

Intellectual Property in Virtual Worlds

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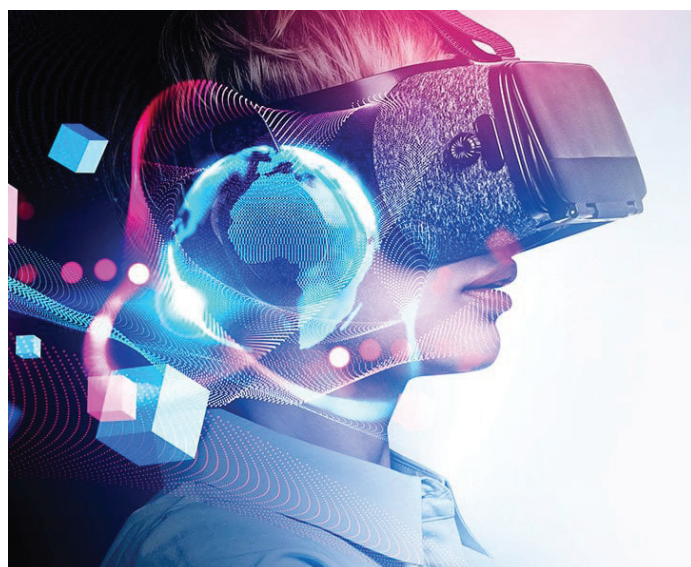
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The metaverse—a virtual space where users can interact with each other and digital objects without regard to geographical and territorial boundaries—is challenging all norms and conventions when it comes to intellectual property (IP). As use of, and interactions in, the metaverse continue to increase, it is worth exploring some of the IP-related challenges and opportunities the metaverse presents to companies, institutions, and individuals. This article will examine some of those issues, as well as recent U.S. Patent and Trademark Office (USPTO) guidelines about how to best identify the goods and services in trademark applications that relate to some of the innovative technologies used in and alongside the metaverse.

Expansion Into Virtual Worlds

Virtual worlds are graphical online environments that often simulate real-world environments and are persistent even when the user is not there. Avatars are graphical representations utilized by users in the virtual worlds to interact with others. Users can shop, socialize, and even work in the virtual worlds. Virtual goods are used in the virtual worlds to improve in-game performance, to change the appearance of an avatar, or to vary the virtual “living space” of the avatar. In some situations, virtual goods might even resemble their real-world counterparts. For example, a pair of sneakers may look the same in the physical world and in any given virtual world.

As a collection of virtual worlds, the metaverse provides opportunities for companies to sell virtual



AdobeStock image

Concept of future and alternate reality.

goods that align with the company’s physical goods, or even to create virtual showrooms in which authentic physical goods can be sold to users. Trademark usage in the metaverse is proliferating. As they expand into the metaverse, companies should keep in mind that the USPTO may initially refuse registration of a trademark if there is likelihood of confusion with a prior registered mark. This confusion may be found not only if the marks resemble each other, but also if the “real” goods sold by one company under its mark are commercially related to “virtual” goods sold by a company under a similar mark. This confusion could also be the basis of claim of trademark infringement in the courts.

Thus, when exploring the varied uses of their marks in the metaverse, and when translating those uses to trademark applications and protection, companies

should make an inventory of goods and services during a careful exploration of the specific uses the company makes, intends to make, or intends to authorize third parties to make. This inventory, then, can be used to define a portfolio strategy for the marks used by the company.

When it comes to the use of trademarks in virtual worlds and online games, companies can increase their brand footprint through a strategic licensing program. This would enable the company to make the jump into the virtual world without requiring it to acquire additional skillsets and employees. For example, trademark owners might consider licensing their trademarks to virtual world operators and game developers. Any licensing agreement should be structured to ensure that the use of the trademark aligns with the owners' brand standards and does not create confusion among users. In addition, it should have clear provisions regarding ownership of the brand and the virtual assets, and the proper attribution thereof.

Intellectual Property Challenges in the Metaverse

As a digital world, the metaverse encompasses various virtual worlds, games, and social networks. It allows users to interact with each other and with digital objects in ways that blur the line between the physical world and the digital world. With the expansion of the digital world, the opportunities and challenges in terms of protecting and defending intellectual property have grown exponentially.

Two challenges regarding digital assets in the metaverse involve authenticating digital assets and determining proper ownership of digital assets. Unlike physical assets, digital assets can be easily duplicated and distributed without the owner's consent. Accordingly, determining the authenticity of a digital asset can be challenging. In this regard, the number of virtual duplicates available in the digital universe can render title verification all but impossible. Recent advances in the blockchain and the use of nonfungible tokens (NFTs) may provide workable solutions, and creators of new digital assets

might explore using those technological advances to provide provenance with respect to the new digital assets. In the meantime, agreements relating to the transfer of digital assets should include provisions to warrant the authenticity of the digital asset being transferred.

Another challenge in the metaverse is the issue of attribution. In the physical world, identifying the creator of a particular work is often a straightforward process. However, in the metaverse, the creator of a particular digital asset may not always be clear. This problem is becoming even more acute because of the increasing use of software using artificial intelligence to produce creative works without the direct input or supervision of a human. The lack of clear attribution can make it challenging to protect intellectual property and can lead to disputes over ownership and rights. While some of these challenges can be addressed through proper language in agreements, others will require a legislative solution.

Existing IP Law May Be Insufficient In the Metaverse

As the above examples show, the metaverse and virtual worlds present challenges for traditional intellectual property laws as they currently exist. Copyright laws, for example, are based on the concept of "originality," which is difficult to apply in the metaverse. In a virtual space where users can create and quickly and easily modify digital assets, it is hard to define what constitutes a sufficiently original work to warrant copyright protection. Patent laws are also facing challenges in the metaverse. Patents are granted to protect inventions, but in the virtual world, it can be challenging to determine what constitutes an invention. In addition, some patents can be easily infringed upon in the metaverse. This is especially true of design patents, which protect the ornamental appearance of products. Trademark owners have also been facing distinct challenges in the metaverse. Brands and logos can easily be duplicated in the metaverse. In their attempt to protect their brands and enforce their rights, trademark owners must monitor a rapidly growing and ever-changing environment. Use

of brands and logos in the metaverse by unapproved third parties can lead to brand dilution and confusion among users.

Guidance From the U.S. Patent and Trademark Office

The U.S. government is beginning to take note of, and seek to address, the multitude of IP-related challenges presented by virtual worlds.

For example, the USPTO recently provided guidance regarding registering trademarks for newer technologies, including blockchain, NFTs, and virtual goods. The USPTO clarifies the requirements for trademark registration and provides guidance on what constitutes “use” of a trademark in the digital world.

The USPTO guidance emphasizes the need for clarity regarding the goods or services with which a particular trademark is being used. When registering trademarks for virtual goods and services, the owner must provide a specimen that demonstrates use in commerce of the mark in connection with the identified goods or services. The specimen can include screenshots of the virtual good or service, along with evidence of sales or licensing agreements. In some cases, the screenshots used as the specimen will include the trademark shown in close proximity to the goods or services defined in the identification of goods or services, along with something similar to a “buy now” button and pricing in U.S. dollars. (Pricing in U.S. dollars helps to satisfy the USPTO that the goods or services are circulating in U.S. commerce.)

The description of goods or services in connection with a trademark must be limited to a single class and must be specific enough to allow complete examination of the mark. This includes an analysis under Section 2(d), which addresses the likelihood of confusion with existing marks. When addressing technologies such as blockchain and NFTs, the USPTO has clearly taken the position that none of these is a good or a service in and of itself. Regarding blockchain, the examples provided by the USPTO reflect

the application of the blockchain in particular applications. For example, a mark may be used in connection with “downloadable software for blockchain-based inventory management,” which is registrable in Class 9, or a service of “providing user authentication services using blockchain-based software technology for cryptocurrency transactions,” which is registrable in Class 42. Note that both of these also could have been filed without including “blockchain-based” as part of the description of services. With respect to NFTs, the USPTO has made clear that applicants must identify the goods or services that are being authenticated with the NFTs. For example, the identified goods or services should specify the nature of the downloadable file and the subject matter of that downloadable file. An example might be: “Class 9: downloadable image files containing {indicate subject matter or field}, e.g., trading cards, artwork, memes, sneakers, etc.) authenticated by nonfungible tokens (NFTs).” Again, note that each of these could have been filed without including “authenticated by nonfungible tokens.”

Conclusion

As the metaverse continues to evolve, companies, institutions and individual users need to be aware of the array of IP challenges and questions presented by this dynamic environment. It is important for policy-makers, intellectual property lawyers, and stakeholders to work together to address the challenges and opportunities presented by this virtual world. By developing innovative approaches to intellectual property protection in the metaverse, creators and owners can be better protected, and innovation can continue to flourish in this exciting new space.

Robert J. Roby is a partner with Knobbe Martens. He has a broad-ranging practice and has represented start-up companies as well as well-established multi-national companies. He has significant experience advising clients in all aspects of intellectual property, including patents, trademarks, domain names, copyrights, trade secrets, rights of publicity and false advertising.