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## A Trademark Guide to the Metaverse for Averse Brand Owners

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Recent technological developments have made topics like the metaverse, Web3, blockchain and non-fungible tokens (“NFTs”) commonplace. But nothing about these topics is common. They raise complex questions – technological, legal, financial and cultural in nature – that cannot be easily answered. While the contours are under construction, the vision for these technologies, especially for the metaverse, is one that should not be ignored by brand owners.

### WHAT IS THE METAVERSE?

It is not a buzzword; it is the digital future. The metaverse promises a virtual decentralized environment built on blockchain technology that provides an opportunity to interact like never before.

The ultimate metaverse will allow participants to buy and sell virtual and physical goods and services, collect assets that are authenticated by NFTs,

transact in digital currency, jump between various platforms and bring their virtual assets with them – all in real time. It will alter the way users interact with the internet, with each other and, most certainly, with brands.

### WHY SHOULD BRAND OWNERS CARE?

As with any emerging technology, the opportunity in the metaverse lies in the future. The more the technology behind the metaverse advances, so will the economic and cultural prospects that are associated with it. Consumers are already spending considerable time and money interacting with virtual environments and this is projected to grow substantially in the coming years.

While brand owners need not go as far as to build entire virtual worlds, they should consider whether and how they would like their brand to interact with the metaverse. A brand’s relationship with the metaverse should be shaped by strategic business and marketing teams; it should not be forced by the marketplace or malicious third parties.

Brand owners know that enforcement against trademark infringement in the physical realm is costly and time consuming. But what they have yet to learn is that enforcement against trademark infringement in the virtual world presents even more obstacles, as the legal system is struggling to

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find ways to regulate these new forms of technology. Recent ongoing lawsuits – including those between Nike and StockX and between Hermès and the creator of the MetaBirkin NFT – demonstrate the difficulties that brand owners face when they attempt to prevent third parties from infringing on their intellectual property rights in the unclear realm of the virtual world. Thus, the decision whether to obtain brand protection for and actively participate in the metaverse in either an offensive or defensive posture is crucial if brand owners want to maintain goodwill and dominant presence in the marketplace.

### **HOW SHOULD BRAND OWNERS DETERMINE WHETHER TO PARTICIPATE IN THE METAVERSE?**

Business and marketing teams know the value of staying current and spotting new opportunities to communicate with consumers; thus, the question to ask is “how,” not “if,” to participate in the metaverse. Although appointing chief metaverse officers and establishing departments specially dedicated to this task may not be appropriate for every company, the least that all business and marketing teams can do is evaluate their current portfolios to see if existing trademarks or products and services offered under those trademarks can be incorporated into the metaverse. If not, the next step should be to assess if an expansion of current portfolios is necessary to get into the virtual space.

Once a determination is made, brand owners should protect their rights by filing new trademark applications covering virtual goods and services. The filings, of course, must always be supported with a bona fide intent to use the mark in commerce in connection with the virtual goods and services. After obtaining registration specifically related to virtual goods and services, it will be easier to enforce trademark rights against infringement in the virtual world.

### **HOW CAN BRANDS ACTIVELY PARTICIPATE IN THE METAVERSE?**

The opportunities for brand engagement in the metaverse are infinite. Not only does the metaverse provide a new space for brand exposure to new consumers, but it serves as an additional channel of communication with existing consumers. Many brands have recognized this and have begun establishing a presence in the metaverse.

Examples include immersive experiences where users can explore a virtual world that emulates physical headquarters, games that users can play with friends, virtual stores where users can shop for virtual and physical apparel, immersive experiences that include virtual restaurants and town squares where users can play games together and share virtual “meals.” Other brands are providing real-life rewards for virtual actions. Fashion brands, including Tommy Hilfiger, organized entire fashion shows on the Decentraland platform where users could purchase NFTs in the virtual shop and later redeem them for physical items from the designer’s Spring 2022 collection. Famous artists have performed entirely virtual concerts. For brands in the industrial space, the metaverse presents new opportunities in tracking chain of title by way of NFTs and creating real-time digital counterparts of physical objects by way of digital twins. Ultimately, the form of engagement will be brand dependent.

### **CONCLUSION**

It is imperative that brand owners do not allow their skepticism about the potential of the technology to prevent them from engaging in conversations with their business, marketing and legal teams about what opportunities the metaverse may offer them, whether it be to create interactive experiences for consumers, to reap the advertising benefits it presents or merely for protection against infringement.

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