



Navigating The Metaverse:

Trademark Infringements and its Legal
Implications

G. ELIAS

Introduction

The rapid advancement of technology and the increased adoption of virtual and augmented reality has resulted, among others, to the emergence and growth of the metaverse(s). The metaverse has brought about exciting new possibilities for entertainment, social interaction, and commerce. The metaverse and other emerging virtual realities have made the digital worlds to become more immersive and expansive by offering unprecedented opportunities for businesses to promote their brands and make money. The rapid development of the metaverse continues to raise a range of unanswered legal questions about intellectual property rights- especially in terms of brand management, trademark infringement and commercial identity protections.

A trademark is a symbol, word, or phrase used to identify and distinguish goods or services offered by a particular company. Trademarks can include logos, names, slogans, or any other unique identifier that sets a company apart from its competitors. Trademarks are generally classified into service marks, certification marks and collective marks, which can be conventional or non-conventional. Under the NICE classification, classes 1-34 are for goods, while 35 to 45 are for service marks.

Trademarks are a crucial aspect of modern business, allowing companies to protect their brand identity and reputation. Trademarks allow companies to create their unique identities to distinguish their products, goods, and services from any others- especially from those of their competitors in the same line of business. Trademarks are registered to provide legal protection and prevent competitors from using same or closely-similar symbols, words, or phrases. Registration of a trademark gives to the proprietor or the registered user of such mark exclusive right to the use of the trademark in relation to the goods registered. In Nigeria, by the provision of Section 5(2) of the Trademark Act, 1967, the use of a trademark by a person other than the proprietor of the trademark or a registered user will be an infringement of the trademark right. Brand is an integral part of businesses, and its protection is both a matter of statute (trademarks) and common law (passing off).



The metaverse as a digital space poses new challenges for trademark protection and enforcement. Metaverse users (individuals and corporate entities) interact with each other in real-time, engage in commerce, create content, and explore virtual worlds. A major highlight of the metaverse, are digital transactions, e-commerce involving virtual products and services that may bear similar names or designs to existing trademarks. This is especially so, considering that the metaverse is arguably a different jurisdiction lacking any trademark protection frameworks. The questions on trademark rights violation and legal implications are continuously arising and the territoriality of trademarks accentuates these questions.

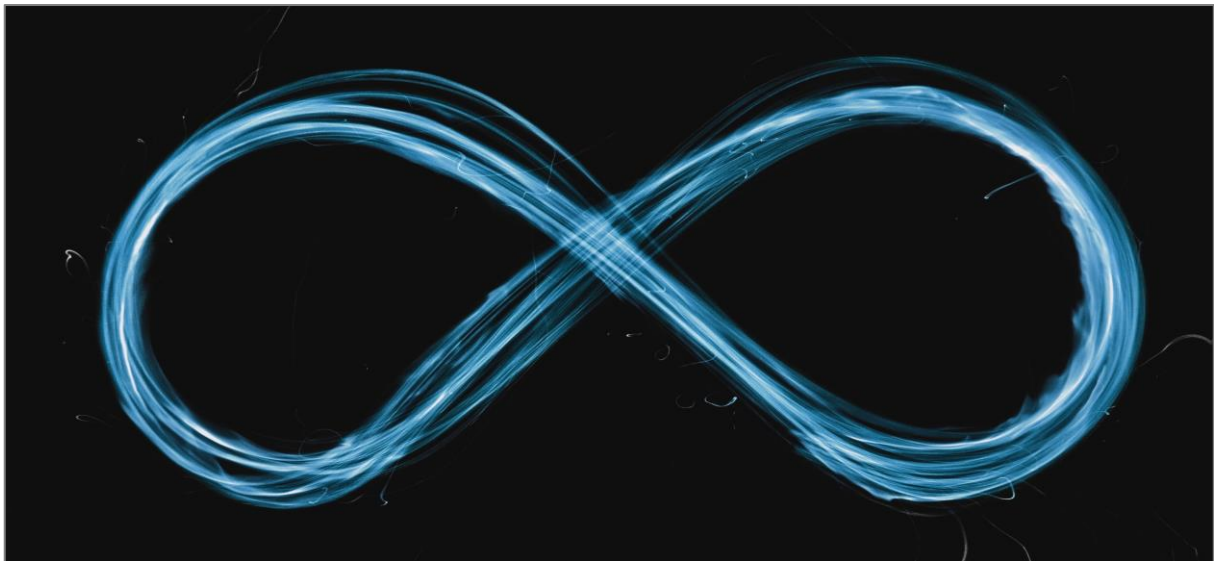
It is important to have a legal framework to regulate the activities and protect people's rights. As the virtual world continues to evolve, it will be important for individuals and businesses to stay informed about the legal landscape and take steps to protect their intellectual property. In this article, we will explore trademark rights and infringements in the metaverse, through existing legal frameworks, existing legal disputes, and make some practical recommendations.

The Metaverse

The Metaverse is a virtual world that is envisioned as a fully immersive, multi-dimensional environment that is accessible to users from anywhere in the world. It is a network of interconnected virtual worlds that allow users to interact with each other in real-time, using avatars or digital representations of themselves. The idea of the Metaverse has been around for several decades, but recent advancements in technology, such as virtual reality, augmented reality, NFT and blockchain, have made it more feasible than ever before.

The metaverse is a virtual world with goods that are of real economic value. These goods are brought together and traded by way of Non-Fungible Tokens (“NFTs”). NFTs are used to convert digital assets to tokens which are subsequently traded. Brands have their goods traded in this digital world. The metaverse has become a significant area of interest for businesses, with many companies investing in creating their virtual worlds and engaging with customers in the metaverse. These digital environments offer limitless possibilities for businesses, individuals, and communities to interact and engage with each other in a new way.

However, as these virtual worlds become more popular, concerns regarding the issue of trademark rights and infringements in the metaverse are becoming more prevalent. As more companies enter the virtual world, there is a risk of infringing on existing trademarks, and there are also concerns regarding the protection of intellectual property in the metaverse. From Facebook’s renaming to “Meta”, MTN’s acquisition of virtual land in the Metaverse, Epic Games’ billion-dollar investment in metaverse technologies, Snap’s development of augmented-reality glasses, and many other transactions ongoing in the metaverse signify the continuing growth, commercial prospects of the metaverse and the susceptibility of trademarks and brand identities to manipulation or theft.



Trademark Infringements in the Metaverse

Different concerns have been raised about the operation of trademarks in the metaverse. Whether digital assets should qualify as goods for purposes of the trademark laws?, what laws should govern the operation of trademarks in the metaverse?, what should qualify as trademark infringement in the metaverse?, who qualifies as a proprietor or owner of trademarks in the metaverse? Who is liable for the infringement of trademarks in the metaverse? and many more are some of the questions that still beg for answers.

In the physical world, it is easy to identify and address trademark infringement. A business that uses another company's trademark without permission, within the same jurisdiction, can be sued for damages and forced to stop using the mark. For example, if a company uses a logo or name that is like

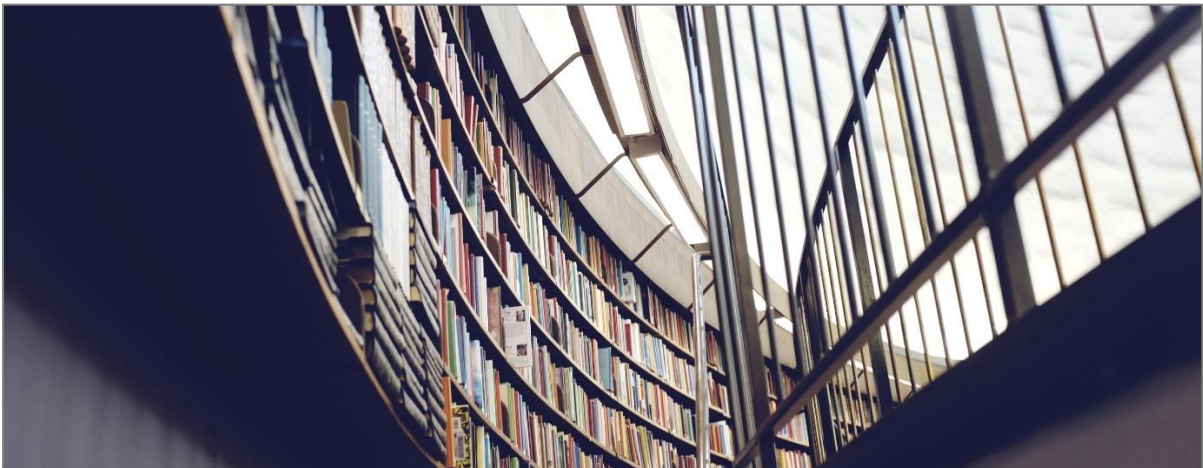
another company's logo or name, it is likely to be considered an infringement under the trademark statutes or common law of passing off.

In the metaverse, it can be more challenging to address identified trademark infringements. In the metaverse, it is possible for multiple users to create virtual spaces, objects, and items that may infringe on trademarks. For example, if a user creates a virtual space that is a replica of a popular retail store, it could be considered an infringement on the store's trademark. Similarly, if a user creates a virtual item that features a logo that is like an existing trademark, it could also be considered an infringement. It may, however, be unclear the regulatory jurisdiction or liabilities appropriation that will result from such incidences. Virtual worlds like Second Life and Decentraland are not bound by the same physical limitations as the real world. Players can create and customize their avatars, buildings, and other assets with relative ease. This means that anyone can potentially use a trademarked name, logo, or another identifier within a virtual environment.

One challenge with trademark infringement in the metaverse is the difficulty in monitoring and identifying infringing content. With millions of users and an endless array of virtual spaces and items, it can be challenging to keep track of every potential infringement. Additionally, it can be challenging to determine whether an infringement is intentional or unintentional. Another challenge is the jurisdictional issues that arise with trademark infringement in the metaverse. With users from all over the world creating content in the virtual space, it can be challenging to determine which country's laws apply in the case of a trademark infringement.

Review of Trademark Cases in the Metaverse and Virtual World

While there has been no legislative step per se on regulating the metaverse, there are several notable cases related to trademark rights and infringements in the Virtual World. These cases demonstrate the importance of trademark rights in virtual environments and the potential consequences for individuals and businesses who infringe on those rights. These cases are also pointers to the likely direction of regulations on the metaverse.



In January 2022, French luxury fashion house, Hermes sued Mason Rothschild in Case:1:22-cv-00384 before the United States District Court of Southern District of New York. In the case, Hermes' case centred around the use of the METABIRKINS mark by the Defendant and how the similitude between the METABIRKINS NFTs and the distinctive design of the BIRKIN handbag constitutes trademark infringement, commercial dilution, and the likelihood of confusion. The Court assumed personal jurisdiction of the case on the basis that (a) the Defendant created the METAVIRKINS website (<https://metabirkins.com>) and the website is accessible to and targeted at consumers in New York (to be sure, one of the major NFT marketplaces explored by the Defendant is OpenSea, which has a principal place of business in New York), (b) the BIRKIN Mark is registered in the USPTO (under registration No. 2991927) and (c) the Defendant caused financial loss to Hermes in New York.

In proof of its case, Hermes showed its registration of both the BIRKIN Mark under Registration No. 2991927 and BIRKIN Trade Dress (the handbag design) under Registration No. 3936105. The same trademark and trade dress were registered worldwide. Hermes has sold millions of dollars' worth of BIRKIN handbags throughout the world since 1986. Essentially the METABIRKINS NFT traded by the Defendant are digital collectibles created on the Ethereum blockchain, which feature a Hermes BIRKIN handbag design covered in fur and offered for sale under the METABIRKINS trademark. In addition to the direct trademark infringement that Hermes complained off prominently featured on the METABIRKINS website, the advertising slogan "NOT YOUR MOTHER'S BIRKIN" also apparently features the BIRKINS trademark. Rothschild defences among others are that; (1) the MetaBirkins bag are expressive works that provide commentary on animal cruelty in the creation of leather handbags and (2) that the METABIRKINS use satisfy the Rogers test in terms of artistic relevance and use and that (3) there is no likelihood of confusion considering the difference between METABIRKINS and the BIRKINS trademark and trade dress.

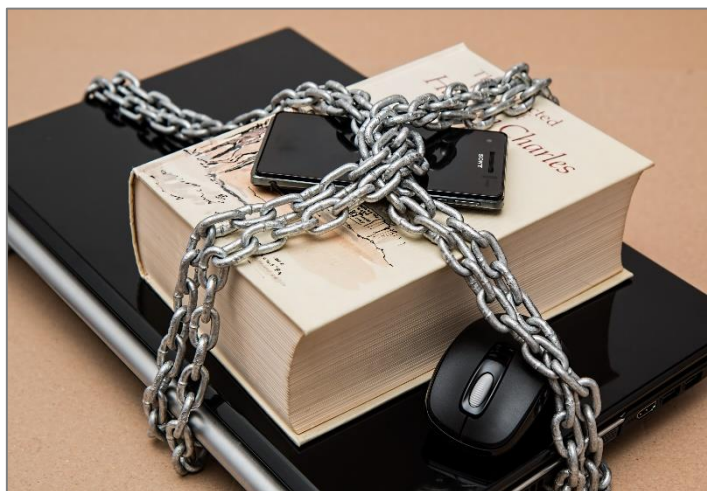
The jury however agreed with Hermes and held Rotschild liable for (a) trademark infringement, (b) trademark dilution, and (c) cybersquatting. Consequently, the Jury awards Hermes the sum of \$110,000 being net profits earned by the Defendant and \$23,000 as statutory damages.

Other cases (now undecided) that may shape the legal landscape for trademark in the metaverse are: Nike v Stock X, Yuga Labs v. Ryder Ripps, Jack Daniel's Properties v. VIP Products, Louis Vuitton v. Virtual Luxury Group, Chanel v. Virtual Imports, Eros LLC v. Leatherwood, and Louis Vuitton v. Akanoc Solutions.

The metaverse is a growing platform for commerce and entertainment, but with its growth comes the risk of trademark infringement. High-profile cases like Hermes v. Metabirkins and others demonstrate the need for companies to protect their intellectual property rights in virtual environments. The outcome of these cases will have significant implications for the metaverse and for trademark law, as they determine the extent to which companies can enforce their trademark rights in digital environments.

Protecting Trademarks in the Metaverse

The issue of trademark infringement in the metaverse is still in its early stages, and the legal framework surrounding virtual environments is still developing. The legal landscape is likely to evolve as virtual worlds become more dominant. We imagine and recommend the creation of a virtual registry for virtual trademarks, without prejudice to the regular trademark protection regime. Some steps that businesses and individuals can take to protect their trademark rights in the metaverse and enforce their rights are highlighted below.



Registration of trademarks in the real world is essential for brands that are planning to explore the Metaverse. For instance, USPTO has been recording high numbers of trademark registration by metaverse brands under classes 9, 13, and 36, among others. Worldwide or jurisdictions-wide registrations are also preferred for the Metaverse purposes, to ensure ironclad protection in cases of tracing of metaverse to hosting/original jurisdictions.

It is also important to monitor virtual worlds for any unauthorized use of trademarks and potential infringement. Many companies are now using software tools to search for infringing content in the metaverse. These tools can identify potentially infringing content, and companies can then take action to have it removed. If you discover someone using your mark without permission, you may be able to engage the creator of the metaverse and the infringing entity or explore available legal options.

In addition, to protect trademarks in the metaverse, it is essential for companies to take a proactive approach in enforcing their rights. This can involve sending cease and desist letters to individuals or businesses who are using their marks without their permission. It can also involve reporting trademark infringement to the administrators of virtual worlds and requesting that the infringing material be removed.

Finally, companies can also take a collaborative approach to protect trademarks in the metaverse. By working with other companies and metaverse platforms, companies can develop best practices and guidelines for trademark use in the virtual world. This can help to create a more consistent approach to trademark use and reduce the risk of infringement.

It is essential for businesses, regulators and even legal practitioners to stay up-to-date on emerging technologies and work with experts in the field. As the Metaverse continues to evolve, new technologies such as blockchain and NFTs may provide additional opportunities to regulators, businesses and legal practitioners alike.

Conclusion

Trademark rights and infringements are a significant concern in the metaverse and digital worlds. With millions of users and an endless array of virtual spaces and items, it can be challenging to monitor and identify potential infringements. However, by taking a proactive approach, registering trademarks in classes that protect virtual goods and services and monitoring for infringement, business, and individuals can protect their trademarks in the virtual world. As the metaverse and other digital worlds continue to evolve, it's likely that we will see more cases related to trademark infringement and intellectual property rights in these virtual environments.

Authors



Ibrahim Haroon • Associate

ibrahim.haroon@gelias.com

Ibrahim Haroon is an associate in the firm. His practice focuses on Intellectual Property and New Economy. He specialises in IP prosecution, enforcement and disputes resolution. His practice includes IP protection strategies and contentious work for clients, advising on IP infringement cases and unfair competition cases. Ibrahim is assisting clients in wide variety of industries including leading finance institutions, multinational corporations, regulators, telecommunications, technology, pharmaceuticals, hospitality, commodities services, retail and fast-moving consumer goods.



Kanyinsola Olukokun • Associate

kanyinsola.olukokun@gelias.com

Kanyinsola Olukokun is an associate in the firm. Her practice focuses on Projects, Intellectual Property, Litigation and New Economy. She specialises in infrastructure, real estate, and dispute resolution. Kanyinsola is assisting clients in a wide variety of industries including leading financial institutions, real estate, multinational corporations, regulators, technology, hospitality, commodities services, retail and fast-moving consumer goods.

LOCATIONS

LAGOS OFFICE

6 Broad Street
Lagos, Nigeria

ABUJA OFFICE

2nd Floor, Abia
House,
Plot 979, First
Avenue,
Central Business
District
F.C.T, Abuja.

T: +234 (1) 460 7890

E: gelias@gelias.com

T: +234 (1) 888 8881

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