



Article

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Intellectual property rights in the metaverse

Trademark in the world of metaverse

Over the past decade, the use of the internet has undergone a massive evolution across the globe. Today, the metaverse can be viewed as one of the driving forces that is aiding the transformation of various industries such as entertainment, technology, gaming, etc. Due to the metaverse's increasing popularity and usage, protecting intellectual property rights ("IP") has come to the forefront and will play a crucial role in safeguarding ownership rights in the metaverse including the creation of digital avatars and use of virtual goods.

Usage of IP in the metaverse ushers its own set of multifold challenges and opportunities. In this article series of IP in the metaverse, we aim to analyze essential IP that needs to be safeguarded in the metaverse.

This article deals with a detailed analysis relating to the risks, challenges and potential approaches or recommendations for trademarks in the metaverse.

Overview of trademarks in the metaverse

Use of registered and known trademarks in the metaverse is a benefit for trademark proprietors as this enables them to extend their brands to the virtual world in order to ultimately increase their brand recognition. A brand or company's goods and services have the ability to be recognized by the public at large just by using the trademark, which allows them to gain trust from customers and sets it apart from competitors in the dynamic world of the metaverse. Besides, trademarks serve as a valuable marketing tool for businesses.

In India, trademarks are governed by the Trademarks Act, 1999 and rules framed thereunder and defines it to include "*a mark that can be expressed publicly and has the ability to differentiate the goods or services of a particular individual or company from others and may include shape of goods, their packaging and combination of colours.*" Predominantly, it comprises of devices, brands, headings, labels, tickets, names, signatures, words, letters, numerals, shape of goods, packaging, or combination of colours or any combination of words i.e. taglines, etc. and grants exclusive rights to proprietors of such marks in a particular jurisdiction. In India, any such trademark can be applied for registration with the Trademark Registry under the relevant Nice class/es. Since brand owners and companies are considering constructing their virtual marketplace, seeking appropriate trademark registrations, protecting their brands by a robust

policing strategy, and granting appropriate licenses and terms of use will enable them to explore the metaverse while effectively safeguarding themselves and their brand identities against potential third party infringements and dilution.

Recent developments

The developments in the field of IP in recent times have been promising. As a result of the metaverse, there has been a significant increase in applications for registrations of trademarks for virtual goods. This trend of virtual goods has been on the upward swing and has, in turn, led to the inclusion of recognizing various downloadable virtual goods and NFT¹s in the 12th edition of Nice classification.² EUIPO³ and the USPTO⁴ have also recently issued guidelines for the classification of terms such as ‘virtual goods’ and ‘non-fungible token’ recognizing IP rights in intangible goods for the first time. The shift in the scope of trademark protection has set in motion a trend to seek new registrations for ‘downloadable virtual goods’ and ‘online virtual services’ under the relevant class of the Nice classification.

The importance of protection of one’s trademarks in the metaverse is gaining footing in the general practice of trademark registration with McDonald’s filing for registration of the mark ‘McCafé’ for the services of a virtual restaurant at the USPTO⁵. This normalization of including virtual goods to be transacted with in the metaverse is gaining popularity amongst industry giants as well. Reliance has acquired registration in India for ‘Ajio Luxe’⁶ to be utilized in the metaverse and the like for virtual footwear and apparel. Thus, it seems like major brand owners are quickly realizing the need and are being proactive in increasing the scope of protection offered to their trademarks in not only the tangible world but also in the virtual world.

Challenges and ideas to tackle

The burgeoning use of trademarks in the metaverse presents both opportunities and challenges for brand owners. Below is an elaboration of the challenges which are being faced by brand owners and suggestions to overcome these challenges.

Absence of specific remedies under domestic law

Though the Nice classification creates scope to seek registration for protection of virtual goods in India, there are no specific inclusive domestic laws or guidelines that caters to protection of the trademarks in the metaverse in case of infringement. Eventually, the applicants or proprietors of the trademark will have those general causes of action against infringement that are currently available under trademark law or common laws, such as suits for infringement, etc., while these remedies are effective in the physical world, in the virtual space, actually effectively protecting the trademark can be very challenging. Thus, it becomes imperative for the legislature to properly regulate this space. Legislators need to therefore frame domestic law, regulations, and guidelines in such a way that it includes all the possible scenarios they can predict for use and display of unlicensed and unauthorized trademarks in the metaverse and all digital platforms.

Clear understanding of what amounts to Trademark infringement

Expansion of brand recognition and innovative marketing strategies in the metaverse is also likely to increase the risk of trademark infringement in the metaverse. In the metaverse, there is a possibility to sell and buy virtual items with third-party trademarks also increases the potential of infringement and

¹ non-fungible token

²https://ncipub.wipo.int/enfr/?basic_numbers=show&class_number=9&explanatory_notes=show&gors=&lang=en&menulang=en&mode=flat¬ation=&pagination=no&version=20240101

³ European Union Intellectual Property Office

⁴ United States Patent and Trademark Office

⁵https://tsdr.uspto.gov/#caseNumber=97253336&caseSearchType=US_APPLICATION&caseType=DEFAULT&searchType=statusSearch

⁶Application bearing number 5248715 in class 9 with the Indian Trademark Registry

counterfeiting by ten-fold. Thus, brand owners should be very well aware of the dangers of using their brand names and trademarks in virtual worlds.

Another major hurdle for protection of trademarks in the metaverse is identifying and tracking down illegal users and infringers. Effective policing and enforcement measures are the need of the hour. The law currently provides for protection to trademarks not only in the real world, but the same scope of protection can also be extended to safeguard against any infringement in the metaverse. However, to allow legal actions for infringement, it would be absolutely critical for the brand owner to register the mark for digital goods and services since a trademark for the real world will not extend to virtual goods and services.

For effective protection of trademarks in the metaverse, given its digital nature, the roles of the intermediaries will be decisive. Ideally, such intermediaries should be mandated to report any kind of unauthorized use or display of trademarks to either any forum that can be formed in the similar vein of a copyright society or directly to the owner of the trademark so that they can take appropriate steps for the protection of their trademarks.

To safeguard the brand's authenticity and avoid financial losses and brand dilution, businesses must implement thorough plans and policing polices to manage the use of the trademarks efficiently and minimize potential infringement. Trademark monitoring services to identify any infringement activities or establishment of a system within the place of business comprising experts, to keep a close watch on market trends can be a significant impediment to such violations.

Internationally, there are ongoing legal disputes which are significant in nature which have been discussed below in this article.

Lack of jurisprudence dealing with trademark infringement in metaverse

With an increasing interest in participation in virtual marketplaces, new complex issues for brand protection and trademark infringement are rising to the forefront globally. In India, presently there are minimal ongoing disputes.

However, globally one of the most prominent and ongoing significant legal disputes regarding trademark use and infringement in metaverse is the case of Nike Inc v. StockX LLC⁷ wherein Nike has sued StockX claiming that StockX. StockX, the sneaker resale marketplace had used Nike's registered logos and goods to enter the NFT market without any license or consent from Nike as the brand owner. Thus, prompting Nike to initiate trademark infringement proceedings against them. On the other hand, StockX claims that the Nike-branded NFT merely tracks the ownership of the physical Nike product, which is safely secured in its vault not amounting to a trademark infringement.

Another such instance of infringement was the case Hermes v. Rothschild⁸, the luxury brand Hermes sued an artist for making and selling knockoffs in the metaverse through NFTs which was considered as both trademark infringement and cybersquatting.

The outcome of these disputes will play a significant role in developing global regulations and guidelines as to how third-party trademarks use in the metaverse will be treated as well as instances that may be considered fair use of the trademarks in the metaverse, so that, ultimately, the business of the brand owners can be profitable. Further, this will encourage brand owners and companies all over the world to seek registration of their brand names or trademarks for downloadable virtual goods and online virtual services increasing the participation of more and more brands in the virtual space.

⁷ <https://heitnerlegal.com/wp-content/uploads/Nike-v-StockX.pdf>

⁸ <https://www.wipo.int/wipolex/en/text/588771>

Uncertainty on the jurisdiction

Use of trademarks in the metaverse will also lead to certain challenges pertaining to jurisdiction and applicable laws, non-commercial and fair use defenses, infringement and the likelihood of confusion.

As the metaverse cannot be limited to geographical borders, this will definitely lead to confusion regarding the jurisdiction and applicable laws and regulations. A uniform system may have to be adopted at a global level which will address these concerns and avoid such conflicts. It is simple for users to create and sell unauthorized digital replicas of physical world content frequently branded with physical world trademarks in the metaverse. While it may be challenging to enforce trademark protection across different jurisdictions, a unified procedure to deal with infringers globally will provide a platform to assist brand owners to effectively undertake legal action.

Fraud and fake endorsement

For all the opportunities the metaverse opens up in terms of trademark use, the metaverse also creates opportunities for fraud and false endorsements which is likely to result in severe financial losses and reputational damage to companies and businesses, if they are not hyper vigilant and proactive in protecting their brand names and trademarks in the metaverse.

In a hypothetical situation if the trademark use has been done in good faith, then also it is possible that two users in the same virtual world space may experience digital features differently. Rendering verification of fair use of a trademark far more difficult in the metaverse than in the physical world. Another issue is experiences can always be personalized on metaverse platforms. For example, due to personal subscriptions, one user may see different brands than the other user with differential rights for the user. To navigate this, the terms of use in the metaverse should be strict and unambiguous for the users.

Conclusion

As companies continue to navigate this dynamic digital landscape, proactive strategies for protecting trademarks in the real and virtual world will be essential to harness the full potential of the metaverse.

To sum it up, given the immense potential and intricate obstacles in the metaverse, the need for a strong universal legal framework is vital as it can protect both the rights of the IP owners and the freedom of users to create virtual digital content in the metaverse. At a global level, trademark offices 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.

The development of specific rules and regulations to ensure that the protection of trademarks in the metaverse is vital to close the apparent gap between reality and the existing law. To close this gap, it would be pragmatic for legal frameworks to be comprehensive, keeping in mind technological advancements in the metaverse and practical innovation involved, as well as the usage of the technology by the users and creators. Moreover, for a universal adoption of the legal framework, there should be active participation by major stakeholders, and countries and recognition of the different legal systems in order to arrive at a consensus.

Due to the lack of specific legislation and jurisprudence regarding the metaverse, infringers at the moment find it easier and more opportune to exploit IP rights in the metaverse. If the laws do not catch up with the evolving technology in the metaverse, there will be increased incidents of infringement of trademarks, copyrights, designs, likeness, music etc., leading to grave financial losses and damage to the rights and reputation of the brand owners. Hence, in order to protect the interests of the existing IP owners, licensees

and future IP holders, it is essential to create a sound ecosystem by creating robust policing strategies to foster innovation and growth in the metaverse and digital space alike.

As India is in its transitional phase for the use and development of the metaverse; jurisprudence, and the judiciary will play a vital role in the development of the laws in India. Stringent penal provisions for the infringement or misuse or breach of the rights attached or granted to the users or creators in the metaverse will also be required. Besides protecting IP for all stakeholders, all this will have to be done to foster innovation and creativity in this dynamic digital environment.

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