Trend of Trademark Rights Relating to Metaverse*

— In Light of Circumstances in Other Countries —

by Miki TOMII**

1. Introduction

"Metaverse" is one of the words we often hear these days. Particularly, the change of the company name of Facebook, Inc. into "Meta" in October, 2021 aroused attention on its future potential. Though 3D virtual spaces where we can enjoy games etc. with goggle-type terminals have existed so far, "Metaverse" implies another universe transcending (meta) the real world, in which avatars of human beings, even though they are virtual, can do shopping and own real estates and currencies circulate and investment is possible as in the real world. It is generally believed that this coined word first appeared in 1992 in the SF novel "Snow Crash" by the American writer, Neal Stephenson.

A crucial difference between the metaverse and the mere game spaces is that not only former Facebook, Inc. but also famous large companies in the world find business chance in the metaverse, and are investing and moving into it one after another. This is because they think that the consumption behavior on the metaverse is linked with consumers buying real goods, which enables business expansion both in the virtual world and the real world.

For example, Nike, Inc. launched the virtual store "NIKELAND" in the popular virtual space "Roblox" to sell clothing, and acquired the design studio for virtual sneakers to provide the avatars' sneakers changing service. It is said that in Roblox, a Gucci bag was auctioned for over 4000 dollars. Of course, human beings cannot take the sneakers and the bags in their hands because they are virtual goods. However, the consumer feeling of wanting a limited edition of NIKE brand collection is the same. The brand power established in the real world motivates the consumption behavior in the virtual world.

Furthermore, unlike the cryptocurrencies that have circulated in the virtual spaces, transactions with "non-fungible tokens (NFTs)" are developing rapidly on the metaverse where a plurality of platforms exist. "One-of-a-kind" or "super rare" items provided as the NFTs, which are digital assets assigned with the non-fungible, i.e., one and only value, cannot be replicated because its source is digitally proved by the blockchain technology. The NFTs assigned with the non-fungible value may be traded at high price, similarly to the real world where limited Gucci items and VIP tickets for NBA games are traded at higher prices. That is, consumers evaluate the brand equity on the metaverse as well, and thus, it is important for companies to protect their own brands as intellectual property.

In such a situation, protection of intellectual property on the metaverse is a matter of concern. It is often said that legislation is not catching up with explosive progress of the metaverse in a short time. What can we do at present to prevent brand name theft and design theft on the metaverse?

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2. Examples of Trademark Registrations

In various countries including Japan, the number of applications for the purpose of protecting trademark rights on the metaverse is increasing. Though the definition of "metaverse-related application" is ambiguous, this article discusses the applications including the term "NFT" in the designated goods/services and the applications designating virtual goods/services on virtual spaces (excluding the applications filed by the technology companies related to creation and operation of virtual spaces), which are selected from the public databases of the Patent and Trademark Offices in Japan, the United States and the European Union.

The following are examples of what companies file the applications and what designated goods/services are designated.

(1) United States

An example of the leading companies in the field of metaverse strategy is Nike, Inc. U.S. Trademark Application No. 97096366 (filed on October 27, 2021) relating to a combination of the characters "NIKE" and the famous "SWOOSH" mark designates "Downloadable virtual goods, namely, computer programs featuring footwear, clothing, headwear, eyewear, bags, sports bags, backpacks, sports equipment, art, toys and accessories for use online and in online virtual worlds" (Class 9), "Retail store services featuring virtual goods, namely, footwear, clothing, headwear, eyewear, sports bags, backpacks, sports equipment, art, toys and accessories for use online; on-line retail store services featuring virtual merchandise, namely, footwear, clothing, headwear, eyewear, bags, sports bags, backpacks, sports equipment, art, toys and accessories" (Class 35), "Entertainment services, namely, providing on-line, non-downloadable virtual footwear, clothing, headwear, eyewear, bags, sports bags, backpacks, sports equipment, art, toys and accessories for use in virtual environments" (Class 41), and the like. This indicates that, with goods traded and used in virtual spaces in mind, Nike, Inc. intends to secure an exclusive right of the house mark from every aspect by regarding virtual clothing as goods belonging to Class 9 ("downloadable virtual goods, namely, computer programs featuring various types of clothing"), covering retail services for these virtual goods in Class 35, and regarding the provision of non-downloadable virtual goods as "entertainment" in Class 41. In the apparel industry, the trademark application for "SKECHERS" (No. 97227587 filed on January 19, 2022 by Skechers U.S.A. Inc. II) also designates "Non-downloadable computer software for the creation, production and modification of digital animated and non-animated designs and characters, avatars, digital overlays and skins for access and use in online environments, virtual online environments, and extended reality virtual environments" (Class 42), in addition to virtual goods/services in Classes 9, 35 and 41. This indicates the strategy of securing the exclusive use of the trademark on virtual spaces also in the field of design and creation by non-downloadable software in Class 42.

The trademark application for "CROCS" (No. 97212947 filed on January 11, 2022 by Crocs Inc.) describes "Downloadable digital media, namely, digital assets, digital collectibles, digital tokens and non-fungible tokens (NFTs)" in Class 9 to designate digital assets themselves, though Crocs are apparel goods. At the same time, it describes "Downloadable virtual goods created with blockchain-based software technology and smart contracts, in the nature of footwear, clothing, bags, accessories and charms for decorating footwear, clothing, bags and accessories" to clearly define that virtual goods are goods using the blockchain-related technology. Furthermore, it designates "Downloadable computer software for creating, managing, storing, accessing, sending, receiving, exchanging, validating and selling digital assets, digital collectibles, digital tokens and non-fungible tokens (NFTs)" to protect software itself. This indicates that Crocs Inc. intends to protect not only virtual versions of goods that are traded in the real world but also software and digital assets that embody the technology essential for creation and transaction thereof.

Turning now to the retail industry, the trademark application for "SAKS FIFTH AVENUE" (No. 97307459 filed on March 11, 2022 by the major department store, Saks Fifth Avenue, Inc.) describes "Virtual and digital interactive representations of

consumer goods for use in virtual experiences and the metaverse" as designated goods in Class 9, in addition to "Virtual and digital goods for use online and in virtual worlds", to try to protect "representations" of goods, not the goods. It also describes "Multimedia files, audio recordings, video recordings and image files containing content, artwork, text, audio, and video stored in digital wallets and authenticated by non-fungible tokens (NFTs)" to designate contents based on the premise of transactions with NFTs. This indicates that Saks Fifth Avenue, Inc. tries to expand the range of protection. In addition, the description of "In-person and virtual personal wardrobe styling services" in Class 45 indicates that Saks Fifth Avenue, Inc. contemplates the business model for providing the virtual personal styling service.

McDonald's filed the trademark application for "McDelivery" (No. 97263314 filed on February 11, 2022) that designates "Operating a virtual restaurant featuring actual and virtual goods, operating a virtual restaurant online featuring home delivery" (Class 43), which became a hot topic. Though it designates services at a virtual restaurant, it suggests the provision of real (actual) goods. KFC Corporation also filed the similar applications such as No. 97330034 (filed on March 25, 2022).

All of the above-described applicants have already had the trademark rights for the real goods/services. This would be evidence indicating these companies' concerns that the existing rights may be insufficient for brand protection on the metaverse.

(2) European Union

The American apparel companies have been actively filing the applications with the EUIPO as well.

For example, a commonly-cited early example is the trademark application for "ALLBIRDS" (No. 018609538 filed on November 25, 2021 and registered on April 19, 2022 by the sneaker company, Allbirds, Inc.). It designates "Downloadable virtual goods, namely, computer programs featuring footwear, socks, sleeping masks, footwear accessories, namely, lace kits and insoles, portable beverage container holders for use online and in online virtual worlds" and "Downloadable virtual goods, namely, apparel, shirts, pants, shorts, jackets, sweaters, dresses, skirts, underwear, pajamas, headwear, robes, athletic uniforms, vests for use online and in online virtual worlds" in Class 9, which again indicates the strategy of seeking for protection from both aspects of downloadable virtual goods and programs that create the goods. Similarly to the U.S. application filed by Nike, Inc., this application designates "Entertainment services, namely, providing on-line, non-downloadable virtual footwear, socks, sleeping masks for use in virtual environments" (Class 41) with the intention of comprehensively covering the provision of goods on virtual spaces. These phrases are also commonly seen in the subsequent applications filed by the other companies.

Nike, Inc. has been actively filing the metaverse-related applications with the EUIPO as well. For example, the above-described trademark application for "NIKELAND" (No. 18605923 filed on November 22, 2021) clearly describes goods/services related to "virtual environments" and "virtual reality" in all of Classes 9, 25, 35, 41, and 42 excluding real clothing in Class 25.

The trademark application for "Tommyverse" (No. 018614145 filed on December 3, 2021 by Tommy Hilfiger Corporation) also designates Classes 9, 25, 35, 41, and 42 and suggests the virtual provision of goods in all classes excluding real clothing in Class 25.

An example of the applications filed by the pioneering European companies other than the apparel companies is the trademark application for "PIRELLI" (No. 018605126 filed on November 19, 2021 by the Italian tire manufacturer, Pirelli & C.S.p.A.), which designates virtual goods/services in Classes 9, 35, 41, and 42. Recently, the Swedish furniture company, IKEA has also been filing the application for the famous "IKEA" logo trademark including Classes 9, 35 and 41 so as to cover software for virtual goods, retail services for virtual furniture, and the like (No. 018706131 filed on May 20, 2022). FIFA (Federation Internationale de Football Association) has also been filing a plurality of metaverse-related applications. For example, the

trademark application for "FAN FESTIVAL" (No. 018680135 filed on March 31, 2022) designates "entertainment services, namely, providing on-line, non-downloadable virtual footwear, clothing, headwear, eyewear, bags, sports bags, backpacks, sports equipment, footballs, art, trophies, toys and accessories for use in virtual environments, virtual reality games, interactive video game" (Class 41) to cover the provision of virtual goods on virtual spaces.

(3) Japan

The current situation in Japan is now discussed.

Except for the game, technology and financial industries, the trademark application for "NIKE" (No. 2021-132593 filed on October 25, 2021) is ahead of others. Similarly to the European and U.S. applications, this application covers "virtual goods, namely, downloadable computer programs and computer programs (recorded) featuring footwear, special sports shoes, clothing, headwear, eyewear, bags, sports bags, backpacks, sports equipment, art, toys, personal ornaments, and accessories thereof for use online and in online virtual worlds" (Class 9), covers retail services for virtual goods in Class 35, and covers the provision of non-downloadable virtual goods for use in virtual spaces in Class 41. In addition to this, the applications filed by the European and U.S. apparel companies such as New Balance Athletic Shoe, Inc. (No. 2022-009016 etc.), Burberry Group plc (No. 2022-022222 etc.), Gianni Versace S.p.A. (No. 2022-023686), and The North Face, Inc. (No. 2022-024179) are noticeable. The situation in Japan seems to almost follow the trend in the European countries and the United States.

In addition, the trademark application for "BTS", which is the popular group in Korea, designates "downloadable virtual goods, namely, computer programs featuring jewelry, postcards, posters, photographs, photographic albums, books, magazines, purses, bags, furniture, towels, blankets, clothing, headwear, footwear and special sports shoes, toys, games, houses, buildings, vehicles, foodstuffs, and beverages for use online and in online virtual worlds" and "music files that can be received and saved using the Internet and are authenticated by the NFTs" (No. 2021-154149 filed on December 9, 2021). The talent agency to which the BTS belongs has filed a plurality of applications for the singer names other than the BTS, which indicates that it bears the brand strategy on the metaverse in mind.

3. Tasks for the Future

(1) Legislation Problem: Before Occurrence of Right

The position of goods/services on the metaverse in the Trademark Acts and the trademark practice in various countries including Japan is unclear. The indications of the designated goods/services in the above-described examples are the result of applicants' ingenuity, and are neither defined in the Nice Classification, which is the international agreement on designated goods/services in trademark applications, nor described in the Examination Guidelines in Japan.

Moreover, since the unique similar group code system is used as the standards for similarity judgment of goods/services in Japan, a similar group code is assigned for convenience in examination, despite applicants' ingenuity in description when designating virtual goods. The similar group code "21C01" is assigned to real bags (Class 18), whereas the similar group code "11C01" is assigned to downloadable computer programs" (Class 9), and they are determined to be dissimilar. If a virtual bag is designated as "downloadable virtual goods, namely, computer programs featuring bags for use online and in online virtual worlds" (Class 9) to follow the prior applications and the similar group code "11C01" is assigned thereto, it is dissimilar to "bags" (Class 18, "21C01"). Therefore, even if we have a trademark right to a real bag, another person can obtain a trademark right designating "downloadable virtual bags" for the same brand. This creates a situation in which the right holder in the real world is different from that in the virtual world, despite the bags of the same brand.

Though coexistence of "bags" and "sneakers" (Class 25, "22A01") has been accepted among

different types of business in the real world even under the same brand name because they do not cause confusion in the market, they may conflict with each other in the virtual world because they are classified into "computer programs for use in virtual worlds" (Class 9, "11C01"). In view of the possibility of such a scramble for the rights of virtual goods, it is natural to think that, under the first-to-file principle, applications for virtual goods designating Class 9 should be filed as soon as possible.

The European Union and the United States, where specific descriptions of designated goods/services are accepted and similarity judgment is made individually, and Japan, China, Korea, and Taiwan, where the similarity group code system is used, seem to require different strategies to obtain metaverse-related trademark rights. Particularly, in the countries like China where descriptions of goods/services specified by the Trademark Office are promoted and free descriptions are limited, appropriate protection in line with applicants' intention is difficult, and this must also be taken into consideration.

(2) Legislation Problem: Exercise of Right

Assuming that we file an application to follow the prior applications, with exercise of a right on the metaverse in mind, and obtain a trademark right, how should we think about an infringement by a third party? When we review how to grasp infringements, we can see that the framework of the conventional legal system is insufficient.

The example of the bag is discussed again. Similarity/dissimilarity of goods is even more important in analyzing whether there was an infringement, apart from similarity judgment in examination based on the above-described similarity group code system. When a bag that we can actually take in our hands and use is similar to a 3D bag represented to be put on avatar's shoulder on the metaverse, and when a trademark right to "bags" in Class 18 has been set, the use of the trademark by others can be certainly prohibited as to the 3D bag on the metaverse. However, when they are determined to be dissimilar because the bag on the metaverse does not actually exist and a real person merely sees a kind of image created by the software technology, the right to "bags" owned by the right holder does not extend to the use on the metaverse.

It is conceivable that the above-described companies filing the so-called metaverse-related applications worry about such circumstances and are in hurry to secure the rights covering Class 9 and Class 41, which they have not done so.

When we think about infringements, the interpretation of the act of use of a trademark prescribed in Paragraph 3 of Article 2 of the Japanese Trademark Act is also controversial. Recently, in not only the Design Act but also the Copyright Act and the Unfair Competition Prevention Act, the topic of whether "article" and "goods" prescribed in the texts of the laws include a digital intangible has been actively discussed, and the judicial decisions related thereto have been made.

Originally, the laws were not designed in consideration of digital goods and transactions with cryptocurrencies in the metaverse as currently seen. However, review of the laws including revision seems to further accelerate in the future.

4. Conclusion

Which country's law is to be applied in the metaverse is uncertain. The so-called territorial principle that an intellectual property right registered in one country can be exercised only in that country seems to be unfit for the present-day metaverse. In preparation for future development, some companies will rush into securing their rights in every country.

Though the intellectual property organizations in the main countries including Japan are in hurry to promote legislation across the countries, the metaverse-related technology is developing much faster. In order to prevent decline in international competitiveness of the Japanese brands, it is necessary to watch the trend in the other countries and think seriously about brand protection on the metaverse.