the exclusion of the jurisdiction of any other courts;
- b) a choice of court agreement which designates the courts of one Contracting State or one or more specific courts of one Contracting State shall be deemed to be exclusive unless the parties have expressly provided otherwise;
- c) an exclusive choice of court agreement must be concluded or documented –
 - i) in writing; or
 - ii) by any other means of communication which renders information accessible so as to be usable for subsequent reference;
- d) an exclusive choice of court agreement that forms part of a contract shall be treated as an agreement independent of the other terms of the contract. The validity of the exclusive choice of court agreement cannot be contested solely on the ground that the contract is not valid.

world, evidence of electronic records that demonstrate an agreement might be deemed sufficient per domestic regulations, but there might be some uncertainty as to how courts or arbitration tribunals would rule on the formation and validity of these types of agreements in the metaverse. Coordination with UNCITRAL and the Hague Conference on International Private Law, among others, might be warranted to establish consistent recommendations to member states.

7.2. Types of Disputes Possible in the Metaverse and Issues that Might Arise

7.2.1. Disputes Against Metaverse Platforms

Predictably, as with any digital platform that is subject to breaches in its systems, disputes will arise between users and metaverse platforms concerning the misuse of users' personal data. Disputes relating to virtual real estate will certainly arise. With respect to real estate, for example, what happens if a platform goes bankrupt altogether or ceases operations? Turning to the IP sector, trademark disputes can arise between Internet platform users that might be subject to the regulations of service of the platform. Trademark owners and companies should assess the guarantees offered by metaverse platforms and the particularities of the Terms of Service of each of them. This includes carefully reading the Terms of Use concerning these important areas, among others:⁴⁹

- Prohibited activities;
- Any limitation of liability by the platform;
- The governing law and its impact on the users' rights and obligations; and
- The dispute resolution method, i.e., choice of court or forum selection agreement or arbitration agreement (e.g., arbitration under the ICC rules is indicated in the Decentraland terms and Hong Kong courts for The Sandbox).

7.2.2. Disputes among Metaverse Users

As for disputes amongst metaverse users, the first complication will likely be that of the identification of the parties. In addition to trademark disputes, other disputes will inevitably be replicated from the physical world, such as theft of digital assets or of identity. On the other hand, a large portion of disputes will arise from contractual relationships between users. In the metaverse, users can⁵⁰:

- offer services to other users (e.g., gaming experiences, concerts, plays, etc.);
- create digital assets and sell them to other users; and
- rent or resell virtual land to other users.

But what terms and conditions apply to these transactions? These transactions most certainly will be completed through smart or e-contracts. However, such contracts are currently limited to monetary transactions and term limitations and are not suitable to establish a framework for more complex rights and obligations. Thus, Juliette Asso and Laura Azaria argue that "it might therefore be advisable to also enter into a 'classic' contract specifying in particular the real identity of the avatars and the applicable law and dispute resolution mechanism chosen by them. The applicable

[49] Juliette Asso and Laura Azaria. *The Metaverse and International Arbitration – How to Anticipate and Resolve Web 3.0 Disputes*. Last visited: October 25, 2022). Available: <https://www.lalive.law/wp-content/uploads/2022/03/The-Metaverse-and-Intl.-Arbitration-How-to-Anticipate-and-Resolve-Web-3.0-Disputes.pdf>

[50] Juliette Asso and Laura Azaria. *The Metaverse and International Arbitration – How to Anticipate and Resolve Web 3.0 Disputes*. Last visited: October 25, 2022). Available: <https://www.lalive.law/wp-content/uploads/2022/03/The-Metaverse-and-Intl.-Arbitration-How-to-Anticipate-and-Resolve-Web-3.0-Disputes.pdf>

law would address all the issues that could not be anticipated upon coding of the smart contract or drafting the ‘classic’ contract.”⁵¹

Alternatively, metaverse platforms could start providing fair and impartial dispute resolution mechanisms for disputes between users. The Digital Services Act (DSA) of the EU Commission obligates search engines and online platforms to provide for dispute resolution. By way of example, the ambit of WIPO’s mediation and arbitration center is not confined to domain name issues but extends to all forms of IP issues including commercial and technology-based disputes. As noted above in Section 6.1, INTA has expressed the system’s shortcomings for trademark disputes. The success of metaverse platforms most certainly hinge on their ability to adequately provide for effective dispute resolution methods.

Key Takeaways

- Users should carefully consider the terms of use/service offered by metaverse platforms.
- Users should utilize traditional contract arrangements where possible to address some of the gaps in smart or e-contracts.

8. Where Do We Go from Here? Issues For Further Consideration and Possible Advocacy by INTA

The discussions in this white paper make clear that there are several possible topics that INTA should identify for further study and for the possible establishment of policies and positions for further advocacy.

8.1. The Nice Classification System

The current approach of the USPTO and EUIPO of establishing Classes 9, 35, 41, and 42 as the main Nice classes to protect virtual goods/services should be taken into account when crafting filing strategies. Would an update to the Nice Classification System make classification easier and provide for a more efficient classification to register trademarks at the international level? Some stakeholders are in favor of establishing a new Nice Class 46 for digital goods and services, although at least from a clearance perspective we do not believe this would not represent a solution due to the continuing need to check related classes. Other stakeholders have argued for virtual goods to be registered under the same classes as their non-virtual or physical goods. These possible solutions, among others, should be studied by INTA committees to determine the advocacy approach that INTA should take so that brand owners do not incur unnecessary expenses in brand protection strategies that might not eventually be of benefit.

8.2. Zone of Expansion

Trademark owners have no certainty that under a traditional zone of expansion analysis, a court would find that virtual goods are in the natural zone of expansion of their physical world counterpart.

[51] Id.

Accordingly, trademark owners should be wary of this uncertainty and develop strategies to diminish risks to their brands. Further research and advocacy might be warranted to establish guidelines for courts and tribunals to exercise flexibility when tasked with determining whether owners of trademarks for physical goods can enforce their rights in the metaverse without additional registration or use of a mark that is specific to the metaverse. The same should hold true for preexisting shape trademarks and trade dress where sufficient evidence of secondary meaning can be established.

8.3. Metaverse Borders

Legal systems are based on geographic or territorial terms. However, in the metaverse, the situation is much different, as there are neither “borders” nor is there a particular “situs” for an individual or of possible interactions between individuals. Avatars from all around the world theoretically will be able to interact with each other; time, location, and identity are concepts that not particularly well-suited for the metaverse. The legal concepts of habitual residence, domicile, and place of business of the parties, become—to a certain extent—less meaningful in this context. INTA should consider studying the impact of these factors in its consideration of whether to advocate in favor of model Terms of Service, including some basic provisions regulating the protection of IP rights and to devise mechanisms for better and more effective enforcement. Further, INTA could advocate and pursue educational programs on the best practices for licensing and contracting of digital assets in the metaverse.

8.4. Licensing IP in the Metaverse

Questions on how licensing practices should adapt to the metaverse landscape as its development evolves are ripe for study. Particular challenges have been described in this white paper that will need be taken into account by trademark owners. There is an opportunity for INTA to be at the forefront of these issues and provide model license terms for trademark licenses in the metaverse and provide educational events to highlight and advance these issues. Moreover, related to licensing, the development of digital IP and digital assets, like NFTs, which will continue to have a profound presence in the metaverse, has led to the proliferation of online agreements that do not adequately and clearly relate the digital asset with the underlying IP rights. Many of these agreements do not appear to have been written by attorneys and often include contradictory terms. This goes to the crux of what consumers are obtaining in terms of IP rights when they purchase a digital asset. This situation is likely to lead to a messy and disruptive legal landscape as conflicts develop in the coming years under these agreements. Consumers will ultimately be the victims when they discover that they received less than they thought. INTA, in its professional leadership role, should set forth best practices and/or educational campaigns regarding ownership, licensing, and assignment of digital assets and their underlying intellectual property rights. This content could be provided at two levels—a basic issues checklist for consumers and a more detailed breakdown for practitioners. INTA should be at the forefront of the analysis of these matters and how they affect trademark owners and should advocate for better solutions.

8.5. Modification of Coverage of Existing Registered Rights

Could trademark offices permit brand owners to update their existing registrations to cover virtual versions of their physical goods services? This could be akin to the USPTO’s technology evolution pilot program covering changing technologies.⁵² As part of its advocacy work INTA could pursue further study of this to determine feasibility.

[52] See <https://www.uspto.gov/trademarks/maintain/amending-your-registration-s-goodsservices-when>

8.6. Harmonization on What Constitutes Trademark Use

INTA should take a stance on how use of a trademark in the metaverse should be assessed. Since national trademark laws and offices already take diverse views of trademark use for the purposes of trademark registration, renewals and enforcement, INTA should consider how it might advocate for better international alignment so that there are commonly understood norms of trademark use across both borders and metaverse platforms.

8.7. Jurisdiction and Enforcement Issues

The unique barriers to successful counterfeit detection and enforcement of trademarks, design rights, and trade dress that exist in the metaverse, including the difficulty in identifying infringers and establishing jurisdiction create uncertainty for brand owners. INTA might advocate with government entities and other international organizations for the establishment of clearer rules and criteria for courts addressing jurisdiction matters. For example, some criteria, like the “mere accessibility” criterion used in some contexts (e.g., EU and India) for Internet cases, might bring unwarranted consequences for brand owners in the metaverse setting. It is still unclear whether, as in the Internet setting, a brand owner might be able to “target” particular markets or platforms (and exclude others) to limit its legal exposure to being summoned inadvertently to court proceedings in jurisdictions not being targeted. Through its committees, INTA should study and devise the proper guidelines to advocate for criteria to establish court jurisdiction that would accommodate the tensions inherent in protecting the rights of brand owners and consumers, and potential for companies and trademark owners to be summoned to courts with little or no territorial connection to disputes due to the decentralized and borderless nature of the metaverse.

8.8. INTA Involvement

Brand owners can take cues from local statutes and decisions by courts, as well as from policies and dispute resolution procedures from cross-jurisdictional organizations like ICANN and the Internet & Jurisdiction Policy Network that have addressed, or are working to address, such issues as they relate to the Internet. However, one thing separating the metaverse from the Internet is the former’s nascency, which means that, unlike the now-entrenched Internet, technical and legal considerations (particularly the interoperability of various metaverse platforms) must still be resolved. There is ample room for INTA’s involvement and advocacy to shape the legal aspects of the future operation of the metaverse.



**International
Trademark
Association**