

# TRADEMARK IN THE METAVERSE

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# CLIENT ALERT: TRADEMARK IN THE METAVERSE



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Decentraland just wrapped up its Metaverse Fashion Week on 27th March 2022. The event is not just unprecedented in terms of it being the first fashion week in the Metaverse, but also one of the very first Metaverse projects that involved so many brands and labels that dominate the physical world.

With companies, businesses, labels and brands slowly expanding their reach beyond the physical realm into the digital one, into the Metaverse, being able to monopolise and claim trademark rights in the virtual world is becoming ever so crucial. After all, trademark's primary purpose is to serve as the source identifier of products and services, IRL and in the virtual world.

## What is Metaverse?

Metaverse refers conceptually to digital world that lies beyond (meta-) the physical universe (-verse). It is supposed to be a virtual extension of our physical world. In the modern context, it basically refers to a virtual 3D world that users can have a total immersive experience in, interacting with virtual objects and other people in their avatars. There is not just one Metaverse, ultimately any developer with the resources can create a Metaverse.

**Decentraland** (who just hosted the very first Metaverse Fashion Week) and **The Sandbox** are, in the author's opinion, the most hyped Metaverses being built on blockchain technology as at the date of writing. Blockchain technology is arguably the cornerstone of Metaverse, allowing Metaverse and the digital assets therein to be decentralised, free from the inherent risk of centralisation. The Metaverses stated herein, are to have its own economy, currency, protocol, governance, assets, properties, ownership systems, and so on so forth, that in many ways work pretty much just like how their IRL counterparts would.



## **Why is Metaverse attractive to businesses?**

Metaverse essentially creates a whole new ecosystem beyond our physical world, thereby bringing a whole new economy - the virtual / digital economy, where people could now spend their time (and money in). It gives businesses and corporations a new market to capitalise. And because of the underlying blockchain technology utilised by Metaverse, it is possible for businesses looking to capitalise on the new market to create unique digital assets in the form of NFTs and offer them for sale in the Metaverses.

Game developers were one of the first movers into the Metaverse, introducing play-to-earn games to the masses. The move was followed by high fashion brands around the world. The Metaverse Fashion Week for example, attracted 60 - 70 fashion labels to set up stores in the Metaverse for 4 days, showcasing amongst others haute couture as wearable avatars in the Metaverse. The MVFW attracted the likes of Tommy Hilfiger, Etro and Dolce & Gabanna, to name a few.

Metaverse, being a wild, wild west that it currently is, offers an entirely new avenue and platform for businesses to interact with potential buyers. Just like the web 2.0, Metaverse has high capitalisation potential for first movers. Securing trademark registrations in respect of virtual assets and related services can be a good way to lock in that early advantage in the Metaverse.

## **How can trademark help businesses to expand into the Metaverse?**

Trademarks serve to distinguish the products or services of one business from those of the other businesses. To put it simply, consumers when confronted with a product bearing Trademark A, would know that it is the product of Company A; and conversely it is not the product of Company B, C or D, who are the competitors of Company A.

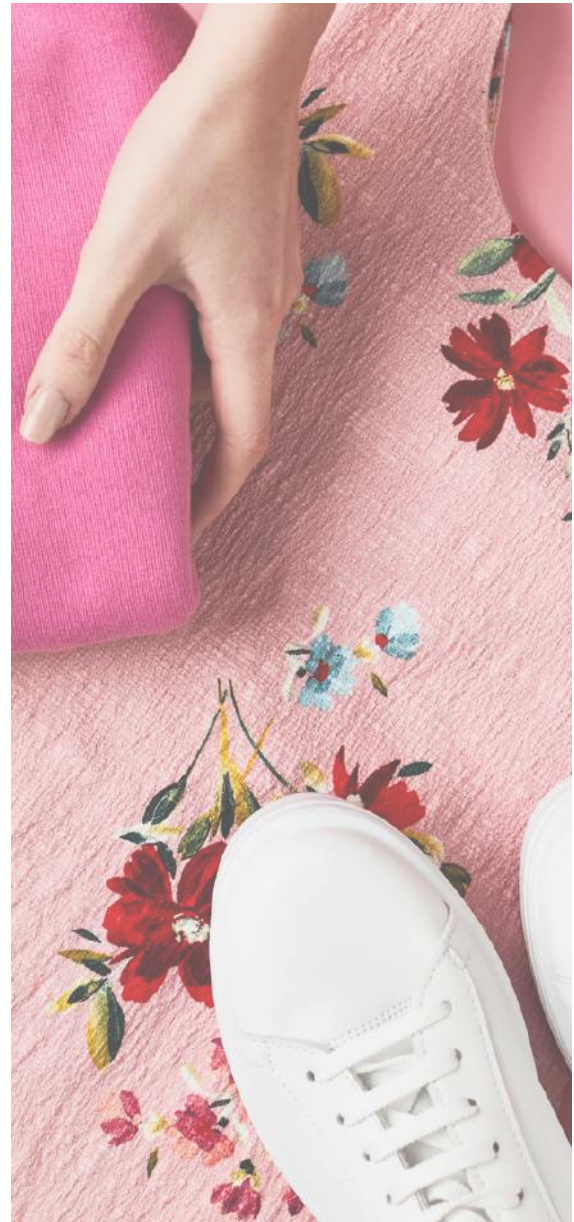
Trademark registrations however only grant the registered proprietor exclusivity in respect of the specific goods or services covered by the trademark registrations. For example, if Company A registered Trademark A in respect of "USB flash drive" but not "software", Company A will only have exclusivity under Trademark A in respect of "USB flash drive" and not "software", even though both these items are categorised as Class 9 goods.



Most brick-and-mortar businesses generally do not have “virtual assets and related services” as part of their trademark portfolios. Things are looking to change since the acceleration in the development of Metaverse and the virtual economy. Over the past 1 – 2 years, we have observed corporations that have predominantly operated in the physical space, shifted their gaze towards the virtual space. Brands like Nike, Ralph Lauren, DKNY, Crocs, Walmart and McDonald’s have shown their interests in the Metaverse by filing new trademark applications in respect of virtual goods, virtual assets, retail services and entertainment services in the virtual world, thereby expanding the reach of their trademark rights into the Metaverse.

If not careful, businesses that have established a significant presence in the physical world, but are slow to adapt to the virtual world, may fall prey to “trademark theft” in the virtual world by opportunists. We have already seen this happened to Gucci and Prada, where third parties attempted to secure trademark registrations for “GUCCI” and “PRADA” in the United States in respect of virtual assets, retail and entertainment services featuring virtual goods. Similarly, Hermes has also encountered artist creating NFTs featuring their iconic Birkin Bags without authorisation. Hermes, Gucci and Prada have taken / are taking steps against these unauthorised actions, and chances are they will most likely succeed in quashing the obvious attempts of “land grab”, due to their deep pockets and world-renowned reputations. Smaller businesses with limited resources may just not be as fortunate.

Of course, other than registered trademark rights, brand owners can also look to enforce their rights through common law goodwill in common law countries, or through copyright if their trademarks are stylised and fulfil the criteria on copyright subsistence. But the process involved is likely going to be far more tedious and expensive when compared to a simple trademark filing process.



Closer to home, a cursory search at the online database of the Intellectual Property Corporation of Malaysia (MyIPO) would reveal that there are already at least 30 trademark applications filed in Malaysia that include NFTs and/or virtual assets as their specification of goods or services. Interestingly, the list of applicants of these trademark applications include IICOMBINED Co., Ltd - the company behind the famous sunglasses brand GENTLE MONSTER; Yuga Labs, Inc. - the devs behind the infamous Bored Ape Yacht Club, who have also just recently dropped the ApeCoin; Riot Games, Inc. - the developer of the computer and mobile game League of Legends; FTX Trading Ltd. - the operator of the FTX crypto exchange; and Cathay Pacific Airways Limited. This shows that the Metaverse trend is not just something that only happens in the West, but corporations around the world recognise the potential of the Malaysian market in the digital world as well.

### **Conclusion**

By estimate, it will probably take another 5 years or so for Metaverse and the underlying technology to be mature enough for mass adoptions. Businesses should however move fast to secure their spots in the Metaverse, before the technology becomes commonplace. Securing trademark rights would be a good place to start. As the saying goes, early bird gets the worm.

Businesses that are unsure of how to secure their trademark registrations in relation to virtual assets and related services, or those that are looking to find out more about the Metaverse, are encouraged to seek out professional assistance.

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