

Virtual trade marks and the Metaverse: where does IP fit into all of this?

By now, you've probably heard the news of Facebook (the company) rebranding to Meta Platforms. Following the move, the internet was flooded with "Meta" jokes, with many big brands jumping on the opportunity to take a jab or two at Facebook. Fast-food chain Wendy tweeted "Changing name to Meat", while Twitter joked "BIG NEWS lol jk still Twitter". CEO Mark Zuckerberg explained that the change was part of Facebook's plan to pivot its services towards the 'metaverse' which it intends to invest at least \$10 billion into this year.

Shortly after, news broke that Nike too had set its sights on the 'metaverse' by filing a suite of trade mark applications around the world (including Singapore) for virtual goods and services, such as "downloadable virtual goods" in Class 9 and "retail store services featuring virtual goods" in Class 35.

The 'metaverse'

So what exactly is the 'metaverse' and why are these big brands scrambling to be a part of it?

The 'metaverse' is slated to be the next iteration of the internet. It is not clear how exactly the 'metaverse' will look like, but common definitions include a digital ecosystem that "blends actual and virtual realities in real-time" that is set to become "a highly influential platform for social interactions, cultural properties, and economic exchanges". In simple terms, the 'metaverse' is a virtual universe where people can interact with each other in different ways, similar to that in the science fiction novel/film Ready Player One or popular video-game Fortnite. Mark Zuckerberg described the 'metaverse' as "an embodied internet that you're inside of, rather than just looking at".

In practical terms, the 'metaverse' means that users will be able to live in a virtual space using their own avatars and participate in a digital and virtual economy. At present, it is already possible to purchase virtual Gucci goods to dress up your avatars on online gaming platform Roblox, or watch Ariana Grande perform live on Fortnite. In time, we will be able to attend office meetings using 3D avatars in a virtual office space or grab a coffee with a friend in a virtual café.

Naturally, the onset of the 'metaverse' will have huge implications for intellectual property ("IP") rights, a few of which are discussed below.

Virtual trade marks

In the 'metaverse', participants will be able to purchase, wear, and touch branded products. Hence, big brands and emerging companies intending to delve into the 'metaverse' will need to consider how to best protect their virtual goods and services. Do brands that have already trade marked their goods in the real world need to apply separately to trade mark their downloadable virtual goods as well? If the virtual goods in question are items of clothing, then it might be argued that trade mark registrations that cover "online retail sales" already sufficiently protect these virtual goods. However, this might not be the case for B2B transactions, or other items like downloadable software that are unlikely to fall under "online retail sales".

It remains to be seen how a Court will rule on this issue, but most brands are not keen on taking chances. A popular strategy is to file trade marks to specifically protect virtual goods and services (i.e., virtual trade marks). Following Nike's foray into virtual trade marks, a fellow Nike-owned company, Converse, filed several trade mark applications in Classes 9, 35, and 41 for, among other things, downloadable virtual goods and retail store services featuring virtual goods. Similarly, Abercrombie and Fitch filed applications for its logos, including its "Hollister" brand, in Class 35 for "retail store services featuring virtual goods", while cosmetics company Bobbi Brown filed applications in Class 9 for "non-fungible tokens" and 42 for "on-line non-downloadable virtual goods". Closer to our side of the globe, e-commerce giant Alibaba Group holdings recently filed trade mark applications for the Chinese terms for "Ali Metaverse", "Taobao Metaverse", and "DingDing Metaverse".

Territoriality and enforcement

Another big question related to IP rights in the metaverse is the issue of territoriality. Under the principle of territoriality, IP rights are restricted to the specific territories where they have been granted. This means that IP disputes have to be adjudicated before the courts of the countries for which protection is sought.

The 'metaverse' adds a completely new dimension to the territoriality of IP rights: how will companies and users adjudicate their IP disputes in a virtual universe that it is territorially agnostic? In the 'metaverse', users are expected to be able to hop in and out of various fictional 'worlds' and interact with users from all over the globe. If a dispute broke out between User X and User Y in fictional world Z, what laws would govern the dispute? Further, in a world where digital economies and marketplaces are expected to emerge, commercial e-disputes are likely to grow more commonplace. Will companies have a clear mechanism to seek legal recourse despite the blurring of virtual territorial boundaries?

The detection of IP infringements will also be a key challenge for many companies. In a new and unregulated virtual environment, it will be difficult for rights holders to monitor infringing digital assets. Online anonymity may also be an issue. It remains to be seen whether the key players behind the 'metaverse' will implement regulations ensuring accountability and identifiability of users.

The future of the 'metaverse' and IP rights

The rise of the 'metaverse' will need to be supported by the development of an entirely new, global legal framework. A big problem is that there will potentially be multiple 'metaverses' hosted by different intermediaries. For instance, other than Meta Platforms which intends to create an immersive world where people can live, work, and interact, there are also other big players like Epic Games, the creators of Fortnite, that plans to expand their online-gaming platform to the metaverse, or the Walt Disney, that is looking into a "theme park metaverse". This opens us to possible chaos and regulatory disharmony if a concerted and unified approach is not taken across all stakeholders.

Hence, there will need to be cooperation between governments and big tech players in the industry that are spearheading the creation of the 'metaverse'. Stakeholders will need to iron out these potential legal challenges through proper dialogue or international treaties. Already, the globalization of commerce and trade has prompted

greater harmonization of IP laws across jurisdictions through various treaties administered by international bodies such as the World Intellectual Property Office (WIPO). The same should be done in respect of the 'metaverse' specifically. The 'metaverse' may also see a growth in the popularity of alternative dispute resolution mechanisms like arbitration, where parties have greater autonomy in choosing the laws and rules that govern disputes, which may be helpful in overcoming challenges with territoriality.

Granted, developing a legal framework for the 'metaverse' will take time. The parameters of the 'metaverse' are not yet even clearly defined. In the meantime, it is prudent for brands to protect their IP rights in this emerging space in the ways that are currently available. Filing virtual trade marks is a good first step, though companies should note that there will be many others to come.

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