

Trademarks in the Metaverse: Endless Possibilities

- Published on September 14, 2022



Despite being in its developing stages, metaverse has fast gained traction across several sectors like the gaming universe, sports leagues, social media platforms, NFTs, crypto currency and many others. This article attempts to analyse the scope of Trademark in the metaverse and its growing challenges.

There seems to be a lack of clarity on the definition of virtual goods and digital collectibles under the law. When it comes to physical goods and services, such issues over clarity seldom arise because the classification system is quite clear. However, the same is not true for the classification of virtual goods. These virtual goods are downloadable computer programs and in the real world, non-software companies are now obtaining trademark registrations for these software products. From a trademark law perspective, the decision as to whether or not such a separate classification is necessary largely depends on the commercial interest and whether consumers perceive these ‘virtual goods’ as definable and having inherent value. The metaverse from trademark applications has been seen to be commercially ambitious as was seen in the case of RTFKT^[1], the digital collectables company, that sold over \$3 million worth of virtual sneakers in less than five minutes and was acquired by Nike in December 2021. Its trademark applications include an array of virtual sports clothing, fashion wear, and equipment. It can also be argued that virtual goods are nothing but a proof of ownership of a physical product.

The ambiguity and lack of guidance on how applicants should describe such virtual goods could lead to the first filers benefitting and the subsequent businesses which may be genuine would suffer. Taking into account the sheer diversity of goods that can be sold in the virtual world, the trademark applications needs to be specific and must avoid overlap to in order to leave no room for obfuscation. Fortnite, a popular video game, has engaged in selling virtual accoutrements, skins or “cosmetics” that players can use with their online avatars for a long time. Those skins do not expire and players “own” them, provided, of course, they continue to participate with new iterations of Fortnite. Ownership of such property conditioned on

participation through continuous license fees seems more like a license than a true transfer of an item as in the real world.[2]

A challenge that often arises in the metaverse is the ascertaining of jurisdiction over trademark infringement disputes. In India, the courts have relied on the concept of “long-arm jurisdiction” to resolve disputes involving digital networks. In the case of *Swami Ramdev & Anr v. Facebook & Ors*[3], the Court examined the meaning of a ‘computer network’ with the respect to the case in order to determine the jurisdiction of courts in Delhi to grant a global injunction. So, for example, if the Trademark of an Indian brand has been infringed from Singapore, would this ‘long arm jurisdiction’ approach still be applicable? In *World Wrestling Entertainment v. Reshma Collection*[4], the Delhi Court pronounced that the jurisdiction in e-commerce cases involving trademark and copyright disputes would be determined by the buyer’s place of residence.

The English Courts[5] on the other hand have developed a patchwork approach to ‘virtual property’. In a recent case law (following the initial precedent set in *AA v Persons Unknown*[6]), crypto assets were recognised as property for the purposes of the Proceeds of Crime Act 2002 (*DPP v Breidis and Reskajs*[7]) and being deemed capable of forming the subject matter of a trust (*Wang v Darby*[8]). However, it is not a clean sweep with the digital currency Bitcoin being considered too volatile to be used as security for a defendant’s costs which has held in *Tulip Trading Ltd v Bitcoin Association for BSV and Others*[9].

There are a host of other legal issues that might arise in the metaverse too. From Privacy and data collection, antitrust or anti-competition, free speech and defamation, as well as intellectual property issues, brand owners would constantly have to come up with legal strategies to protect their brands in the metaverse. Furthermore, if your company does not use or promote its brand in the metaverse, how does it then protect it from meta uses? Would the license obtained in the real world be viable in the virtual world as well? It will be interesting to see how the increasing presence of brands and companies in the metaverse would play a role in dictating consumer choices in the future.

References-

[1] Levi, D. “Metaverse start-up RTFKT sells 620 pairs of virtual sneakers for \$3.1 million in less than 5 minutes; now acquired by NIKE.” Tech Start-ups. Can be accessed at <https://techstartups.com/2022/01/09/metaverse-startup-rtfkt-sells-620-pairs-virtual-sneakers-3-1-million-less-5-minutes-now-acquired-nike/>

[2] Park, Kathryn. “Trademarks in the metaverse.” WIPO Magazine. *Can be accessed at* https://www.wipo.int/wipo_magazine/en/2022/01/article_0006.html

[3] CS(OS) 27/2019

[4] 2014 (60) PTC 452 (Del)(DB)

[5] Homes, W. “The rights and wrongs of life in the metaverse” Legal Check.

[6] [2020] WLR(D) 50

[7] [2021] EWHC 3155 (Admin)

[8] [2021] EWHC 3054 (Comm),

[9] [2022] EWHC 141 (Ch)