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**THE METAVERSE – CONSIDERING TRADEMARKS
AND BRAND PROTECTION FOR VIRTUAL GOODS & SERVICES**

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INTRODUCTION

While there is a lot of interest and fascination surrounding existing digital assets, like cryptocurrencies and non-fungible tokens (“NFTs”), many individuals and corporations are ramping up their efforts to market and provide virtual goods and services in the Metaverse.

Indeed, following Facebook’s rebranding as “Meta” and its announcement that it was going to create a Metaverse, a lot of businesses and brands have started paying attention to this alternative world and are preparing to take advantage of the e-commerce market opportunities in the new virtual world.

Microsoft has also positioned itself as one of the pioneers of the Metaverse with an earlier announcement in November 2021 that users of the Teams application (app) would be able to turn themselves into avatars and visit virtual work spaces. Subsequently, it purchased the online gaming giant, Activision Blizzard, for the sum US\$75 billion[1]to bring it closer to claiming a stake in the Metaverse gaming world.

However, with all of the hype surrounding the Metaverse, it is useful to strip down what this world really means. The word “metaverse” is reputed to have been coined by Neal Stephenson in his 1992 novel, “Snow Crash” and comprises the prefix ‘meta’ and the root word ‘universe’, meaning ‘beyond the universe’.

It can be described as a persistent, online, individual presence, fully functional virtual universe that combines different virtual spaces. One can view it as a cyberspace where users can interact in a computer generated environment with other users. It is a parallel digital universe that will expand the scope of the internet and bring together different digital spaces such as online gaming, 3D spaces, NFTs, social media, cryptocurrency, blockchain technology, augmented reality and similar emerging technologies.

PECULIARITIES OF THE METAVERSE

Some of the terms to note in describing the Metaverse include the following:

PERSISTENT: A prominent feature of the Metaverse is that it never rests, pauses or ends. It is a continuous stream of virtual events with individuals simply joining in whenever they can, just like in real life.

[1] Scott White (2022), “ How Microsoft’s Activision Blizzard takeover will drive metaverse gaming into the mass market”. The Conversation. Online. Available from: <https://theconversation.com/how-microsofts-activision-blizzard-takeover-will-drive-metaverse-gaming-into-the-mass-market-175453>. Accessed on 19th March 2022.

ONLINE: The Metaverse would be an online experience and individuals would simply log on when they so desire.

INDIVIDUAL PRESENCE: Everyone can be a part of the Metaverse and participate in a specific event, place or activity together at the same time and individually.

FULLY FUNCTIONAL: Individuals and businesses would be able to create, own, invest, sell, and be rewarded for a wide range of “works” that produce “value” that is recognized by others. In other words, the Metaverse would have a virtual economy.[2] This economy would be interoperable not just in the virtual space where economic value was created, but also in other virtual spaces and in the physical world.[3]

In the more idealistic visions of the Metaverse, it is interoperable, allowing you to take virtual items like clothes or cars from one platform to another. Presently, most platforms have virtual identities, avatars, and inventories that are tied to just one platform, but a Metaverse might allow you to create a persona that you can take everywhere as easily as you can copy your profile picture from one social network to another.

COMBINES DIFFERENT VIRTUAL SPACES: We already have various virtual platforms that have all or some of the earlier mentioned attributes. The hallmark of the Metaverse is the combination of the various virtual platforms. This trait is why the Metaverse is likened to the Internet.

The above are the essential features of the Metaverse. Importantly, there can be no Metaverse without the conjunctive existence of the above listed features.

Nevertheless, there are other tools and concepts that are necessary for navigating the Metaverse just as internet-enabled devices were necessary to navigate the internet. These are:

3D UNIVERSE: The Metaverse is often linked with a 3D Universe because it is difficult imaging an online individual presence space that does not include the use of 3D technology.[4] It is doubtful the Metaverse would reach prominence without a 3D Universe but it is not impossible and remains likely that the Metaverse may be demonstrated in an entirely different technology.

AVATARS: It is generally presumed that individual presence in the Metaverse would be represented as Avatars.[5] Nevertheless, the absence of Avatars may not be inimical as the Metaverse simply seeks to create interoperability of virtual platforms and align the virtual world with the physical world.

[2] Marketing Technology Insights, “Facebook and Meta: The Metaverse Impact in Today’s Growing Virtual Economy” available at <https://martechseries.com/mts-insights/staff-writers/facebook-and-meta-the-metaverse-impact-in-todays-growing-virtual-economy/> accessed 17 December 2021.

[3] Mathew Ball, “The Metaverse: What It Is, Where to Find it, and Who Will Build It” fn 2

[4] Mathew Ball, “Framework for the Metaverse” available at <https://www.matthewball.vc/all/forwardtothemetaverseprimer> accessed 17 December 2021.

[5] Mathew Ball, “Interchange Tools + Standards and the Metaverse” available at accessed 17 December 2021

AUGMENTED REALITY: It is expected that the Metaverse would be driven by Augmented Reality (AR)[6] and this expectation is supported by the increased use of AR in virtual platforms which the Metaverse seeks to connect. It is therefore likely that the Metaverse would be driven by AR.

BLOCKCHAIN: The Metaverse is expected to be heavily reliant on the blockchain and smart contracts. If, in the future, we work, socialize, earn and spend in virtual spaces (the Metaverse), we would need a secure way of showing ownership, transferring value and participating in the governance of the virtual space we belong to. The blockchain provides a solution to these challenges.

BRAND PROTECTION IN THE METAVERSE

With the way the Metaverse is being developed, there are no laws or regulations that govern intellectual property, cybersecurity, data protection, regulatory compliance, taxation, etc. As a result of this, there have been recent developments when it comes to protecting intellectual property rights (IPRs) for existing brands.

In advanced jurisdictions like the United States, there have been a surging number of new applications submitted to the United States Patent and Trademark Office (“USPTO”) seeking to register trademarks for use of their brand in virtual reality.

These applicants are made from a wide variety of industries, and although some brand owners have already secured their IPRs in the “real world,” they are seeking to secure corresponding rights in virtual goods and services they intend to offer in the Metaverse. Filing separate applications for existing trademarks that cover distinct virtual goods and services will ensure brand owners that such rights are recognized in a virtual marketplace like the Metaverse.

Some recent developments that have led to heightened interests in protecting brands in the Metaverse include the following:

In November 2021, two trademark applications were filed in the US by third-parties seeking to use the Gucci and Prada logos in a range of Metaverse-related arenas, including “downloadable virtual goods”, virtual worlds and virtual clothing used in virtual spaces. Gucci and Prada are now challenging these applications.

[6] Wire, “AR Is Where the Real Metaverse Is Going to Happen” available at <https://www.wired.com/story/john-hanke-niantic-augmented-reality-real-metaverse/> accessed 17 December 2021.

Metaverse platforms with user-generated content, such as Roblox, creators are currently selling clothes that feature logos from brands like Louis Vuitton, Prada and Chanel, without the consent of the brand owners.

Hermès took legal action against Mason Rothschild, whose Birkin bag-inspired NFT artwork that previously sold for \$23,500 in June 2021, launched a December follow-up collection[7].

Subsequently, a number of renowned brands have had to take action to protect their brands in the Metaverse. McDonalds is noted to have filed several trademark applications for “MCDONALDS” covering, among other goods and services, the operation of a virtual restaurant featuring actual and virtual goods. Moreover, McDonalds is seeking registration of its mark “MCCAFE” in connection with entertainment services such as online actual and virtual concerts.

Other notable brands that have filed for protection include:

American Express – applied for their mark to cover virtual payment cards, financial services NFTs and virtual concierge services.

Jay-Z – applied for JAY-Z, covering music, clothing, and jewelry goods for use in online virtual worlds;
Walmart – applied for the WALMART mark to cover virtual goods such as electronics, toys, decorations, sporting goods, and personal care products;

Nike – applied for NIKE, JUST DO IT, JORDAN, AIR JORDAN, the Nike swoosh logo design mark, the Jordan silhouette logo, and combinations thereof, covering various virtual goods and services;

The Brooklyn Nets – applied for NETAVERSE, covering broadcast entertainment services and clothing goods related to the NBA team; and

Skechers – applications for SKECHERS, covering footwear, clothing, and backpacks for use in online virtual worlds.

LEGAL PRINCIPLES OFFERING BRAND PROTECTION IN THE METAVERSE

Registration under the NICE Classification

Under Nigerian law, a trademark must be registered in respect of particular goods or classes of goods.[8] Consequently, the protection offered to a proprietor (i.e. the owner of the trademark) is ordinarily limited to only the classes of goods with respect to which the trademark was registered.

Nigeria makes use of the NICE Classification which contains 45 classes of trademark registration under its latest edition[9], although Nigeria still uses the 9th edition of the publication.

[7]Financial Times (2021), “Hermès clashes with artist who created MetaBirkins NFT”. Available at: <https://www.ft.com/content/7953d195-53f6-48d2-8514-460a0ebd9aee>. Accessed 19th March 2022.

[8] Section 4 Trademarks Act

[9] NICE CLASSIFICATION 11th edition, available at < https://www.wipo.int/classifications/nice/nclpub/en/fr/pdf-download.pdf?lang=en&tab=class_headings&dateInForce=20220101> accessed 22/03/2022

Although there is no precise class dealing with the Metaverse, brand protection in the Metaverse may be obtained under Class 9 of the NICE Classification particular as a “recorded and downloadable media.” This is because the concept of the Metaverse, as proposed, involves an online 3D universe. Consequently, renditions in the Metaverse may be done by way of 3D media. Furthermore, the following Classes can be utilised for filing brands that relate to the Metaverse:

Class 35 – provision of advertising services via the internet;

Class 36 - provision of financial services via the internet;

Class 38 - Telecommunications services; chat room services; portal services; e-mail services; providing user access to the Internet; radio and television broadcasting.

Class 42 - provides for protecting marks involving scientific and technological services and the creation, maintenance and hosting of websites.

Protection by negative registration[10]

A proprietor of a trademark consisting of an invented word or invented words which has become so well known that its use in relation to other goods would likely be taken as indicating a connection between those other goods and the proprietor may acquire a defensive trademark.

A defensive trademark may be acquired even where the Proprietor does not use and or does not intend to use his trademark in relation to those goods.

For example, group Kering (the proprietors of the “Balenciaga” trademark) may acquire a defensive trademark preventing the use of “Balenciaga” in the Metaverse even where the group has no intention of operating in the Metaverse.

The registration of a defensive trademark would not prevent/prejudice the proprietor from subsequently registering a “normal” trademark and vice-versa. More importantly, a defensive trademark can be used to protect the brand from market dilution in the Metaverse.

Natural zone of expansion

A proprietor may also establish enforceable common-law rights based on its natural zone of expansion. Under this doctrine, a prior user who can prove neither use nor current association with the mark in the disputed area can still prevail over a subsequent good-faith user by establishing that the area is within the zone of the prior user’s probable or natural expansion.

A proprietor seeking protection under this principle must establish that it is a prior user and had planned to expand its operation and use of the trademark into the newly claimed area prior to the opposing party arriving in the same area.

[10] Section 32 Trademarks Act

In other words, in determining whether the doctrine applies, the court would inquire into the regions the proprietor actually planned to expand at the time the defendant adopted and began using its trademark.[11] Thus, the doctrine would not apply where the proprietor had no plan to expand into the area in dispute.

While the statutory doctrine of negative registration, is restricted to trademark involving an invented word(s), the common law doctrine of zone of expansion covers all types of trademarks (including name represented in a special manner, signature of applicant, any distinctive mark etc).

Conversely, the common law doctrine is only available upon proof of intention to extend operations but there is no such requirement for the statutory doctrine of defensive trademark.

While both doctrines have their use in brand protection, we are of the view that obtaining registration under Class 9 offers the most comprehensive protection for proprietors.

CONCLUSION

The Metaverse offers an alternative reality that may soon become a part of our everyday life, just like we have with the internet. Consequently, the need for brand protection in the Metaverse would likely be as important as it is physically and on the internet.

While brand protection in the Metaverse can be effected via the mechanisms discussed in this article, we recommend that Metaverse-specific regulation(s) be introduced to cover matters such as enforcement of brand protection in a decentralized Metaverse, the scope of zone of expansion in the Metaverse and the extent of the application of negative registration in the Metaverse.

[11] *Accu Personnel, Inc. v. Accustaff, Inc.* Civ. A. No. 93-30 MMS

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Davidson Oturu



Agboola Al-Mubarak Dosunmu

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CONTACT DETAILS

LAGOS, NIGERIA

4th Floor,
Marble House
1, Kingsway Road, Falomo
P. O. Box 52901, Ikoyi
Lagos, Nigeria

Telephone: (+ 234 1) 2793367; 2793368
4736296, 4617321-3;

E-mail: lagos@aelex.com

PORT HARCOURT, NIGERIA

2nd Floor,
Right Wing UPDC Building
26, Aba Road
P.O. Box 12636, Port Harcourt
Rivers State, Nigeria

Telephone: (+234 84) 464514, 464515
574628, 574636

E-mail: portharcourt@aelex.com

ABUJA, NIGERIA

4th Floor,
Adamawa Plaza
1st Avenue, Off Shehu Shagari Way
Central Business Area
FCT Abuja, Nigeria

Telephone: (+234 9) 8704187, 6723568,
07098808416

E-mail: abuja@aelex.com

ACCRA, GHANA

7th Floor, Suite B701
The Octagon
Accra Central, Accra
P.M.B 72, Cantonment Accra, Ghana

Telephone: (+233-302) 224828, 224845-6
E-mail: accra@aelex.com