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## **PROTECTION IN A VIRTUAL REALITY: THE DIRE NEED FOR TRADEMARK AND COPYRIGHT LAW EXPANSION TO ENCOMPASS DIGITAL CONTENT WITHIN THE METAVERSE**

*Amber N. Roibu\**

### **ABSTRACT**

The Metaverse has gained much popularity in recent years, leaving some people with a feeling of uncertainty, but all the while intriguing many others. The multifaceted interactions and activities that take place within the Metaverse have made it a virtual world fertile for not only creative expression but also infringement of existing trademark and copyright protected works. Hand-in-hand with the development of the Metaverse has come the fast-growing interest in buying and selling virtual goods, properties, and non-fungible tokens. To preserve their reputation, avoid costly litigation, and ultimately uphold the exclusive rights allotted to them as intellectual property owners, trademark and copyright holders should seek protection within the Metaverse, even if they have not yet entered the realm. Alongside this business tactic, there is a dire need for expansion upon existing trademark and copyright law to expressly encompass virtual goods and services, as well as for a modernized understanding of how trademark and copyright law should be interpreted and applied.

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## I. INTRODUCTION

The notion that a trademark is a “word, phrase, symbol, design, or a combination of these things” that identifies a particular good or service and serves to provide a method by which, “customers recognize you in the marketplace and distinguish you from your competitors,”<sup>1</sup> and that a copyright is a form of intellectual property protection that safeguards original works of authorship<sup>2</sup> has been clouded by the ever-growing prominence and circulation of digital content and, in particular, the recent rise in popularity of the Metaverse.<sup>3</sup> In today’s society, the Metaverse has gradually become a common household term, but despite its popularity, a majority of individuals remain uncertain as to what exactly the Metaverse is and the various forms of interactions, activities, sales, and investments that occur within the Metaverse on a daily basis.<sup>4</sup> The Metaverse is an evolution of the modern-day Internet that will take the form of gaming, meetings, and even online communities where people will have the opportunity to interact with one another through the use of various personalized avatars or digital facsimiles that they create.<sup>5</sup> The term “Metaverse” was first coined in 1992 when Neal Stephenson published his novel, *Snow Crash*.<sup>6</sup> In his novel, Stephenson defined the Metaverse as being an “all-encompassing digital word that exists parallel to the real world.”<sup>7</sup> However, in today’s society, the term has taken on a different meaning.<sup>8</sup> At its very core, the Metaverse is designed to serve as a three-dimensional version of the modern-day Internet that would be accessed through a single

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<sup>1</sup> *What is a trademark?*, USPTO (Mar. 31, 2021), <https://www.uspto.gov/trademarks/basics/what-trademark>.

<sup>2</sup> *Copyright in General*, COPYRIGHT.GOV, <https://www.copyright.gov/help/faq/faq-general.html>.

<sup>3</sup> Thomas Verborgh and Nils Dillemans, *You snooze you lose? Trademarks in the metaverse*, GEVERS (June 20, 2022), <https://www.gevers.eu/blog/metaverse/you-snooze-you-lose-trademarks-in-the-metaverse/>.

<sup>4</sup> David Needle, *The metaverse explained: Everything you need to know*, TECHTARGET (Oct. 3, 2022), <https://www.techtargget.com/whatis/feature/The-metaverse-explained-Everything-you-need-to-know>.

<sup>5</sup> *Id.*

<sup>6</sup> Shamani Joshi, *What Is the Metaverse? An Explanation for People Who Don't Get It.*, VICE (Mar. 15, 2022), <https://www.vice.com/en/article/93bmyv/what-is-the-metaverse-internet-technology-vr>.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

gateway.<sup>9</sup> The Metaverse is defined as being “a combination of the virtual reality and mixed reality worlds accessed through a browser or headset, which allows people to have real-time interactions and experiences across distance.”<sup>10</sup> Experts have said that the increase in interest in the Metaverse is heavily influenced by the ability of people to have full ownership in the Metaverse over virtual objects, land, and even various types of experiences.<sup>11</sup> Alongside the presence of the Metaverse, there has been an increased interest in a distinct form of digital ownership known as a nonfungible token (“NFT”).<sup>12</sup> An NFT is a certificate of ownership within the blockchain that is created when a digital file is minted.<sup>13</sup> NFTs have gained much popularity in recent years, with individuals across the globe beginning to invest in them.<sup>14</sup> Today, there are over one billion NFTs on the market, with, on average, roughly eight million new NFTs being created every month.<sup>15</sup> A large number of celebrities have begun creating their own personal NFTs that fans can purchase and, in some situations, even resell.<sup>16</sup> Accordingly, NFTs have quickly become an incredibly fast-growing area of the Metaverse in that NFTs give people the opportunity to hone into their artistic curiosity and creative expression.<sup>17</sup>

In light of the recent spike in popularity surrounding NFTs and other digital content that are being traded and sold within the Metaverse, businesses should consider seeking trademark protection across digital platforms to protect themselves not only from an

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<sup>9</sup> *Id.*

<sup>10</sup> Deborah Lovich, *What Is The Metaverse And Why Should You Care?*, FORBES (May 11, 2022), <https://www.forbes.com/sites/deborahlovich/2022/05/11/what-is-the-metaverse-and-why-should-you-care/?sh=5c104f942704>.

<sup>11</sup> *Id.*

<sup>12</sup> Oleg Fonarov, *What Is The Role Of NFTs In The Metaverse?*, FORBES (Mar. 11, 2022), <https://www.forbes.com/sites/forbestechcouncil/2022/03/11/what-is-the-role-of-nfts-in-the-metaverse/?sh=5dc393516bb8>.

<sup>13</sup> *Id.*

<sup>14</sup> *The Growing Popularity of NFTs*, FINSMES (Aug. 10, 2022), <https://www.finsmes.com/2022/08/the-growing-popularity-of-nfts.html#:~:text=In%20the%20past%20year%20or,can%20be%20to%20transfer%20value.>

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> Ola Lind, *Insights: The metaverse and NFT relationship*, GULFBUSINESS (Jul. 12, 2022), [https://gulfbusiness.com/insights-the-metaverse-and-nft-relationship/#:~:text=Non%2Dfungible%20tokens%20\(NFTs\),%2Dgame%20goods%2C%20and%20videos.](https://gulfbusiness.com/insights-the-metaverse-and-nft-relationship/#:~:text=Non%2Dfungible%20tokens%20(NFTs),%2Dgame%20goods%2C%20and%20videos.)

economic standpoint but from a reputational standpoint as well, even if they have yet to expand into the digital realm.<sup>18</sup> While economic harm is an obvious detriment to any company, reputational harm is arguably far more detrimental. Reputational damage may not only lead to a substantial economic loss but also put to waste the hard work and funding that went into developing a strong goodwill. A variety of reputable brands have been the target of trademark infringement and dilution within the Metaverse and, as such, have been forced to engage in expensive litigation to protect their trademarks against the alleged infringers.<sup>19</sup> While, in the case of reputable brands demonstrating a renowned mark reputation will not be very difficult, in the vast majority of cases involving smaller businesses, improper trademark registration to identify products in the Metaverse can prove to be detrimental from an economic perspective.<sup>20</sup> In an attempt to avoid trademark infringement and dilution and ultimately lengthy and costly litigation proceedings, “many businesses are already registering their trademarks for virtual goods and services, even if they do not yet offer them.”<sup>21</sup>

Intellectual property attorneys nationwide have encouraged businesses to seek trademark protection within the Metaverse to prevent others from registering their mark for an unrelated brand and is an effective tool to prevent others from using an already protected mark to their own economic and reputational advantage or the possible detriment of the mark holder.<sup>22</sup> However, currently, the legal rights and their respective enforcement within the Metaverse are uncertain and, as such, as the Metaverse continues to expand, businesses will need to adopt a proactive approach to establishing and protecting themselves within the Metaverse to safeguard their continued success.<sup>23</sup> While the Internet in itself presents many issues regarding intellectual

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<sup>18</sup> Kathryn Park, *Trademarks in the metaverse*, WIPO (Mar. 2022), [https://www.wipo.int/wipo\\_magazine/en/2022/01/article\\_0006.html](https://www.wipo.int/wipo_magazine/en/2022/01/article_0006.html).

<sup>19</sup> Karolina Brzezinska, *Trademark Infringements In The Metaverse: The Future Is Now*, MONDAQ (May 20, 2022), <https://www.mondaq.com/trademark/1194808/trademark-infringements-in-the-metaverse-the-future-is-now>.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> Michael Kondoudis, *Trademarks and the Metaverse: The ULTIMATE GUIDE*, MK, <https://www.mekiplaw.com/how-to-protect-brands-in-the-metaverse-the-ultimate-guide/#:~:text=Can%20you%20legally%20protect%20your,that%20you%20legally%20own%20it> (last visited May 7, 2024).

<sup>23</sup> Natalie Remien, *Trademarks in the Metaverse*, JDSUPRA (Aug. 31, 2022), <https://www.jdsupra.com/legalnews/trademarks-in-the-metaverse-1465520/>.

property rights infringement, it is far simpler to monitor misuse of protected intellectual property on the Internet than it is on the Metaverse, that is, in every sense of the word, a world of its own.<sup>24</sup> The uncertainty surrounding the expansion of trademark law to expressly encompass usage pertaining to digital content has, “spooked mark holders into taking preemptive action.”<sup>25</sup> Accordingly, as a result of the resounding uncertainty surrounding trademark protection in the Metaverse, the USPTO could alleviate many of the worries plaguing mark holders by expressly “extending analogue protections of marks used in commerce to substantially similar virtual renditions.”<sup>26</sup> The renowned fast-food chain, McDonald’s, for example, has recently filed a trademark application for its existing mark “MCCAFE” to be expanded into digital platforms and encompass both real-life and virtual goods.<sup>27</sup> Currently, it is difficult for mark holders and companies to continuously monitor the representation or, rather, the misrepresentation, of their marks within the Metaverse, as they might have within the modern-day Internet, ultimately leading to a substantial revenue stream for infringing users and, in turn, a potentially detrimental effect on the rightful mark holders’ reputation.<sup>28</sup>

Copyright owners have encountered many of the same issues. In particular, monitoring and enforcing the rights of individuals and companies that own copyrights is more complex in the Metaverse due to the greater difficulty of detecting and proving unlawful copying and distribution.<sup>29</sup> Specifically, given the fact that the Metaverse functions as a shared virtual space where peer-to-peer created and managed worlds can live in conjunction with or independent of other virtual worlds, “it can become very difficult to track these different virtual worlds and monitor user activity involving tool builders, software developers, world builders, artists, 3D modelers, game developers, users,

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<sup>24</sup> *Id.*

<sup>25</sup> Alex O’Connor, *Extending Trademark Protections To The Metaverse*, LAWSCI FORUM (May 10, 2022), <https://mjlst.lib.umn.edu/2022/05/10/extending-trademark-protections-to-the-metaverse/>.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> Amir Kashdaran, *Copyright Laws in the Metaverse: Challenges and Emerging Issues*, LINKEDIN (Mar. 13, 2023), <https://www.linkedin.com/pulse/copyright-laws-metaverse-challenges-emerging-issues-amir-kashdaran/>.

and so many other classes of users and stakeholders.”<sup>30</sup> Additionally, from the perspective of creating within the Metaverse, and in conjunction with eventual infringement claims, another prominent issue is guaranteeing creators of copyrightable works that have been created within the Metaverse proper and exclusive ownership over their creations.<sup>31</sup> These creations may include various sound effects, skins that may be utilized within the virtual realm, and textures that may be widely circulated, all of which fall within copyrightable classes of goods.<sup>32</sup> Due to the complex and layered nature of the Metaverse, “a user can use another person’s copyrighted material in the Metaverse (like avatar, texture, music, sound, design, etc.) without permission for profit without detection,” and, “even if the infringing use is detected, it can be very difficult to identify and track the actual user behind the infringement.”<sup>33</sup> In the event that infringement is detected, the fact that international users can engage in the virtual worlds of the Metaverse and trade with users from various nations lends hand to the fact that, now, “copyright holders will potentially need to navigate different legal systems to enforce their rights,” which can become not only complicated but also very costly.<sup>34</sup>

This Note proposes that in light of the expansion and ever-growing prominence of digital content, particularly within the Metaverse, there is a mutually critical need for current trademark and copyright law to be expanded. Trademark law should expressly encompass mark protection in cases of usage within digital platforms and on digital content which will encourage businesses to seek trademark protection within the Metaverse, even if they have not yet entered the space. Maintaining the law as it currently is, having not taken into consideration how rapidly the virtual marketplace might expand, would be detrimental to inventors, companies, and other intellectual property owners who may fall victim to having their marks used within the Metaverse, without their knowledge or permission, to their potential detriment or the potential benefit of others. Currently, to successfully register a trademark with the USPTO, a mark holder must prove “use in commerce” meaning that, the mark holder, or in some cases their respective company, must engage in some form of commerce

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<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

regulated by Congress.<sup>35</sup> Current and aspiring mark holders can, however, file an Intent to Use (“ITU”) trademark application which would permit them to protect their brand, even if they are not currently using the product in commerce, so long as they possess “bona fide intent” to ultimately use their trademark and the corresponding product in commerce.<sup>36</sup> Accordingly, trademark owners should be encouraged to protect their intellectual property rights by filing trademark applications to encompass virtual goods and services regardless of their current status of use, given the USPTO’s inaction, to date, to expand its trademark classification classes to expressly encompass virtual goods and services and extend virtual protection to marks that have already been protected in the real world.<sup>37</sup>

Further, current copyright law should be amended to specify varying critical factors more clearly, such as ownership, to ensure that copyright owners are adequately protected within the digital realm. Hand in hand with the modification of both our understanding of copyright law and copyright law itself there will arise new and improved technologies that may be implemented within these virtual realms to better detect infringing uses of protected copyrights and provide copyright owners with added security. Maintaining our understanding of the law as it currently is would be detrimental to companies and other intellectual property owners who may fall victim to having their copyrighted works used within the Metaverse, without their knowledge or permission, potentially injuring them and unjustly benefiting others. Currently, in order to own and successfully register a copyright with the Copyright Office, three basic criteria must be satisfied: (1) originality; (2) work of authorship; and (3) fixation.<sup>38</sup> Fortunately, many NFTs meet these criteria and are often awarded copyright protection at the time of fixation, allowing the copyright owner to sue for infringement if it were to occur. As such, NFTs that are eligible for copyright protection and acquired by a party should be “considered in light of the

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<sup>35</sup> Michael Pike & Daniel Lustig, *Trademark Law: What is the ‘Commercial Use’ Requirement?*, PIKE & LUSTIG, LLP. (Dec. 14, 2017), <https://www.turnpike-law.com/trademark-law-what-is-the-commercial-use-requirement/>; J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (5th ed. 2019).

<sup>36</sup> Pike & Lustig, *supra* note 35.

<sup>37</sup> Xheneta Ademi et al., *A Trademark Guide to the Metaverse for Averse Brand Owners*, QUARLES & BRADY LLP (Jul. 12, 2022), <https://www.quarles.com/publications/a-trademark-guide-to-the-metaverse-for-averse-brand-owners/>.

<sup>38</sup> *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340 (1991).



limitations and rights gained,”<sup>39</sup> such as the exclusive right to reproduce the copyrighted work in copies or phonorecords or varying forms of derivative works that are based solely upon the originally protected work and the right to ultimately distribute these created copies “to the public by sale or other transfer of ownership or by rental, lease, or lending.”<sup>40</sup> Nonetheless, assessing how copyright law will function and ultimately exist in a world that will soon be governed by DAOs and other forms of decentralized storage is a guessing game. In the past, copyright law has demonstrated its ability to adapt and survive technological revolutions, always having maintained its core essence, to enforce a copyright holder’s monopoly against all who may challenge it.<sup>41</sup> Accordingly, our understanding and application of modern-day copyright law must be expanded upon and ultimately tweaked to guarantee protection in the rocky virtual terrain to safeguard authorship and encourage innovation and creativity. To accomplish these goals, Congress should consider amending current copyright law to expressly incorporate and identify virtual goods and creations and provide copyright applicants with a clear-cut guide as to how they might navigate gaining protection over them.

Section II of this Note will discuss what trademarks and copyrights are. Section III will explore the prevalence of trademark infringement and dilution lawsuits within the Metaverse and highlight several high-profile cases in which reputable brands have sought protection within the Metaverse. Section III will further explore the prevalence of copyright infringement within the Metaverse and discuss many of the issues associated with the unauthorized and unmonitored usage of copyrighted works within the Metaverse. Section IV will propose how companies may protect themselves by seeking preemptive intellectual property protection in the Metaverse and how our current understanding of trademark and copyright law should be modified to encompass issues arising within the Metaverse. Lastly, Section V will discuss the suggested expansion of trademark and copyright law to provide express protection within the Metaverse.

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<sup>39</sup> *Intellectual Property In The Metaverse*, PATENTPC (Nov. 11, 2022), <https://www.patentpc.com/blog/intellectual-property-in-the-metaverse>.

<sup>40</sup> *What is Copyright?*, COPYRIGHT.GOV, <https://www.copyright.gov/what-is-copyright/> (last visited May 7, 2024).

<sup>41</sup> *The Reed Smith Guide to the Metaverse – 2<sup>nd</sup> Edition*, REEDSMITH (Aug. 1, 2022), <https://www.reedsmith.com/en/perspectives/metaverse/2022/08/intellectual-property>.

## II. GOVERNING LAW

### A. Trademark Law

The term “trademark” encompasses a wide variety of words, phrases, symbols, or a combination thereof that may be granted legal protection.<sup>42</sup> Trademark law protects inventors and companies alike by enabling mark holders to distinguish their products or services from those of their competitors and build a level of recognition and loyalty within the consumer market.<sup>43</sup> From the perspective of a consumer, trademarks can serve the purpose of allowing them to make an educated and experience-driven decision when purchasing the particular product in question.<sup>44</sup> Additionally, at its very core, trademarks serve the ultimate purpose of making a particular product or service identifiable, by consumers, not only amongst fellow competitors but also in a sea of counterfeit and fraudulent products.<sup>45</sup> While trademark protection does not grant mark holders legal ownership over the word or phrase, it does provide them with legal rights as to how the word or phrase is used in the market with respect to its particular product or service.<sup>46</sup> Individuals and companies are deemed to be trademark owners the minute that they begin using their particular mark with the respective product or service, but this “common law” protection does not grant the mark owner unlimited rights to the mark. A mark is granted a broader realm of protection once the trademark is registered with the USPTO.<sup>47</sup> Geographically, an unregistered trademark is only protected within the geographic area in which it is utilized, while a registered trademark is granted nationwide protection.<sup>48</sup> Accordingly, the registration of a mark is wholeheartedly encouraged by the USPTO and intellectual property practitioners alike to ensure that mark owners are provided with the broadest possible rights to the mark and protect

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<sup>42</sup> *What is a trademark?*, USPTO (Mar. 31, 2021), <https://www.uspto.gov/trade-marks/basics/what-trademark>; 15 U.S.C. § 1127.

<sup>43</sup> *What is a trademark?*, *supra* note 42.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

them against others who may potentially infringe upon their registered mark.<sup>49</sup>

Trademarks are subject to governance by both federal and state law, with state law having initially been the sole method by which trademarks could be granted protection.<sup>50</sup> Congress enacted the first federal trademark law in the late 1800s, which was declared unconstitutional by the Supreme Court, in turn, paving the way for the creation of the modern-day federal trademark statute, the Lanham Act.<sup>51</sup> The Lanham Act, otherwise known as 15 U.S.C. § 1051 *et seq.*, was enacted in 1946 at which time it was utilized to create a national trademark registration system and, in turn, protect those mark owners who are successful in registering their marks as well as unregistered marks.<sup>52</sup>

Pursuant to the Lanham Act, two requirements must be met to register a mark: (1) the trademark must be used in commerce; and (2) it must be distinctive.<sup>53</sup> A trademark satisfies requirement one if the mark is currently used in a congressionally regulated stream of commerce.<sup>54</sup> In assessing whether trademark registration is a possibility for a particular mark owner, the individual or corporation must first ensure that it falls within the class of acceptable marks, thus satisfying requirement two.<sup>55</sup> Marks that may be trademarked, and in turn registered with the USPTO, include product names, logos, sounds, business names, slogans, combinations of colors and single colors with secondary meanings, and in some cases even smells.<sup>56</sup> For example, United Parcel Services (“UPS”) possesses a trademark for its iconic brown color, while Hasbro has been awarded trademark protection for the scent of its Play-Doh.<sup>57</sup> However, marks that are already in use, or too

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<sup>49</sup> *Id.*

<sup>50</sup> *Overview of Trademark Law*, CYBER HARVARD, <https://cyber.harvard.edu/metaschool/fisher/domain/tm.htm> (last visited May 7, 2024).

<sup>51</sup> *Id.*

<sup>52</sup> *Lanham Act*, LEGAL INFORMATION INSTITUTE, [https://www.law.cornell.edu/wex/lanham\\_act#:~:text=The%20Act%20provides%20for%20a,mark%20is%20likely%20to%20occur](https://www.law.cornell.edu/wex/lanham_act#:~:text=The%20Act%20provides%20for%20a,mark%20is%20likely%20to%20occur) (last visited May 7, 2024); 15 U.S.C. § 1051.

<sup>53</sup> *Lanham Act*, *supra* note 52.

<sup>54</sup> *Id.*; 15 U.S.C. § 1127.

<sup>55</sup> *Lanham Act*, *supra* note 52.

<sup>56</sup> Laura Hennigan et al., *What Is A Trademark? Everything You Need To Know*, FORBES ADVISOR (Mar. 26, 2022), <https://www.forbes.com/advisor/business/what-is-a-trademark/>.

<sup>57</sup> *Id.*

similarly resemble marks that have already been registered and used, marks that are generic, descriptive, encompass common phrases, and religious quotes may not be registered for trademark protection.<sup>58</sup> In addressing the distinctiveness of a mark, the USPTO looks to the likelihood that consumers will confuse the mark in question with an existing mark and, in a situation in which the likelihood of confusion is high, trademark registration will be rejected.<sup>59</sup> Generic descriptions of products or services will be rejected as the USPTO, and Congress, seek only to protect distinct marks.<sup>60</sup>

The courts have historically grouped marks into four categories: (1) suggestive; (2) arbitrary or fanciful; (3) descriptive; or (4) generic.<sup>61</sup> Suggestive marks are those that, in some capacity, suggest the characteristic of the product or service in question and generally require that the consumer exercise some degree of imagination, such as, for example, using the term “AIRBUS” to refer to airplanes.<sup>62</sup> Arbitrary or fanciful marks are those that cannot be logically related to the product or service that they are being associated with, such as “Exxon” referring to an oil and gas corporation.<sup>63</sup> Descriptive marks directly identify the product or service that they are associated with, a commonly known example being “Vision Center,” used to describe a storefront where consumers may get eye exams and fulfill eyeglass prescriptions.<sup>64</sup> Marks that would traditionally be deemed descriptive can obtain trademark protection if the mark owner can successfully prove that the mark has acquired secondary meaning in the eyes of the consumer market.<sup>65</sup> Lastly, generic marks describe, generally, the market

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<sup>58</sup> *Id.*; J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (5th ed. 2019).

<sup>59</sup> Hennigan et al., *supra* note 56.

<sup>60</sup> *Id.*

<sup>61</sup> *Overview of Trademark Law*, CYBER HARVARD, <https://cyber.harvard.edu/metaschool/fisher/domain/tm.htm> (last visited May 7, 2024); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

<sup>62</sup> *Trademark Strength*, INTERNATIONAL TRADEMARK ASSOCIATION (Nov. 5, 2020), [https://www.inta.org/fact-sheets/trademark-strength/#:~:text=A%20suggestive%20mark%20hints%20at,and%20NETFLIX%20for%20streaming%20services;see generally](https://www.inta.org/fact-sheets/trademark-strength/#:~:text=A%20suggestive%20mark%20hints%20at,and%20NETFLIX%20for%20streaming%20services;see%20generally) *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

<sup>63</sup> *Overview of Trademark Law*, *supra* note 61.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

within which the product or service will be sold.<sup>66</sup> Recently, Apple has brought suit against the USPTO for rejecting its trademark application for the mark “Smart Keyboard.”<sup>67</sup> The USPTO, however, rejected the mark on the ground that the mark “Smart Keyboard” was merely a generic term associated with “technologically advanced keyboards” and as such, was not registerable.<sup>68</sup> In an attempt to prevent the genericization of their marks, many corporations have made informing their consumers to not use their trademark as a verb or noun a top priority to ensure that they will not lose trademark protection.<sup>69</sup>

Trademark infringement arises when there is an “unauthorized use of a trademark or service mark on or in connection with goods and/or services in a manner that is likely to cause confusion, deception, or mistake about the source of the goods and/or services.”<sup>70</sup> Trademark owners who believe that their trademark is being infringed upon are encouraged to bring suit in either state or federal court under 15 U.S.C. §§ 1114, 1125, although federal court is typically the preferred venue.<sup>71</sup> Successful trademark infringement lawsuits may result in remedies that include injunctions and monetary relief.<sup>72</sup>

In *Polaroid Corp. v. Polarad Elect. Corp.*, the court defined the seven factors typically assessed when determining whether confusion is likely to occur in a trademark infringement lawsuit, “the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, the reciprocal of defendant’s good faith in adopting its own mark, the quality of defendant’s product, and the sophistication of the buyers.”<sup>73</sup> In analyzing cases of trademark

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<sup>66</sup> *Id.*

<sup>67</sup> Blake Brittain, *Apple sues over rejection of ‘Smart Keyboard’ trademark*, REUTERS (Oct. 31, 2022), <https://www.reuters.com/legal/litigation/apple-sues-over-rejection-smart-keyboard-trademark-2022-10-31/>.

<sup>68</sup> *Id.*

<sup>69</sup> *Using Your Trademark or Service Mark Correctly*, HINCKLEY ALLEN (Aug. 29, 2019), <https://www.hinckleyallen.com/publications/using-your-trademark-or-service-mark-correctly/>.

<sup>70</sup> *About Trademark Infringement*, USPTO, <https://www.uspto.gov/page/about-trademark-infringement> (last visited May 7, 2024); 15 U.S.C. § 1114.

<sup>71</sup> *Id.*; 15 U.S.C. §§ 1114, 1125.

<sup>72</sup> *About Trademark Infringement*, *supra* note 70; 15 U.S.C. § 1114.

<sup>73</sup> *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). (It is important to note that each circuit has established its unique factors that it utilizes in determining whether trademark infringement has occurred.).

infringement in the Metaverse in particular, several of the confusion factors may be heavily weighed such as the strength of the mark, the degree of similarity between the two marks, the proximity of the products, and the sophistication of the buyers, all of which play a heavy hand in Internet infringement litigation as a whole.<sup>74</sup>

While trademark infringement lawsuits involve the unauthorized use of marks that may ultimately create confusion, trademark dilution lawsuits involve the usage of a particular trademark, “in commerce sufficiently similar to a famous mark that by association it reduces, or is likely to reduce, the public’s perception that the famous mark signifies something unique, singular, or particular.”<sup>75</sup> Generally, trademark dilution is associated with two main harms, blurring and tarnishment of the trademark.<sup>76</sup> Dilution by blurring, according to 15 U.S.C. § 1125(c)(2)(B), is typically found to have occurred when, “the distinctiveness of a famous mark is impaired by association with another similar mark or trade name,” while dilution by tarnishment, pursuant to 15 U.S.C. § 1125(c)(2), “occurs when the reputation of a famous mark is harmed through association with another similar mark or trade name.”<sup>77</sup> In determining whether dilution by blurring has occurred, courts will generally consider factors such as,

Degree of similarity, the degree of distinctiveness of the famous mark, the extent to which the owner of the famous mark engages in substantially exclusive use of the mark, how recognizable the famous mark is, the intent of the defendant to create an association with a famous mark, and the actual association between the allegedly diluting mark and the famous mark.<sup>78</sup>

To be successful in court, a trademark owner bringing forth a trademark dilution lawsuit must show that the distinctive quality of its

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<sup>74</sup> *Id.*

<sup>75</sup> *dilution (trademark)*, LEGAL INFORMATION INSTITUTE, [https://www.law.cornell.edu/wex/dilution\\_\(trademark\)/](https://www.law.cornell.edu/wex/dilution_(trademark)/) (last visited May 7, 2024); J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 23:11 (5th ed. 2019).

<sup>76</sup> *dilution (trademark)*, *supra* note 75.

<sup>77</sup> *Id.*; 15 U.S.C. §§ 1125(c)(2), 1125(c)(2)(B).

<sup>78</sup> *Trademark Dilution*, JUSTIA, <https://www.justia.com/intellectual-property/trademarks/trademark-dilution/> (last visited May 7, 2024); 15 U.S.C. § 1125; J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 23:11 (5th ed. 2019).

trademark has been diluted by the action of another.<sup>79</sup> Accordingly, under the Federal Trademark Dilution Act of 1995, only marks that are considered “famous” are protected against trademark dilution.<sup>80</sup> In assessing whether a registered mark is “famous,” the court will look to the “duration and use of mark, the duration and extent of advertising for the mark, the geographic area in which the mark has been used, the degree of recognition of the mark, the method by which the product was distributed and marketed, the use of the mark by third parties.”<sup>81</sup> Issues of trademark dilution have run rampant throughout the Metaverse as a result of a wide variety of individuals and corporations creating marks that too closely resemble “famous” marks.<sup>82</sup> Accordingly, the all too common combination of both dilution by blurring and dilution by tarnishment have proven to be both economically and reputationally detrimental to commonly known “famous” marks and, in many cases, the current standard for assessing trademark dilution contributes to dilution in itself.

## B. Copyright Law

Copyright is a form of intellectual property protection that seeks to protect works of authorship that are original in nature.<sup>83</sup> More specifically, copyright protection is triggered at the moment that an author of a work affixes the work onto a tangible medium such as, for example, writing a song down on a piece of paper or painting an image on a canvas.<sup>84</sup> Many different forms of works may be subject to copyright protection including paintings, photographs, musical lyrics and compositions, movies, and architectural works, alongside a wide variety of other types of creative works.<sup>85</sup> Interestingly, copyright protection, contrary to protection under trademark or patent law, is entirely voluntary as protection exists from the moment that the original work is created and made tangible.<sup>86</sup> However, there are many benefits

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<sup>79</sup> 15 U.S.C. §§ 1125(c)(2), 1125(c)(2)(B).

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

<sup>82</sup> Park, *supra* note 18.

<sup>83</sup> 17 U.S.C. § 102.

<sup>84</sup> *Id.*

<sup>85</sup> *Id.*

<sup>86</sup> *Copyright in General*, COPYRIGHT.GOV, <https://www.copyright.gov/help/faq/faq-general.html> (last visited May 7, 2024).

attached to registering a copyright formally with the Copyright Office, the most substantial being the right to sue for infringement.<sup>87</sup>

Article I, Section 8 of the United States Constitution reads, “Congress shall have the Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>88</sup> As such, upon its creation, the United States Constitution enshrined in American law a critical ideology that authors of creative works are permitted, and protected by law, to benefit from the fruits of their intellectual creativity for a statutorily allotted period of time to the exclusion of others who may attempt to infringe these works.<sup>89</sup> In today’s society, copyright law, as provided by the Constitution and as currently governed by the amended Copyright Act of 1976, grants an author of a creative work (e.g., a novel, choreography, song) the exclusive right to reproduce the work, make derivative works, and distribute the work to the public.<sup>90</sup> An author is also provided with the right to, in some cases, publicly perform or display the copyrighted work.<sup>91</sup> Additionally, to the potential financial benefit of the author, authors are provided with the right to grant licenses to others to engage in the aforementioned activities involving their created work.<sup>92</sup> However, in an effort to continue the promotion of creativity and innovation, the Copyright Act does not allow an author to prevent others from using an idea, procedure, or discovery related to the original work to create a work of their own.<sup>93</sup>

The 1976 revision of the Copyright Act was undertaken in response to fast-growing technological developments and, ultimately, the impact that these developments may have on what works may be copyrighted, how these works may ultimately be copied, and as a

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<sup>87</sup> *Id.*

<sup>88</sup> U.S. CONST. art. 1, § 8.

<sup>89</sup> *A Brief History of Copyright in the United States*, COPYRIGHT.GOV, <https://www.copyright.gov/timeline/> (last visited May 7, 2024).

<sup>90</sup> *Id.*; 17 U.S.C. § 106.

<sup>91</sup> *A Brief History of Copyright in the United States*, *supra* note 89.

<sup>92</sup> *Id.*

<sup>93</sup> *Id.*



result, what copyright infringement would entail.<sup>94</sup> As such, section 301 of the 1976 Copyright Act preempts state law. Under the 1976 Copyright Act, as amended, the copyright term is the life of the author plus 70 years, or for works for hire the term is 95 years from publication or 120 years from creation.<sup>95</sup> More specifically, the act encompassed the following areas: “scope and subject matter of works covered, exclusive rights, copyright term, copyright notice and copyright registration, copyright infringement, fair use and defenses and remedies to infringement.”<sup>96</sup> Alongside this revision came the codification of the fair use and the first sale doctrines and the extension of copyright law to encompass unpublished works.<sup>97</sup>

Fair use is defined as any form of usage, done without the permission of the copyright owner, of a copyrighted work that is utilized for a limited and transformative purpose which may take the form of, for example, parodies or comments.<sup>98</sup> In defining what a transformative use encompasses, courts have varied. For example, in *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, the Court defined transformative use as that which “has a further purpose or different character,” and ultimately affirmed that “the degree of transformation required to make ‘transformative’ use of an original must go beyond that required to qualify as a derivative.”<sup>99</sup> Despite there being no clear-cut standard that is applicable in situations involving transformative use, assertions of fair use may be and have been raised as a defense to allegations of copyright infringement.<sup>100</sup>

The first sale doctrine provides that an individual who knowingly acquires, for example through sale, a copy of a work that has been protected under copyright law from the copyright holder receives a right to “sell, display or otherwise dispose of that particular copy,

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<sup>94</sup> *Copyright Timeline: A History of Copyright in the United States*, ASSOCIATION OF RESEARCH LIBRARIES, <https://www.arl.org/copyright-timeline/> (last visited May 7, 2024); 17 U.S.C. § 102(b).

<sup>95</sup> *Copyright Timeline: A History of Copyright in the United States*, *supra* note 94; 17 U.S.C. § 102(b).

<sup>96</sup> *Copyright Timeline: A History of Copyright in the United States*, *supra* note 94.

<sup>97</sup> *Id.*; 1 M. Nimmer & D. Nimmer, Copyright §§ 2.01[A], [B] (1990).

<sup>98</sup> *What is Fair Use?*, STANFORD LIBRARIES, <https://fairuse.stanford.edu/overview/fair-use/what-is-fair-use/> (last visited May 7, 2024); 17 U.S.C. § 107.

<sup>99</sup> *What is Fair Use?*, *supra* note 98; *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, 143 S. Ct. 1258, 1275 § (2023).

<sup>100</sup> *What is Fair Use?*, *supra* note 98.

notwithstanding the interests of the copyright owner.”<sup>101</sup> This right ends once the original owner of the copyrighted work has sold the copy in question.<sup>102</sup> However, unlike the fair use doctrine, the first sale doctrine does not protect defendants who have made unauthorized copies of a copyrighted work, and thus, the first sale doctrine may not be raised as a defense in cases of alleged copyright infringement.<sup>103</sup>

In assessing whether a particular work may be protected under copyright law, the courts have historically looked to three elements defined within the statute: (1) the work must be original; (2) the work must be a work of authorship; and (3) the work must be fixed within or on a tangible medium.<sup>104</sup> First, in assessing originality, and contrary to patent law, courts do not look to whether the work is novel, but rather whether there is some notion of independent creation that would demonstrate that the work is not a mere duplicate copy of, or substantially comprised from, a pre-existing work that is protected under copyright law.<sup>105</sup> As such, in the event that a work is entirely based upon or includes to some degree a pre-existing protected work, courts will find that the originality requirement has not been met.<sup>106</sup>

As defined in *Feist*, Article I, Section 8 of the Constitution mandates that originality is a prerequisite to copyright protection, and thus, “the constitutional requirement necessitates independent creation

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<sup>101</sup> *Copyright Infringement – First Sale Doctrine*, THE UNITED STATES DEPARTMENT OF JUSTICE ARCHIVES, (Jan. 17, 2020) <https://www.justice.gov/archives/jm/criminal-resource-manual-1854-copyright-infringement-first-sale-doctrine>; 17 U.S.C. § 109. (§ 109(a) states, “Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”).

<sup>102</sup> *Copyright Infringement – First Sale Doctrine*, *supra* note 101.

<sup>103</sup> *Id.*

<sup>104</sup> Mitchell Zimmerman, *The Basics of Copyright Law*, FENWICK & WEST LLP, <chrome-extension://efaidnbmnnnibpcajpglclefndmkaj/https://assets.fenwick.com/legacy/FenwickDocuments/2015-03-17-Copyright-Basics.pdf> (last visited May 7, 2024); 1 M. Nimmer & D. Nimmer, *Copyright* §§ 2.01[A], [B] (1990).

<sup>105</sup> Dr. Martin Douglas Hendry, *For a work to attract copyright it must be original.*, VIRTUOSO LEGAL, <https://www.virtuosolegal.com/faq/what-is-originality-in-copyright/#:~:text=To%20be%20protected%20by%20copyright,from%20another%20pre%2Dexisting%20work> (last visited May 7, 2024).

<sup>106</sup> *Id.*

plus a modicum of creativity.”<sup>107</sup> Namely, “the requisite level of creativity is extremely low; even a slight amount will suffice,” and, as such, “the vast majority of works make the grade quite easily, as they possess some creative spark, ‘no matter how crude, humble or obvious’ it might be.”<sup>108</sup> In *Feist*, the Court noted that choices as to the selection and arrangement of data in formulating a compilation, so long as the choices that were made were made independently by the author, may entail a minimal degree of creativity and thus, may be sufficiently original for the work to be awarded copyright protection.<sup>109</sup> More specifically, works such as names, titles, and other short phrases will not be granted copyright protection “because the degree of creativity is simply too minimal to meet the threshold requirement that at least a minimum amount of original expression must exist before copyright protection may attach to a work.”<sup>110</sup> Through their rulings, courts have formulated a list of works that demonstrate no creativity and thus, will not be awarded copyright protection.<sup>111</sup> For example, “a mere listing of ingredients or contents, such [as] in a recipe, is considered to be completely lacking in creativity and cannot be protected by copyright.”<sup>112</sup> Accordingly, “making a single change to a work in the public domain also does not meet the ‘minimal creativity’ requirement,” as there must be “demonstrable effort, skill and/or minimal creative changes to the original work when claiming a copyright to a work in the public domain.”<sup>113</sup> As such, courts have emphasized the need to demonstrate creativity by more than a *de minimis* quantum to ultimately demonstrate originality.<sup>114</sup>

Second, in determining whether a particular work may be entitled to copyright protection, courts will look to whether the work is a qualifying work of authorship, that is, whether it is a creative work that

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<sup>107</sup> *Feist*, 499 U.S. 340.

<sup>108</sup> *Feist*, 499 U.S. 340; 1 M. Nimmer & D. Nimmer, Copyright §§ 2.01[A], [B] (1990).

<sup>109</sup> *Feist*, 499 U.S. 340, 363.

<sup>110</sup> *Creativity Requirement*, USLEGAL, <https://copyright.uslegal.com/enumerated-categories-of-copyrightable-works/creativity-requirement/#:~:text=The%20copyright%20law%20requires%20that,creativity%20involved%20in%20the%20creation> (last visited May 7, 2024).

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *Feist*, 499 U.S. 340.

has been created as a result of an author's creative expression.<sup>115</sup> Under U.S. Copyright Law, an "author" is defined as being either "the person who actually creates a copyrightable work or, if the copyrightable work is created within the scope of employment, the employer of the person who actually creates the copyrightable work."<sup>116</sup> Authors are provided protection over their expression, not over the subject matter of the work.<sup>117</sup> Thus, a description of a machine is eligible for copyright protection; however, this would merely prevent others from re-using the description of the machine, not from re-creating the machine.<sup>118</sup> These works of authorship may fall within a plethora of creative categories such as, but not limited to, musical works, cinematic works, architectural works, and literary works.<sup>119</sup> As a result of copyright protection, and as discussed briefly above, U.S. Copyright Law grants authors of the work exclusive rights to reproduce their work, create derivative works, and choose whether to distribute their work to the public, among several other rights.<sup>120</sup> These exclusive rights are entirely divisible, and thus, the author may choose to assign some or all of their rights to a third party; for example, publishers or authors may choose to hand over their rights to the work by granting a third party a license to use their work based upon a contractual agreement as to how the work may be utilized.<sup>121</sup> Thus, in determining authorship, the author or owner of a copyright is the entity who holds that particular right.<sup>122</sup> If there is a single author responsible for the creation of a work, that author can claim sole copyright protection and rights; however, if the work was made as a result of the joint contributions of several authors, each author becomes a co-owner of the copyright and thus, each author has rights to the work.<sup>123</sup> In the event of joint ownership, all owners of the copyright would have to agree to sell

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<sup>115</sup> *Authorship in Copyright*, USLEGAL, <https://copyright.uslegal.com/authorship-in-copyright/> (last visited May 7, 2024); 1 M. Nimmer & D. Nimmer, Copyright §§ 2.01[A], [B] (1990).

<sup>116</sup> *Authorship in Copyright*, *supra* note 115.

<sup>117</sup> *Id.*

<sup>118</sup> *Id.*

<sup>119</sup> *Id.*; 17 U.S.C. § 102.

<sup>120</sup> *Authorship in Copyright*, *supra* note 115.

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*; *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061 (7th Cir. 1994); 17 U.S.C. § 101.

their collective rights in order to grant exclusive ownership rights to a third party.<sup>124</sup> However, if a particular creative work was a work made for hire, the author will not be the individual who created the work, but rather the employer of the individual will be both the author of the work and the owner of the copyright.<sup>125</sup> Generally speaking, there are two situations in which a creative work will be considered a work made for hire: (1) the work was created by an employee as a result of the employee's regular duties and within the scope of employment; and (2) the creative work was created as a result of a written agreement between the party creating the work and the party that commissioned the work.<sup>126</sup>

Lastly, fixation must be satisfied for protection to be granted. While a work may be deemed a creative and original work of authorship, the work will not be granted copyright protection if the work has not been fixed in some form of tangible medium.<sup>127</sup> More specifically, a work is considered fixed when "it is stored on some medium in which it can be perceived, reproduced, or otherwise communicated."<sup>128</sup> For example, the lyrics of a song will not be granted copyright protection until they are fixed in some tangible medium which could be a mere sheet of paper. In light of recent technological developments, it has been clarified that "it is not necessary that the medium be such that a human can perceive the work, as long as the work can be perceived by a machine," and thus, "a computer program is fixed when stored on a computer'[s] memory . . . courts have even held that a computer program is fixed when it exists in the RAM of a computer."<sup>129</sup> With regard to fixation within the RAM of a computer, even though fixation may be deemed temporary and will eventually disappear once the computer is powered off, the computer program within the RAM will still be considered fixed.<sup>130</sup> The fixation requirement itself seeks to prevent "ideas themselves from being copyrightable, instead requiring the idea

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<sup>124</sup> *Authorship in Copyright*, *supra* note 115.

<sup>125</sup> *Works Made for Hire*, COPYRIGHT.GOV, <chrome-extension://efaidnbmnnnibp-cajpcgglefndmkaj/https://www.copyright.gov/circs/circ30.pdf> (last visited May 7, 2024).

<sup>126</sup> *Id.*; 17 U.S.C. § 101.

<sup>127</sup> *Obtaining Copyright Protection*, BITLAW, <https://www.bitlaw.com/copyright/obtaining.html> (last visited May 7, 2024).

<sup>128</sup> *Id.*

<sup>129</sup> *Id.*

<sup>130</sup> *Id.*

to be expressed in a way that others can visually or audibly understand.”<sup>131</sup> More specifically, from a practical perspective, it would be nearly impossible for the government to manage and oversee all of the ideas within someone’s head and because copyright law seeks to prevent others from copying one’s work, copyrights could not be enforced if works were never to be communicated.<sup>132</sup> Fixation as a whole can be seen as a method of providing notice for potential future copyright infringement and may provide evidence of presently occurring infringement.<sup>133</sup>

Copyright infringement issues arise when an individual unlawfully violates any of the exclusive rights of the copyright owner including making unauthorized copies of a previously existing copyrighted work, thus interfering with the intellectual property ownership rights of the original copyright owner.<sup>134</sup> Some examples of copyright infringement include, but are not limited to, illegally downloading music, filming a movie while it is being shown in a theater, and distributing a recording of a television show.<sup>135</sup> To bring a copyright infringement lawsuit, the plaintiff must demonstrate that it validly owns the copyright either as a result of creation, licensing, or assignment and demonstrate that the defendant has unlawfully copied the elements of the copyrighted work.<sup>136</sup> Additionally, to bring suit, the plaintiff must have registered the work with the Copyright Office to be granted valid and legally recognized copyright protection.<sup>137</sup> To constitute infringement, the defendant’s work must be substantially similar to the plaintiff’s copyrighted work and must not fall within any statutory exceptions such as fair use.<sup>138</sup> Although the plaintiff is not required to demonstrate monetary harm as a result of the infringement,

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<sup>131</sup> *fixed in a tangible medium of expression*, CORNELL LAW SCHOOL, [https://www.law.cornell.edu/wex/fixed\\_in\\_a\\_tangible\\_medium\\_of\\_expression](https://www.law.cornell.edu/wex/fixed_in_a_tangible_medium_of_expression) (last visited May 7, 2024).

<sup>132</sup> *Id.*

<sup>133</sup> Lydia Pallas Loren, *Fixation as Notice in Copyright Law*, 96 B.U. L. Rev. 939, 940 (2016).

<sup>134</sup> *infringement (of copyright)*, CORNELL LAW SCHOOL, [https://www.law.cornell.edu/wex/infringement\\_\(of\\_copyright\)](https://www.law.cornell.edu/wex/infringement_(of_copyright)) (last visited May 7, 2024).

<sup>135</sup> Julia Rittenberg & Kelly Main, *What is Copyright? Everything You Need to Know*, FORBESADVISOR (June 22, 2023) [https://www.forbes.com/advisor/business/what-is-copyright/#what\\_is\\_copyright\\_infringement\\_section](https://www.forbes.com/advisor/business/what-is-copyright/#what_is_copyright_infringement_section).

<sup>136</sup> *infringement (of copyright)*, *supra* note 134.

<sup>137</sup> *Id.*

<sup>138</sup> *Id.*

this factor will be considered if presented.<sup>139</sup> A common goal amongst the courts when handling copyright infringement cases is to mitigate any further violations of the owner's rights and thus, the courts may, in some situations, order the seizure of infringing materials.<sup>140</sup> Additionally, in many cases plaintiffs will seek some monetary compensation and, if they are successful, may recover the profits that they lost, compensation for any legal fees, and may even receive "significantly increased compensation if they can prove infringement was committed willfully."<sup>141</sup> Willful infringement can also lead to criminal penalties which may include a maximum sentence of five years in prison.<sup>142</sup>

### III. CHALLENGES ASSOCIATED WITH INTELLECTUAL PROPERTY PROTECTION AND ULTIMATE INFRINGEMENT WITHIN THE METAVERSE

#### A. Trademark Related Challenges

Non-fungible tokens ("NFTs") within the Metaverse have been linked to various mediums of expressive content such as images, animations, and words.<sup>143</sup> A common issue that has arisen pursuant to the usage and prominence of NFTs within the Metaverse is the unlawful usage of the expressive contents that belong to or are otherwise linked to existing marks.<sup>144</sup> Unlawfully expressly using identical or similar marks on NFTs that are not created by the respective company or corporation has led to the overwhelming prominence of both trademark infringement and dilution issues related to the digital content being circulated within the Metaverse for both economic and reputational gain.<sup>145</sup> While the ever-growing fame of the Metaverse may serve as

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<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> *Id.*; 17 U.S.C. § 506(a).

<sup>142</sup> *infringement (of copyright)*, *supra* note 134.

<sup>143</sup> Michael Murray, *Trademarks, NFTs, and the Law of the Metaverse*, <https://deliverypdf.ssrn.com/delivery.php?ID=184115094024087071122088119106081006016013058034039018119000023101067018105008019066026061025058112027043069126087084096066011114006023055020030100082118000065077056078048093107066119070005096108127126067116095067065086087011122110003109094006106004&EXT=pdf&INDEX=TRUE> (last visited May 7, 2024).

<sup>144</sup> *Id.*

<sup>145</sup> *Id.*

a new area for corporations and inventors to interact with a larger group of consumers and, in turn, collect more revenue, currently, the top priority of these corporations should be to preventatively protect themselves from the likelihood of content creators within the Metaverse unlawfully using their marks to their benefit.<sup>146</sup> As a result of the unfortunate occurrence of trademark infringement and dilution within the Metaverse and, many times, relating to NFTs directly, many individuals and corporations have found themselves in costly litigation in an attempt to salvage their marks and prevent the unlawful use of them without their knowledge or permission, and to their possible economic and reputational detriment.<sup>147</sup>

Recently, the reputable luxury fashion brand Hermes International SA successfully sued artist Mason Rothschild alleging infringement of its rights in its “Birkin” trademark in an NFT that Rothschild had created titled “MetaBirkins.”<sup>148</sup> Rothschild had allegedly begun selling the NFTs at an art fair in Miami in December of 2021 without the permission of Hermes and had, as a result, accumulated over one million dollars worth of profit by early January 2022.<sup>149</sup> In *Hermes International v. Rothschild*, Hermes alleged that not only had Rothschild been using its mark “Birkin” in the name of his NFT, but the premise of the NFT itself was an image of the famous Hermes Birkin that had been drawn to depict it as being made entirely of fur.<sup>150</sup> In addition to having registered trademark protection on “Hermes” and “Birkin,” the company also had trade dress rights in the design of the

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<sup>146</sup> Amruta Shivshankar Bondre & Priyanka Nimje, *All About Trademarks in Metaverse: IP in the Virtual World*, SAGACIOUS IP, [https://sagaciousresearch.com/blog/all-about-trademarks-in-metaverse-ip-in-the-virtual-world/#What\\_does\\_the\\_Metaverse\\_mean\\_for\\_Brands](https://sagaciousresearch.com/blog/all-about-trademarks-in-metaverse-ip-in-the-virtual-world/#What_does_the_Metaverse_mean_for_Brands) (last visited May 7, 2024).

<sup>147</sup> See generally *id.*

<sup>148</sup> Blake Brittain, *Hermes lawsuit over ‘MetaBirkins’ NFTs can move ahead, judge rules* (May 6, 2022), <https://www.reuters.com/legal/litigation/hermes-lawsuit-over-metabirkins-nfts-can-move-ahead-judge-rules-2022-05-05/>; *Hermes Int’l v. Rothschild*, No. 22-CV-384 (JSR), 2022 WL 1564597 (S.D.N.Y. May 18, 2022).

<sup>149</sup> *Hermes Int’l*, No. 22-CV-384 (JSR), 2022 WL 1564597 (S.D.N.Y. May 18, 2022).

<sup>150</sup> Howard Hogan & Connor Sullivan, *New District Court Decision Provides Useful Guidance on Application of Trademark Law to Virtual Goods*, GIBSON DUNN (May 20, 2022), <https://www.gibsondunn.com/new-district-court-decision-provides-useful-guidance-on-application-of-trademark-law-to-virtual-goods/>; *Hermes Int’l v. Rothschild*, No. 22-CV-384 (JSR), 2022 WL 1564597 (S.D.N.Y. May 18, 2022).



Birkin handbag.<sup>151</sup> The court noted that Rothschild had been selling the “MetaBirkins” NFTs for prices that were comparable to the real-life prices of Birkin handbags and even went as far as stating that he was selling the NFTs as a sort of tribute to Hermes.<sup>152</sup> In an interview, Rothschild “stated that ‘for me, there’s nothing more iconic than the Hermes Birkin bag . . . I wanted to see as an experiment if I could create that same kind of illusion that it has in real life as a digital commodity.’”<sup>153</sup> In assessing the factor of confusion in the present case and ultimately deciding in favor of Hermes, the court looked to the comments posted by consumers on the “MetaBirkins” Instagram page, where many consumers, and even media outlets, admitted up front that they believed that Hermes and Rothschild had somehow collaborated in making the “MetaBirkins” NFT collection.<sup>154</sup> A prominent example of this confusion is displayed in the famous media tabloids such as *Elle* and *The New York Post*, both of which, as a result of the success of the NFT, incorrectly reported that the “MetaBirkins” NFTs were a partnership between Hermes and Rothschild.<sup>155</sup> Rothschild contended that he used “MetaBirkins” as a title of his artwork, with no intention of using it as a source identifier of the NFT he was selling, and as such, his usage of the “Birkin” mark was entitled to First Amendment protection, under the standard outlined in *Rogers v. Grimaldi*.<sup>156</sup> In *Rogers*, the court ruled that,

We believe that in general the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. In the context of allegedly misleading titles . . . that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the

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<sup>151</sup> *Hermes Int’l v. Rothschild*, No. 22-CV-384 (JSR), 2022 WL 1564597, at \*1 (S.D.N.Y. May 18, 2022).

<sup>152</sup> *Id.* at 2.

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*

<sup>155</sup> *Id.*

<sup>156</sup> *Id.*; *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

title explicitly misleads as to the source or the content of the work.<sup>157</sup>

The court concluded that it would be proper to apply the test set forth in *Rogers* to the present case due to the fact that Rothschild was “selling digital images of handbags that could constitute a form of artistic expression, balancing the First Amendment concerns with Lanham Act protection requires applying the *Rogers* test.”<sup>158</sup> Hermes, however, attempted to argue that the *Rogers* test did not apply in this particular case given the fact that Rothschild, to its belief, was using “MetaBirkins” as a source identifier to promote his NFT across social media and as such, the First Amendment did not offer protection to the unauthorized use of a mark owner’s mark as a source identifier.<sup>159</sup> Ultimately, in its opinion, the court found that Rothschild, through his own admittance, “entirely intended to associate the ‘MetaBirkins’ mark with the popularity and goodwill of Hermes’ Birkin mark, rather than intending an artistic association.”<sup>160</sup> The court also turned to the confusion factors that had been established in *Polaroid Corp. v. Polarad Electronics Corp.*, and determined that there were sufficient factual allegations to conclude that, pursuant to the *Polaroid* factors of the strength of the Birkin mark, the evidence of actual confusion, and the bad faith behind Rothschild’s usage of the mark, there was explicit “misleadingness.”<sup>161</sup> As a direct result of the finding of likelihood of confusion, the court denied the motion to dismiss the trademark infringement claims, after having heard oral arguments, and, instead, held for Hermes in deciding that Rothschild had infringed upon Hermes’ protected trademark for its line of Birkins.<sup>162</sup> This decision “marks one of the earliest decisions by any court in a trademark dispute arising from non-fungible tokens and provides a first set of indications regarding how courts will evaluate NFT-related trademark claims,” a standard that will more than likely be applied in all impending NFT and Metaverse related trademark infringement and dilution lawsuits, even though dilution was not an issue in the present case.<sup>163</sup> Ultimately, the establishment of a

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<sup>157</sup> *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989).

<sup>158</sup> *Hermes Int’l v. Rothschild*, No. 22-CV-384 (JSR), 2022 WL 1564597, at \*4 (S.D.N.Y. May 18, 2022).

<sup>159</sup> *Id.*

<sup>160</sup> *Id.* at \*5.

<sup>161</sup> *Id.* at \*6.

<sup>162</sup> *Id.* at \*7.

<sup>163</sup> Hogan & Sullivan, *supra* note 150.

standard by which NFT-related trademark claims may be evaluated is a step in the right direction as it provides courts with guidance on how they should, at the very least, approach like issues.

In an attempt to aid in the classification of various trademarked goods and the organization of trademark applications, the Nice Agreement of 1957 established “a classification of goods and services for the purposes of registering trademarks and services marks.”<sup>164</sup> Every good or service that is listed within a trademark application must be, before registration, properly placed into its corresponding Nice class.<sup>165</sup> The Nice Classification is composed of “45 categories of which 34 relate to goods and 11 relate to services.”<sup>166</sup> NFTs, being digital goods, are most commonly found in Class 9 or 41 of the Nice Classification.<sup>167</sup> With respect to the use involved in Hermes’ lawsuit against Rothschild, while NFTs are commonly found in Classes 9 and 41, “the trademarks of the Hermès fashion house for the appearance and name of the Birkin bag, on the other hand, are protected as handbags and leather goods belonging to Class 18.”<sup>168</sup> However, to the advantage of Hermes, its prominence as a recognizable luxury brand will aid it in proving the reputation of the brand, and in turn, bar the usage of marks that are similar to its own for products and services unrelated to it.<sup>169</sup> Accordingly, many corporations have begun registering their trademarks for those virtual goods and services falling within Classes 9 and 41, even if they are not yet using them in commerce but have the intent to enter the realm at some point.<sup>170</sup>

Many other corporations have found themselves in lawsuits similar to that of Hermes. Recently, Yuga Labs, the creator of the “Bored Ape Yacht Club” NFT collection, has sued an artist contending that he was replicating its NFTs and, as a result, was scamming

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<sup>164</sup> *Nice Agreement Concerning the Intentional Classification of Goods and Services for the Purposes of the Registration of Marks*, WIPO, <https://www.wipo.int/treaties/en/classification/nice/> (last visited May 7, 2024).

<sup>165</sup> *Nice Agreement current edition version – general remarks, class headings and explanatory notes*, USPTO, <https://www.uspto.gov/trademarks/trademark-updates-and-announcements/nice-agreement-current-edition-version-general-remarks> (last visited May 7, 2024).

<sup>166</sup> Park, *supra* note 18.

<sup>167</sup> Brzezinska, *supra* note 19.

<sup>168</sup> *Id.*

<sup>169</sup> *Id.*

<sup>170</sup> *Id.*

clientele.<sup>171</sup> Yuga Labs' attorneys argued that the artist, Ryder Ripps, was, "trying to devalue their pieces by 'flooding the NFT market with his own copycat NFT collection using the original Bored Ape Yacht Club images,'" as a result of Ripps selling his NFT collection under a similar name, "RR/BAYC."<sup>172</sup> Yuga Labs argued that Ripps had deliberately attempted to harm its business and reputation, at the expense of those consumers who were purchasing its items, by creating confusion amongst the consumer market as to whether Ripps's NFTs were connected to, or possibly even sponsored by the "Bored Ape Yacht Club" collection.<sup>173</sup> In its complaint, Yuga Labs contended that the value of its NFTs had experienced a stark decrease in price, losing about \$300,000 in value over the course of a couple of months.<sup>174</sup> This loss in profit, it alleged, came as a result of Ripps's NFT designs which created a high level of confusion within the consumer market, thus, steering customers away from the Bored Ape NFTs.<sup>175</sup> In an attempt to dismiss the claims, Ripps argued that his NFTs were merely a "parody" of the Bored Ape Yacht Club collection and its respective likeness; however, this defense was likely to fail on the grounds that it was abundantly clear that Ripps had made use of his financial exploitation of the Bored Ape Yacht Club NFTs to his own benefit.<sup>176</sup> Ultimately, the court found that Ripps had in fact infringed upon Yuga Lab's NFT designs, and as a result, Ripps's NFTs were removed from the platform.<sup>177</sup>

The world-renowned corporation, Nike, has found itself the center of similar litigation in its recent infringement lawsuit against the reselling platform, StockX.<sup>178</sup> Nike alleged that StockX had been minting NFTs that used Nike's trademarks and, as a result, were selling

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<sup>171</sup> Bryan Pietsch, *Maker of Bored Ape NFTs sues artist for profiting off 'copyright'*, THE WASHINGTON POST (June 29, 2022), <https://www.washingtonpost.com/business/2022/06/29/bored-ape-nft-sues-ryder-ripps/>.

<sup>172</sup> *Id.*

<sup>173</sup> *Id.*

<sup>174</sup> *Id.*

<sup>175</sup> *Id.*

<sup>176</sup> *Id.* (Ripps's assertion of the work being a "parody" would more than likely fail in light of the Supreme Court's recent decision in *Jack Daniel's Properties, Inc. v. VIP Products LLC*, 599 U.S. 140 (2023)).

<sup>177</sup> Pietsch, *supra* note 171.

<sup>178</sup> Benjamin Stasa, *Nike v. StockX Case Highlights Many Unanswered Questions About IP and NFTs*, JDSUPRA (Sept. 7, 2022), <https://www.jdsupra.com/legal-news/nike-v-stockx-case-highlights-many-9205701/>.

these NFTs at incredibly inflated prices to customers who believed they were purchasing NFTs related to Nike when they, in fact, had no relation to Nike at all.<sup>179</sup> StockX, however, contended that its “Vault” NFTs were tied to a product being sold on its marketplace, and, as such, owners of the NFT would resell the NFT without paying fees because the NFT can be sold over the blockchain.<sup>180</sup> In supporting its claim, StockX argued that it utilized Nike’s branding and images merely as part of its display, and accordingly, its sale of the NFTs was proper under the first sale doctrine which states that “an entity can resell goods bearing a trademark, such as a logo or brand name, after the trademark owner has sold those items.”<sup>181</sup> The first sale doctrine defense arises in situations where the trademarked product is utilized to create a new product and the seller has disclosed to consumers how the originally trademarked product was used to create or modify the new one.<sup>182</sup> StockX may contend that having minted the Nike NFTs to begin with, it is permitted to resell its new products in any manner it likes so long as it discloses to consumers that the Nike NFTs were utilized.<sup>183</sup> If the case between Nike and StockX proceeds to trial, the court will likely place great emphasis on the fact that, according to Nike, “a number of Vault NFTs have sold for significantly more than the physical shoes they are ostensibly linked to.”<sup>184</sup> In an example, Nike alleged that while one of its sneakers retailed for \$100, the corresponding Vault NFT retailed for \$809, with the highest bidding price being set at \$3,500.<sup>185</sup> Accordingly, as has been argued by Benjamin Stasa of Brooks Kushman P.C., this price disparity created “confusion about whether Vault NFTs were merely a means of authenticating and demonstrating ownership of physical sneakers or were a unique asset with a value distinct from

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<sup>179</sup> *Id.*

<sup>180</sup> *Id.*

<sup>181</sup> *Id.*

<sup>182</sup> Melanie J. Howard & Brianna Cloud, *Ninth Circuit: First Sale Doctrine Safe Haven for Resellers of End Products Incorporation Trademarked Products* (May 2022), <https://www.loeb.com/en/insights/publications/2022/05/first-sale-doctrine-for-resellers-of-end-products-with-trademarked-products#:~:text=The%20first%20sale%20doctrine%20defense%20applies%20in%20instances%20in%20which,modified%20in%20the%20new%20product>.

<sup>183</sup> *Id.*

<sup>184</sup> Stasa, *supra* note 178.

<sup>185</sup> *Id.*

their physical asset counterparts.”<sup>186</sup> Ultimately, regardless of the outcome of the case, a decision with respect to the trademark infringement allegation that Nike has brought would expressly define whether NFTs on various reselling markets, including the Metaverse, would constitute trademark infringement.<sup>187</sup>

The ever-growing prominence of trademark infringement litigation related to the unlawful usage of reputable trademarks in the Metaverse and in relation to NFTs sheds light on the fact that substantial litigation is surely to continue for years to come. Corporations that have not yet been affected by matters of trademark infringement and dilution may soon find themselves victims of the same dealings that have negatively impacted major companies such as Hermes and Nike. As a result, corporations should begin protecting their trademarks in the virtual realm, even if they have not yet begun selling or circulating products virtually. Protection of trademarks within the Metaverse works the same way it would in the real world and while the Nice Classification does not yet include a specific list of virtual products and realms within which companies and inventors may protect their trademarks, mark holders should begin seeking protection and working with intellectual property attorneys to safeguard their trademarks virtually as a preventive step and as a method of avoiding costly litigation.<sup>188</sup>

## B. Copyright Related Challenges

Enforcing and applying modern copyright law within the Metaverse can be quite complicated where “copyright laws must account for user-generated content, the ability of users to create virtual assets, share virtual content with others, use representations of copyrighted material coming from the physical world or the virtual world, and more.”<sup>189</sup> Additionally, the already existing complexity surrounding copyright law enforcement within the Metaverse becomes even

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<sup>186</sup> *Id.*

<sup>187</sup> Victoria Song, *StockX hits back at Nike in legal battle over NFTs and counterfeit sneakers*, THE VERGE (June 6, 2022), <https://www.theverge.com/2022/6/6/23156515/nike-stockx-nfts-counterfeit-sneakers-lawsuit>.

<sup>188</sup> *How can Trademarks be Protected in the Metaverse?*, SHIP, <https://shipglobalip.com/blog/how-can-trademarks-be-protected-in-the-metaverse-> (last visited May 7, 2024).

<sup>189</sup> Kashdaran, *supra* note 29.

more convoluted when parallel virtual worlds come into play, these worlds having the ability to be interconnected or exist entirely separate from one another, making copyright enforcement an absolute nightmare for rightful copyright owners.<sup>190</sup> As a result of the possibility of having overlapping and segregated virtual worlds within the Metaverse, copyright holders may find it extremely difficult to ultimately identify and continue to monitor infringing content in the Metaverse thereby creating a virtual terrain that is fertile for copyright infringement issues.<sup>191</sup> Aside from the difficulties surrounding the initial detection of infringing use, even if the use is ultimately detected, it is difficult to pinpoint who or what exactly is behind the infringement as tracking authorship within the Metaverse is a difficult feat and, even if the author were to be found, litigating the infringing use can become a very complex and costly venture that the average copyright holder would more than likely choose to avoid.<sup>192</sup>

Matters within the Metaverse become increasingly more complicated when working within virtual realms that are “decentralized” thereby providing users with something “akin to land ownership on the blockchain.”<sup>193</sup> Within the Metaverse, the concept of who is in control is “multifaceted and involves various stakeholders ranging from tech giants to decentralized projects and individual users.”<sup>194</sup> Namely, tech giants, such as Meta, Apple, and Microsoft, are at the forefront of investing in a virtual world where “digital avatars interact through augmented reality (AR) and virtual reality (VR) technologies for business, travel, leisure and more.”<sup>195</sup> Decentralization of the Metaverse is important to users for several reasons. First, having a decentralized Metaverse allows users to more closely, and far more directly, control the way that they interact with the virtual platform and the varying

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<sup>190</sup> *Id.*

<sup>191</sup> *Id.*

<sup>192</sup> *Id.*

<sup>193</sup> Andrew N. Choi, *Intellectual Property Enforcement in the Metaverse, Part 2*, HOLLAND & KNIGHT (Oct. 13, 2022), <https://www.hklaw.com/en/insights/publications/2022/10/intellectual-property-enforcement-in-the-metaverse-part-2>.

<sup>194</sup> James Hunt, *Decentralization in the metaverse: Who is in control?*, THE BLOCK (Oct. 19, 2023), <https://www.theblock.co/learn/251476/decentralization-in-the-metaverse-who-is-in-control>.

<sup>195</sup> *Id.*

forms of experiences they engage in within it.<sup>196</sup> Within a decentralized Metaverse, “users have ownership and control over their data, assets, and identities,” granting these users the ability to more “freely interact with others, create and customize content, and retain the value they generate within the metaverse.”<sup>197</sup> Second, decentralization of the Metaverse offers users elevated privacy and security protections in that user data, contrary to the formatting of traditional centralized systems, is not delegated to one overarching central authority, rather, it is dispersed across the Metaverse and its varying authorities, ultimately reducing any risk for data breaches or hacking related issues and allowing users to dictate how their personal information is being shared.<sup>198</sup> Third, within a decentralized Metaverse users are less likely to encounter issues related to censorship unlike in traditional centralized platforms where the central authority unit can “impose restrictions on content, limit user expression, or selectively enforce policies.”<sup>199</sup> Fourth, and as briefly discussed above, decentralization of the Metaverse allows for interoperability, that is, it “allows different virtual worlds, platforms, and applications to connect and interact seamlessly,” giving users the invaluable opportunity to “move their assets and identities across different parts of the metaverse, promoting a more interconnected and diverse ecosystem.”<sup>200</sup> Fifth, decentralization grants users the opportunity to exchange and utilize various digital assets, explore a world of varying digital economies, and ultimately use their skills and creative visions for their monetary gain.<sup>201</sup> Generally speaking, decentralization allows for decentralized finance (“DeFi”) principles to be applied which refers to “a financial system based on blockchain technology that seeks to eliminate the need for traditional intermediaries by providing financial services transparently, accessibly, and without a centralized authority,”<sup>202</sup> thereby allowing users to engage in peer-run transactions without the need for any potentially pesky

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<sup>196</sup> RFOX, *Importance of Building a Decentralised Metaverse: 6 Key Factors*, LINKEDIN (June 20, 2023), <https://www.linkedin.com/pulse/importance-building-decentralised-metaverse-6-key-factors>.

<sup>197</sup> *Id.*

<sup>198</sup> *Id.*

<sup>199</sup> *Id.*

<sup>200</sup> *Id.*

<sup>201</sup> *Id.*

<sup>202</sup> *What is DeFi or Decentralized Finance?*, SYDLE (Sept. 19, 2023), <https://www.sydle.com/blog/what-is-defi-6509b8b09ae91642b6b1d218>.



middlemen.<sup>203</sup> Lastly, decentralization encourages Metaverse users to take a hands-on approach to decision-making matters that would ultimately shape the way that the Metaverse is run and ultimately advanced.<sup>204</sup> As a whole, decentralization “promotes user autonomy, privacy, security, and participation, . . . creates a more inclusive, diverse, and user-centric virtual environment where individuals can freely express themselves, collaborate, and explore new possibilities.”<sup>205</sup> Despite the multitude of positive attributes associated with decentralization, there remain many hurdles that come with the decentralization of these platforms that make copyright enforcement challenging.

Within a decentralized Metaverse such as The Sandbox, the Terms of Service suggest that intellectual property right enforcement and protection is safeguarded in a method that aligns with traditional real-life methods.<sup>206</sup> Within The Sandbox, users are prohibited “from uploading or displaying user content that violates intellectual property rights and gives The Sandbox the right to moderate and review user content for intellectual property infringement.”<sup>207</sup> According to The Sandbox’s Terms of Service, The Sandbox reserves the right, within its sole discretion, to accept or decline to upload and circulate any media, such as assets and games, that may infringe upon certain existing intellectual property rights.<sup>208</sup> As such, and consistent with the Terms of Service of many other tech giants such as YouTube, The Sandbox reserves the exclusive right to shut down the account of any individual who engages in any degree of infringing activity.<sup>209</sup> Namely, the Terms of Service state that, “Assets must be unique. Any Assets that exhibit obvious visual similarities to a pre-existing Asset will be removed from The Sandbox. TSB retains the right to moderate and review Assets for copyright infringement and to remove Assets from The Sandbox that violate these Terms.”<sup>210</sup> The Sandbox had also previously expressed interest in implementing a Decentralized Autonomous Organization (“DAO”) to govern its platform so their platform is not

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<sup>203</sup> RFOX, *supra* note 196.

<sup>204</sup> *Id.*

<sup>205</sup> *Id.*

<sup>206</sup> Choi, *supra* note 193.

<sup>207</sup> *Id.*

<sup>208</sup> *Id.*

<sup>209</sup> *Id.*

<sup>210</sup> THE SANDBOX TERMS OF USE, THE SANDBOX (Nov. 2023), <https://www.sandbox.game/en/terms-of-use/>.

managed by one single entity but rather, “by a voting system, where matters . . . are determined by a vote,” participants being “allotted votes based on a rule, oftentimes involving ownership of lands and currency.”<sup>211</sup> While their interest had been previously expressed, they have not, as of the date of this Note, implemented a DAO into their platform.<sup>212</sup>

On the contrary, the decentralized Metaverse Decentraland has successfully implemented a DAO into its operation; however, it is unclear if this would in any way elevate the rights of intellectual property owners or if matters of infringement will be more easily swept under the rug and overlooked due to the decentralized nature of governance. Nonetheless, Decentraland, like The Sandbox, seems to “prohibit the violation of IP rights in its Terms of Service, although it does so via a DAO-approved Content Policy.”<sup>213</sup> More specifically, claims of intellectual property infringement are to be handled by the Foundation, “a nonprofit entity, purportedly independent of the founders of Decentraland, to which notices of infringement can be sent.”<sup>214</sup> If an alleged infringer is interested in countering an allegation of infringement following receipt of a notice of infringement, the DAO will then determine whether the allegedly infringing material should be removed based on a vote “where metaverse participants have votes in proportion to each participant’s ownership of land or cryptocurrency.”<sup>215</sup> Within the Terms of Service, the Foundation is also granted the right to shut down the account of any individual who engages in any degree of infringing activity.<sup>216</sup>

A major issue arises in attempting to determine how a DAO may vote when faced with an intellectual property infringement challenge. Will the participants give weight to the value of intellectual property rights not originating within their virtual platform or will they take a biased approach to matters involving creation within their platform as it may involve one of their own colleagues? As a whole, the DAO’s decision will be based on, and skewed by: “1) who has voting power in the DAO, 2) how many votes they have in the DAO, and 3)

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<sup>211</sup> Choi, *supra* note 193.

<sup>212</sup> *Id.*

<sup>213</sup> *Id.*

<sup>214</sup> *Id.*

<sup>215</sup> *Id.*

<sup>216</sup> *Id.*

who can be mobilized to vote on any particular issue.”<sup>217</sup> The third factor was previously explored in 2021 when “a vote to ban the name ‘Hitler’ in Decentraland passed by majority vote, but did not reach a high enough threshold of Voting Power to pass – indicating that getting sufficient interest in voting may itself be a bar to the effectiveness of a DAO.”<sup>218</sup> As such, and given the incredibly unpredictable nature of DAOs, it would be in the best interest of companies interested in protecting intellectual property rights to buy large amounts of virtual land and virtual currency within these platforms in order to consistently, and impactfully, vote on matters related to intellectual property infringement.<sup>219</sup> Generally speaking, Copyright Notices or Terms of Service that are clearly displayed on the webpage or the virtual content are a good way to potentially deter potential infringers as these users are informed that any unauthorized use of the content constitutes infringement given that the content is protected by copyright.<sup>220</sup> Alternatively, domain creators have the option of drafting “detailed Terms of Service that clearly define permitted copyright usage on their services,” and including various provisions and clauses that detail penalties associated with infringement of the copyright to create a “contractual duty for users to follow copyright rules.”<sup>221</sup> However, while generally speaking, and in relation to the “normal” Internet and other real-world related matters, Copyright Notices and Terms of Services may prove to be extremely effective when combined with diligent and respectful users, the existence of DAOs and the world of uncertainty surrounding the way that they might vote render these standard Notices and Terms of Services virtually worthless. While, fortunately, “the capacity of copyright to adapt and survive technological revolutions has been demonstrated time and time again, yet for all its transformations it has always been used to enforce a rightholder’s monopoly,”

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<sup>217</sup> *Id.*

<sup>218</sup> *Id.*

<sup>219</sup> *Id.*

<sup>220</sup> Mansi Goel, *Copyright in Digital Information and the Metaverse Era*, GLOBAL INTELLECTUAL PROPERTY CONVENTION (Jul. 18, 2023), <https://www.globalipconvention.com/blog/copyright-in-digital-information-and-the-metaverse-era>.

<sup>221</sup> *Id.*

a purpose and mission that may be severely clouded in a world being governed by DAOs.<sup>222</sup>

In conjunction with the existence of the multitude of decentralized Metaverses, far more fundamental issues involving their creation arise. Decentralized Metaverses and all of the virtual goods that exist within them would not even be a point of discussion or concern without the fundamental computer software that is used to create them. Computer software, generally speaking, is considered a copyrightable work and protected under modern-day copyright law so long as it is original, a work of authorship, and fixed in a tangible medium, whether that be RAM or a universal serial bus (“USB”) flash drive.<sup>223</sup> A registration for computer software must not cover “previously published source code; previously registered source code; source code in the public domain; or copyrightable source code owned by a third party.”<sup>224</sup> Given the prominence of the Metaverse and the piqued interest by users in creating their own decentralized Metaverses, many companies see the creation and use of these developed computer software as a “marketing hype platform for huge investments in the form of cryptocurrencies and NFTs.”<sup>225</sup> As such, these companies and their hired developers will continue to churn out a large number of copyrightable works that take the form of computer software and codes to continue to attract users and ultimately provide them with a virtual experience that, as closely as possible, replicates their real-world experience.<sup>226</sup> Unfortunately though, with increased use of and insertion of software comes an increased risk of its being copied or reproduced, ultimately leading to possible infringement.<sup>227</sup> The concept of interoperability will also greatly sever the rights allotted to software developers in that, “in effect, their authorization is not required where copyright-relevant acts pertaining to the code are ‘indispensable’ to obtaining the information

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<sup>222</sup> Sophie Goossens et al., *The Reed Smith Guide to the Metaverse - 2nd Edition*, REEDSMITH (Aug. 1, 2022), <https://www.reedsmith.com/en/perspectives/metaverse/2022/08/intellectual-property>.

<sup>223</sup> *Copyright Registration of Computer Programs*, COPYRIGHT.GOV, [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.copyright.gov/circs/circ61.pdf](https://www.copyright.gov/circs/circ61.pdf) (last visited May 7, 2024).

<sup>224</sup> *Id.*

<sup>225</sup> *Metaverse - A Challenge To The Copyright Law*, IIPR (Oct. 18, 2022), <https://www.iiprd.com/metaverse-a-challenge-e-to-the-copyright-law/>.

<sup>226</sup> *Id.*

<sup>227</sup> *Id.*

necessary to achieve the interoperability of an independently created computer program with other programs, provided that certain conditions are met (legitimate access to the software, necessary acts only, etc.).”<sup>228</sup>

While copyright protection of computer software and other graphical works existing within the Metaverse very closely mimics traditional real-world copyright protection, the same cannot be said for NFTs and other forms of digital artwork.<sup>229</sup> When purchasing an NFT,

The holder of the NFT does not acquire any copyright in the tokenised work on which the NFT is based, and will not be entitled to use the underlying work in any way other than the free uses that have existed in copyright law until now, without the permission of the copyright holders and without paying royalties.<sup>230</sup>

As such, if a person were to tokenize a creation that has copyright protection, the tokenization of the work itself may not constitute copyright infringement, but displaying the work online and circulating it across the Metaverse, even if merely used in a thumbnail image, will rise to the level of copyright infringement.<sup>231</sup> Generally speaking, in situations where a copyright owner can detect infringing use on or pertaining to an NFT, the owner must “request to delete the relevant infringing links; At the same time, the infringing works should also be required to ‘destroy’ the flawed ‘certificate of title’ and ‘transaction contract’ to avoid further expansion of the infringement damage.”<sup>232</sup> While seemingly straightforward in nature, the destruction of potentially infringing NFTs in this matter could potentially taint the trustworthiness of owning these digital goods thereby negatively affecting the revenue of those lawfully creating and distributing NFTs in a way

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<sup>228</sup> Goossens et al., *supra* note 222.

<sup>229</sup> Dora Petranyi et al., *Trademarks and copyright, NFTs and civil law principles in the metaverse - part 2*, CMS, <https://cms.law/en/int/publication/legal-issues-in-the-metaverse/part-2-trademarks-and-copyright-nfts-and-civil-law-principles-in-the-metaverse> (last visited May 7, 2024).

<sup>230</sup> *Id.*

<sup>231</sup> *Id.*

<sup>232</sup> Yupeng Dong & Chunhui Wang, *Copyright protection on NFT digital works in the Metaverse*, SECURITY AND SAFETY (June 30, 2023), <chrome-extension://efaid-nbmnnibpcajpcglclefindmkaj/https://sands.edpsciences.org/articles/sands/pdf/2023/01/sands20220012.pdf>.

that can be easily overlooked.<sup>233</sup> Ultimately, the decentralization of the Metaverse and the overlapped nature of the worlds contribute to a plethora of cases involving copyright infringement that are not only difficult to detect, but also difficult to monitor. Additionally, in cases where infringing use is successfully detected, it may be difficult to demonstrate that the use of the copyrighted work on virtual goods could negatively impact the real-world market.

The Berne Convention for the Protection of Literary and Artistic Works (“The Berne Convention”) is a set of laws that have been ratified by 181 nations, including the United States.<sup>234</sup> These laws seek to protect copyrighted works from infringement across all member nations by requiring that copyright holders provide any authors who would like to utilize their copyrighted work the exclusive right to do so prior to this use of the work occurring.<sup>235</sup> Hand in hand with the adoption of the WIPO Copyright Treaty, the Berne Convention has been expanded to encompass the usage of copyrighted works within the digital environment as well, making it very clear that “the storage of a protected work in digital form in an electronic medium (such as an NFT or a file, the content of which is displayed in the metaverse) constitutes a reproduction which needs the prior approval of the copyright holder.”<sup>236</sup> Nonetheless, the decentralized nature of the Metaverse makes detecting and ultimately litigating the infringing use of copyright-protected works difficult. Generally speaking, Metaverse users are given the opportunity to create digital goods such as avatars, virtual properties, and NFTs. As such, many companies have decided to ride this so-called virtual hype wave by putting their best foot forward and uploading a wide variety of copyrightable codes and software that would provide Metaverse users with an almost life-like experience.<sup>237</sup> As the use of these software and codes circulates across the Metaverse, the risk of infringement is amplified.

In cases where the infringing use is detected, it can be extremely difficult to uncover the infringer’s identity given the use of

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<sup>233</sup> *Id.*

<sup>234</sup> Andy Ramos, *The metaverse, NFTs and IP rights: to regulate or not to regulate?*, WIPO (June 2022), [https://www.wipo.int/wipo\\_magazine/en/2022/02/article\\_0002.html](https://www.wipo.int/wipo_magazine/en/2022/02/article_0002.html).

<sup>235</sup> *Id.*

<sup>236</sup> *Id.*

<sup>237</sup> *Metaverse - A Challenge to the Copyright Law*, IIPR (Oct. 18, 2022), <https://www.iiprd.com/metaverse-a-challenge-e-to-the-copyright-law/>.

aliases and other technological innovations that safeguard the identities of users.<sup>238</sup> As such, it is more than likely that some form of artificial intelligence (“AI”) will be required to uncover who exactly is behind the infringing use through the use of, for example, trackable computer IP addresses. AI algorithms may be implemented and utilized to ultimately “analyze digital content, such as images, videos, and audio, to identify instances of potential copyright infringement,” alongside the technology also being used to detect watermarks and varying metadata that may be embedded in the virtual creation in order to ultimately uncover ownership and origin.<sup>239</sup> AI is able to detect infringing use of copyrighted works by ultimately comparing user-generated content to a large database of known copyrighted material and may “track digital assets recorded on the blockchain in the metaverse by accessing information about its provenance and authenticity.”<sup>240</sup> Implementing an AI algorithm within the Metaverse and the various user-created Metaverses would have the added benefit of offering: (1) real-time monitoring of intellectual property right violations; (2) users the opportunity to report intellectual property right infringement; (3) the ability for the AI systems to send takedown notices and infringement notifications, such as those that would traditionally be sent through the use of cease and desist letters and the Digital Millennium Copyright Act (“DMCA”) takedown portal; and (4) a system that would learn how to tackle new intellectual property infringement issues by adapting newly learned methods.<sup>241</sup>

A prominent case that has shed light on the use of copyright-protected work on virtual goods, similar to the designs displayed on NFTs, is *Solid Oak Sketches, LLC v. 2K Games, Inc.*, a copyright infringement lawsuit that involved the use of tattoos on NBA players within the NBA 2K video game collection.<sup>242</sup> Solid Oaks Sketches, LLC (“Solid Oaks”) is a tattoo licensing company that brought suit

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<sup>238</sup> *Id.*

<sup>239</sup> Callum Moates, *How AI Can Improve Access to the Metaverse for Creators*, LANDVAULT (Nov. 14, 2023), <https://landvault.io/blog/ai-improving-access-to-metaverse>.

<sup>240</sup> *Id.*

<sup>241</sup> *Id.*

<sup>242</sup> Tal Dickstein, *Solid Oak Sketches, LLC v. 2K Games, Inc.*, LOEB&LOEB (Mar. 26, 2020), <https://www.loeb.com/en/insights/publications/2020/04/solid-oak-sketches-v-2k-games>; *Solid Oak Sketches, LLC v. 2K Games, Inc.*, 449 F. Supp. 3d 333 (S.D.N.Y. 2020).

against the developer of the NBA 2K franchise alleging that they had replicated extremely realistic tattoos onto five of their virtual players.<sup>243</sup> Solid Oaks, having acquired “an exclusive license to each of the tattoos, claimed that defendant’s inclusion of the tattoos in the NBA 2K game to depict the physical likeness of the NBA players infringed its copyrights.”<sup>244</sup> To begin with, the district court determined whether the allegedly infringing use met certain *de minimis* standards, that is, the court looked to “the amount of the copyrighted work that is used, the observability of the copied work (the length of time the copied work is observable in the allegedly infringing work), and elements such as ‘focus, lighting, camera angles, and prominence.’”<sup>245</sup> The court determined that it was unlikely that a reasonable user or observer of the game would find that the tattoos depicted on the players bore a substantial similarity to those owned by Solid Oaks because “the tattoos at issue appeared on only three out of over 400 players in the game, and even when the subject players were shown, the tattoos were too small, indistinct and obstructed by game elements to be identified by the game’s users.”<sup>246</sup> Additionally, the court focused on the fact that prior to acquiring the rights to the tattoos from the artists that had initially designed them, the original artists of the tattoos had implicitly granted a license to basketball players, and all athletes alike, to use their tattoo designs, ultimately safeguarding the basketball players who had granted the creators of the game the right to use and recreate their likenesses.<sup>247</sup> In their defense, the game producers submitted sworn affidavits from the tattoo artists responsible for the creation of the tattoos in controversy wherein they each expressed their intent to have their tattoos associated with the likeness of the basketball players upon which they were tattooed.<sup>248</sup> The affidavits also attested to the tattoo artists’ awareness, above all, that their tattoos would more than likely appear in public at some point and in some form.<sup>249</sup> The game producers contested the infringement allegations by filing a counterclaim alleging that their use of the tattoos on the virtual players fell

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<sup>243</sup> Dickstein, *supra* note 242.

<sup>244</sup> *Id.*

<sup>245</sup> *Id.*

<sup>246</sup> *Id.*

<sup>247</sup> *Id.*

<sup>248</sup> *Id.*

<sup>249</sup> *Id.*



comfortably within the fair use exception to copyright infringement.<sup>250</sup> In addressing the counterclaim, the court first turned to the fact that the use of the tattoos by the producers was transformative in nature because the tattoos were being used “for the transformative purpose of creating a realistic depiction of the players’ likenesses, which weighed in favor of fair use.”<sup>251</sup> Secondly, the court pointed to the fact that the tattoos were not expressive works of art because the tattoos had been curated by combining many tattooing elements and motifs commonly used within the industry and not created by the tattoo artists themselves.<sup>252</sup> Additionally, the tattoos depicted on the virtual characters, though realistic in appearance relative to the size of the player, were significantly smaller in scale than they would have appeared in real life.<sup>253</sup> Lastly, the court found that, presently, there was no market involving the licensing of tattoos to be used within video games and on video game characters and there was a low likelihood that such a market would ever come into existence.<sup>254</sup> Namely, “Solid Oak itself could not license the tattoos without a license from the players to exploit their likenesses,” and, as such, the summary judgment motion was granted.<sup>255</sup>

*Solid Oak Sketches* demonstrated that while copyright holders may be successful in showing that they have detected allegedly infringing use, a problem that is all too difficult to discern within the Metaverse to begin with, courts may still find the use noninfringing due to the transformative nature of the copyrighted work on the digital good. While many may find this to be a sound result given the seemingly evident differences between the real-life tattoos and the tattoos that were recreated within the game, decisions of this type pose great dangers to the ultimate incentive to create and be innovative within the real-world. Infringing use within digital platforms, even when successfully detected, may be allowed to continue without any real repercussions given the stark differences between the real-world and the virtual world, differences that are inherent in nature but that should not be given substantial weight. While virtual goods may differ in their unique characteristics, such as the scale of the image, this quality in

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<sup>250</sup> *Id.*

<sup>251</sup> *Id.*

<sup>252</sup> *Id.*

<sup>253</sup> *Id.*

<sup>254</sup> *Id.*

<sup>255</sup> *Id.*

itself should not allow for the infringing use of real-world copyrighted works to continue within the virtual realm as the re-scaling of such a design is arguably not transformative but required by the difference in scale between real-world and virtual items. Thus, any notion of creativity is diminished and the virtual work, though seemingly different, is deficient in all of the requisite criteria that would have otherwise made a work copyrightable in the real world. As such, real-world creators should not be penalized as a result of the inherent differences between the real world and the virtual world. Thus, virtual goods that so clearly infringe upon their real-world creations should not rise to the level of being a transformative work merely because they feed upon these inherent differences to re-use the work. Although it is being circulated on two different platforms, there is potential for the virtual good to impact the marketability of the real-world work and may even infringe upon the creator's exclusive right, as a copyright holder, to expand into the virtual realm.

In *Amaretto Ranch Breedables, LLC. v. Ozimals, Inc.*, the plaintiff, Amaretto Ranch, sued the defendant, Ozimals, for copyright infringement after the defendant had submitted a DMCA takedown notice to the platform Second Life.<sup>256</sup> Ozimals claimed that Amaretto Ranch had infringed upon Ozimals' copyrights to the "real-world 'scripts, screen displays, expression and game play generated by those scripts for a breedable virtual animal in the form of a bunny'" in creating its virtual horse product line.<sup>257</sup> Because, at the time, no takedown had actually occurred, the court granted Ozimals a temporary restraining order and a preliminary injunction; however, Amaretto Ranch moved to dismiss on the grounds of "misrepresentation under the DMCA, tortious interference, unfair competition under California law and copyright misuse," with the court dismissing both the DMCA misrepresentation claim because no takedown had occurred and the tortious interference claim.<sup>258</sup> The ultimate holding of the case demonstrated that: "(1) In order to be valid, DMCA misrepresentation claims

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<sup>256</sup> Theodore C. Max, *Litigating Trademark and Copyright Cases in the Metaverse*, CCBJ (Jan. 25, 2012), <https://ccbjournal.com/articles/litigating-trademark-and-copyright-cases-metaverse>; *Amaretto Ranch Breedables, LLC v. Ozimals, Inc.*, 790 F. Supp. 2d 1024 (N.D. Cal. 2011).

<sup>257</sup> Max, *supra* note 256.

<sup>258</sup> *Id.*

require a takedown; and (2) State law claims based upon a takedown notice are preempted by the DMCA.”<sup>259</sup>

Similar to the finding in *Solid Oak*, in *Heptagon Creations, Ltd. v. Core Group Marketing LLC*, the district court found that Core Group’s circulation and usage of a virtual version of the ANDRE JOYAU furniture line created by Heptagon did not infringe upon Heptagon’s copyrights or trade dresses.<sup>260</sup> In addressing the copyright issue, the district court found that “the Copyright Office had rejected the registration application and held that the complaint is insufficient to state the protectability element of plaintiff’s copyright claim on the basis of physical separability and because it found that the aesthetic and functional aspects of the furniture were inextricably linked.”<sup>261</sup> The result concerning the copyright infringement issue serves as a warning that complaints relating to virtual goods will nonetheless be held to the same standard as real-world goods would be.<sup>262</sup>

In *Random House, Inc. v. Rosetta Books, LLC*, the plaintiff, Random House, had entered into licensing agreements with a large number of authors, granting Random House the exclusive right to print, publish, and ultimately decide whether it would like to sell the book form of the author’s work, with no discussion of these rights extending to digital or electronic forms.<sup>263</sup> Ultimately in 2000, the defendant, Rosetta Books began to create ebooks of various literary works, contracting with many of the same authors that had previously entered into licensing agreements with Random House.<sup>264</sup> As a result, Random House brought suit alleging copyright infringement and seeking to enjoin Rosetta Books from continuing to sell the ebooks they had been creating.<sup>265</sup> The court affirmed that “a written contract must be interpreted to effectuate the parties’ intentions, as reflected in the language of the contract itself” and found that the licensing agreements that had been initially entered into did not provide Random House with the exclusive right over every single form of expression, including

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<sup>259</sup> *Id.*

<sup>260</sup> *Id.*; *Heptagon Creations, Ltd. v. Core Group Marketing LLC et al.*, No. 1:2011cv01794 - Document 45 (S.D.N.Y. 2011).

<sup>261</sup> Max, *supra* note 256.

<sup>262</sup> *Id.*

<sup>263</sup> *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001), *aff’d*, 283 F.3d 490 (2d Cir. 2002).

<sup>264</sup> *Id.*

<sup>265</sup> *Id.* at 615.

ebooks.<sup>266</sup> Accordingly, the court held that it would be unfair to allot Random House rights to a medium that had not even existed when the initial licensing agreements were entered into,<sup>267</sup> a reality that should serve as a warning to those who may have entered into licensing agreements prior to the introduction of the Metaverse and the creation of the various virtual goods within it.

In a first-of-its-kind lawsuit, Roc-A-Fella, the record label of world-renowned rapper Jay-Z, sued Damon Dash, a record executive whom Jay-Z had previously partnered with to sell CDs of his album *Reasonable Doubt*, after Dash had initiated an auction online to sell the *Reasonable Doubt* album in the form of an NFT.<sup>268</sup> In the action, Roc-A-Fella attempted to stop Dash from continuing to auction Jay-Z's copyright-protected work, contending that "the copyright in the album was held exclusively by Jay-Z and that Dash did not have the legal right to sell the album even though Dash held one-third stake in the record label."<sup>269</sup> In countering, Dash contended that he had no intention to sell the interest he had in the album, and his actions in minting the NFT were not intended to demonstrate his ownership stake.<sup>270</sup> The U.S. District Court granted a temporary restraining order to prevent Dash from selling the NFT.<sup>271</sup> A year later, Roc-A-Fella and Dash entered into a settlement agreement where they stipulated "that the label owns 'Reasonable Doubt' and that no shareholder has any individual rights to it."<sup>272</sup>

Well-known filmmaker Quentin Tarantino has also found himself at the center of a copyright infringement lawsuit involving NFTs with the production studio, Miramax.<sup>273</sup> Tarantino had developed a lineup of NFTs in 2021, at the peak of the NFT mania, each of which

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<sup>266</sup> *Id.*

<sup>267</sup> *Id.*

<sup>268</sup> David Hoppe, *Jay-Z vs. Damon Dash: Lessons for Emerging Technologies Companies*, GAMMA LAW (Oct. 16, 2021), <https://gammalaw.com/jay-z-vs-damon-dash-lessons-for-emerging-technologies-companies/>.

<sup>269</sup> *Id.*

<sup>270</sup> *Id.*

<sup>271</sup> *Id.*

<sup>272</sup> Blake Brittain, *Jay-Z label settle lawsuit over 'Reasonable Doubt' NFT*, REUTERS (June 13, 2022), <https://www.reuters.com/legal/litigation/jay-z-label-settles-lawsuit-over-reasonable-doubt-nft-2022-06-13/>.

<sup>273</sup> Adi Robertson, *Quentin Tarantino settles NFT lawsuit with Miramax*, THEVERGE (Sept. 9, 2022), <https://www.theverge.com/2022/9/9/23344441/quentin-tarantino-pulp-fiction-nft-miramax-lawsuit-settled>.

contained a promise that the NFT would unlock some sort of secret about his 1994 film, *Pulp Fiction*.<sup>274</sup> While Tarantino believed that the NFTs were linked to the media from the film and, therefore, he possessed the exclusive rights to them, Miramax sued on the grounds that “NFTs constituted an ‘emerging technology’ that it could contractually profit from,” and, as such, “whatever limited rights Mr. Tarantino has to screenplay publication, they do not permit the minting of unique NFTs associated with Miramax’s intellectual property.”<sup>275</sup> However, it was confirmed that Tarantino and Miramax had privately settled the matter and decided to produce digital goods together, a result which may have benefited the parties, but prevented the development of a precedent for future NFT infringement cases.<sup>276</sup>

Alongside issues involving the infringement of already created copyrighted works, the creation of user-generated avatars and worlds may raise distinct infringement issues.<sup>277</sup> Many of the online gaming platforms within the Metaverse give users the opportunity to create their own distinct and recognizable player avatars while mandating that the users agree that the gaming platforms maintain copyright ownership over any and all expressions, including avatars, that are created and used within their platforms.<sup>278</sup> However, the decentralized nature of the Metaverse may make this a difficult task to navigate given the fact that, many times, users would like to move their generated avatars freely within the overlapping platforms.<sup>279</sup> While some platforms have begun to allow the creation of cross-platform avatars that may be moved freely across the various platforms, many platforms believe that these avatars should be platform-specific. They argue that cross-platform avatars are virtually impossible because “each Meta-platform may create and run its own identity system,” a concept that is demonstrated by the modern-day Internet where a creation within one Internet account does not automatically encapsulate the entirety of the Internet.<sup>280</sup> Much like user-generated avatars, user-generated software and environments are equally as important to the makeup of the Metaverse.

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<sup>274</sup> *Id.*

<sup>275</sup> *Id.*

<sup>276</sup> *Id.*

<sup>277</sup> Levan Nanobashvili, *If The Metaverse Is Built, Will Copyright Challenges Come?*, 21 UIC REV. INTELL. PROP. L. 215 (2022).

<sup>278</sup> *Id.*

<sup>279</sup> *Id.*

<sup>280</sup> *Id.*

Games such as Roblox and Minecraft allow users to create their own virtual worlds and environments using many of the tools provided to them within the gaming platform.<sup>281</sup> Currently, “3D models, music, and other digital assets need to be properly licensed and tracked to ensure that brand owners are not unintentionally violating the intellectual property of another user,” because the open-source nature of the Metaverse “allows users to remix and build on the work of others, making it difficult for brand owners to maintain control over their creative works.”<sup>282</sup> Platforms such as Roblox have created “Community Standards” which affirm that the platform may “remove infringing content upon receiving a valid notice based on the Digital Millennium Copyright Act in the U.S. or trademark infringement removal request.”<sup>283</sup> While effective and necessary in principle, the standards function under the assumption that one will be able to properly detect infringing use and report it for removal. In its Terms of Service, Roblox explicitly spells out instances where individuals may think that they are entitled to intellectual property ownership over their generated goods, but in fact do not have ownership rights.<sup>284</sup> For example, “if you see an interesting hat in the real world or on another platform and want to create a virtual replica of that hat on Roblox, you may still need the permission of the original creator of the hat.”<sup>285</sup> Additionally, Roblox details how users might go about protecting their created works and emphasizes how important it is “that your creations are unique.”<sup>286</sup> Roblox offers the example of the creation of a Trojan helmet and explains that the particular creation is protectable because “the creation below takes a well-established concept (a Trojan helmet) and adds intricate details that make the design an original expression of the idea, such as the shape and orientation of the gold adornments and the shape of the facial opening.”<sup>287</sup> Roblox also affirms that in instances where

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<sup>281</sup> *Id.*

<sup>282</sup> LuAnne Morrow et al., *Setting up for success in the metaverse: Intellectual property consideration for businesses*, BLG (Mar. 7, 2023), <https://www.blg.com/en/insights/2023/03/setting-up-for-success-in-the-metaverse-intellectual-property-considerations-for-businesses>.

<sup>283</sup> *Id.*

<sup>284</sup> *Intellectual Property*, ROBLOX, <https://create.roblox.com/docs/art/marketplace/intellectual-property> (last visited May 7, 2024).

<sup>285</sup> *Id.*

<sup>286</sup> *Id.*

<sup>287</sup> *Id.*

creators detect the use of their original design elements to create replicas or derivations of their work, they may request removal.<sup>288</sup> However, the all too common issue associated with digitally created works arises where users may be able to detect one instance of infringing use, but unable to detect the wider array of potentially infringing use, without the help of some form of the previously discussed AI algorithm, or derivations of their work that, although not identical, are substantially similar to their own. Roblox acknowledges this fault and even explicitly states in its Terms of Service that “just because the original creator can request the removal of those three Trojan helmets does not mean that they can remove all Trojan helmets from the platform.”<sup>289</sup> Thus, while creators of user-generated works are offered copyright protection over their creative and original works of authorship, monitoring and safeguarding these creative works has proven to be difficult and quite convoluted, despite the takedown tactics implemented by the various platforms.

In cases where infringing use is properly detected and brought to the attention of the platforms in charge, litigating the issue of copyright infringement raises its own challenges. More specifically, given that users from all different nations may use the Metaverse and its platforms, in the event that infringing use is detected, the copyright holders may find themselves having to navigate the complexities and finite details of a particular legal system’s copyright law to ultimately enforce their intellectual property rights.<sup>290</sup> As a whole, jurisdiction within the Metaverse can be an extremely complex concept because it “can refer to the authority of a government or legal system to regulate and enforce laws in virtual environments.”<sup>291</sup> Some laws have been set in place to determine jurisdiction in the Metaverse namely, the Brussels Regulation in the European Union and the Venue Classification Act of 2011 in the United States.<sup>292</sup> The case of *Bragg v. Linden Research, Inc.* sheds light on the issue of jurisdiction within the Metaverse.<sup>293</sup> In *Bragg*, the district court for the Eastern District of Pennsylvania was tasked with determining whether it possessed jurisdiction over

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<sup>288</sup> *Id.*

<sup>289</sup> *Id.*

<sup>290</sup> Kashdaran, *supra* note 29.

<sup>291</sup> Maria Kalyvaki, *Navigating the Metaverse Business and Legal Challenges: Intellectual Property, Privacy, and Jurisdiction*, 3 JOURNAL OF METAVERSE 87 (2023).

<sup>292</sup> *Id.*

<sup>293</sup> *Bragg v. Linden Research, Inc.*, 487 F. Supp. 2d 593 (E.D. Pa. 2007).

property being sold within the virtual world, Second Life.<sup>294</sup> Ultimately, the court found that it had jurisdiction because the parties resided in different states and the property was being sold for a monetary value.<sup>295</sup> Nonetheless, “the transnational and cross-border nature of the metaverse will raise questions of applicable law, jurisdiction and competent authorities, especially if the action is not against the metaverse provider but against the user of the metaverse hiding behind an avatar.”<sup>296</sup> As such, copyright holders who choose to file infringement lawsuits in their respective jurisdictions may ultimately find that their lawsuits are useless as the geographic scope of their lawsuit is limited in nature.<sup>297</sup> Accordingly, it would be within the best interest of all involved to develop a “meta jurisdiction” that would dictate how litigation arising within the Metaverse should be conducted and, more importantly, where.<sup>298</sup> Generally, “technology companies innovate first and then figure out the ethical conundrums, regulatory challenges and governance fixes, when it can be too late.”<sup>299</sup> By setting clear guidelines as to how and where Metaverse-centered copyright infringement matters may be litigated, the gaps in traditional litigation methods can be closed and the interests of intellectual property right holders may be safeguarded as they are provided with the comfort of knowing that they may efficiently, and potentially successfully, litigate such matters.

### C. The Protection of Companies in the Metaverse Trademark Protection Considerations

The ever-growing prominence of trademark-related litigation arising from issues that have culminated within the Metaverse has left many, if not all, companies wondering, “what now?” While companies are mainly interested in avoiding the exorbitant costs and fees

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<sup>294</sup> *Id.*

<sup>295</sup> *Id.*

<sup>296</sup> Petranyi et al., *supra* note 229.

<sup>297</sup> Joseph JTR Mugauri, *Navigating Copyright and Trademark Challenges in the Metaverse: Strategies for Protection and Enforcement*, LINKEDIN (June 20, 2023), <https://www.linkedin.com/pulse/navigating-copyright-trademark-challenges-metaverse-mugauri/>.

<sup>298</sup> James Cooper, *Why we need ‘meta jurisdiction’ for the metaverse*, THE HILL (Dec. 2, 2021), <https://thehill.com/opinion/technology/583529-why-we-need-meta-jurisdiction-for-the-metaverse/>.

<sup>299</sup> *Id.*



associated with litigating not only trademark but intellectual property issues as a whole, companies are also motivated to protect themselves by the mere fact that trademark infringement and dilution alike can negatively impact their reputation, image, and ultimately chip away at years of hard work and dedication to their trade and the development of their brand.<sup>300</sup> Currently, many luxury fashion companies have begun embracing NFTs as a means of “forward-looking” marketing and ultimately as beneficial brand-building tools given the billions of dollars’ worth of NFT sales that have occurred globally.<sup>301</sup> As has been demonstrated time and time again, the threat associated with the infringing use of marks within the Metaverse is not only encouraging but in some sense forcing, brand owners to protect their brands within the digital platform by using trademark filings to extend the protection of their mark into the digital space.<sup>302</sup> Additionally, while the threat of potential trademark infringement has served as a driving force for companies to protect themselves in the Metaverse, from a revenue standpoint, companies should also consider operating and seeking trademark protection within the Metaverse.<sup>303</sup> The transition into the virtual realm may serve as a new marketing channel that will allow them to reach a wider group of customers and may even allow them to leverage the analytics and statistics collected within the Metaverse to ultimately increase their flow of revenue and image within the real world.<sup>304</sup>

Currently, companies such as Nike and Walmart have already begun using the Metaverse to their advantage by hosting a variety of events within the Meta worlds.<sup>305</sup> Companies may decide to begin involving themselves within the Metaverse by engaging in game creation

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<sup>300</sup> Melanie Howard, *Branding the metaverse: first US lawsuits may define scope of IRL trademarks*, THE LUXURY LAW ALLIANCE (Mar. 18, 2022), <https://luxurylawalliance.com/news-features/branding-the-metaverse-first-us-lawsuits-may-define-scope-of-irl-trademarks/1366224270/>.

<sup>301</sup> *Id.*

<sup>302</sup> Francelina P. Klukosky, *United States: Protecting Fashion In The Metaverse*, MONDAQ (Sept. 9, 2022), <https://www.mondaq.com/unitedstates/trademark/1228678/protecting-fashion-in-the-metaverse#:~:text=The%20metaverse%20is%20forcing%20brand,digital%20representation%20of%20their%20marks.>

<sup>303</sup> *How can Trademarks be Protected in the Metaverse?*, SHIP (Mar. 16, 2022), <https://shipglobalip.com/blog/how-can-trademarks-be-protected-in-the-metaverse->

<sup>304</sup> *Id.*

<sup>305</sup> *Id.*

or offering various goods or services within the virtual realm.<sup>306</sup> From an economic standpoint, the Metaverse has the potential to offer companies massive monetary opportunities because, as has been confirmed by several CEOs, the Metaverse has the potential to culminate into a multi-trillion-dollar opportunity for those involved.<sup>307</sup> Cathie Wood, a renowned investor, has acknowledged that while the Metaverse may still be within its early stages of development, it will rapidly expand to influence “every corner of the economy.”<sup>308</sup> A substantial decision is left to the hands of the corporations to ultimately decide if they would rather sit around and potentially allow infringing users to benefit from their protected marks and reputation or invest in understanding and integrating into the digital world that will very soon give reality a run for its money.<sup>309</sup> Evidently, for the corporate benefit and in light of the rapid change in the digital market, it is within the best interest of the mark holders to enter the game as early as possible, “establish network effects and industry standards, and generate a moat capable of blocking future entrants.”<sup>310</sup>

The virtual economy has seen a recent boom in profit as a result of the sale of various digital assets across numerous virtual platforms, such as Roblox and Fortnite, which have experienced digital asset sale profits that run into the millions.<sup>311</sup> While companies may be profiting substantially from the sale of their real-life products, the growth of the Metaverse presents companies with the opportunity to create virtual lookalikes of their popular and profitable products to expand their

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<sup>306</sup> Sophie Edbrooke, *A Guide to Trademark Protection in the Metaverse for Small Businesses*, GERBEN, <https://www.gerbenlaw.com/blog/a-guide-to-trademark-protection-in-the-metaverse-for-small-businesses/> (last visited May 7, 2024).

<sup>307</sup> Hayes Mackaman, *The Value Of The Metaverse: Why Your Company Should Explore The Future Of The Internet*, *Forbes* (Mar. 9, 2022), <https://www.forbes.com/sites/forbestechcouncil/2022/03/09/the-value-of-the-metaverse-why-your-company-should-explore-the-future-of-the-internet/?sh=27ef6699560a>.

<sup>308</sup> Kylie Logan, *Cathie Wood says the metaverse could be worth trillions and will affect the world in ways ‘we cannot even imagine right now’*, *FORTUNE* (Dec. 3, 2021), <https://fortune.com/2021/12/03/cathie-wood-metaverse-trillions-affect-every-sector/>.

<sup>309</sup> Mackaman, *supra* note 307.

<sup>310</sup> *Id.*

<sup>311</sup> Emmanuel Awosika, *Why Should Businesses Care About The Metaverse?*, *BUSINESS TECH GUIDES* (Mar. 14, 2022), <https://businesstechguides.co/importance-of-metaverse-for-businesses#heading-profits-from-virtual-products>.

stream of revenue beyond just the physical realm.<sup>312</sup> Several companies have already extended their product lines to encompass virtual goods as well and, as a result, have two incredibly profitable streams of revenue.<sup>313</sup> Ralph Lauren, for example, has already participated in the launching of a collection of virtual goods and, to date, has sold well over 100,000 pieces within the Metaverse.<sup>314</sup> Additionally, sportswear giant Nike has recently acquired RTKFT, a company that is renowned for producing virtual goods within the Metaverse and has filed several patent applications that would permit Nike to exclusively sell various Nike-themed goods within the Metaverse.<sup>315</sup>

Additionally, while the economic and revenue-generating aspect of the Metaverse may encourage companies to integrate into the digital realm, the ultimate impact on industries and society as a whole must also be heavily weighed.<sup>316</sup> The growth of the Metaverse will cause substantial disruption across a wide variety of industries as the platform will introduce a toolbox full of new methods by which individuals may connect and communicate, such as, 3D video, which will display real human representation within the digital realm.<sup>317</sup> In analyzing the forthcoming effect on modern-day industries, those involved in education and communication will seemingly be most affected.<sup>318</sup> When fully developed, Hayes Mackaman of the Forbes Technology Council believes that the Metaverse is projected to allow for “immersive training in simulated environments and hands-on, close-up instruction from the best teachers on the planet – democratizing access and making education available for everyone, rather than the few.”<sup>319</sup> Additionally, the Metaverse’s development will greatly impact the current understanding of virtual communication, and even social interaction, as the Metaverse’s usage of 3D video to enhance the virtual meeting experience will aid in developing a stronger sense of presence amongst participants that will, in turn, formulate better communication and exchange of ideas.<sup>320</sup> While many companies may find

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<sup>312</sup> *Id.*

<sup>313</sup> *Id.*

<sup>314</sup> *Id.*

<sup>315</sup> *Id.*

<sup>316</sup> Mackaman, *supra* note 307.

<sup>317</sup> *Id.*

<sup>318</sup> *Id.*

<sup>319</sup> *Id.*

<sup>320</sup> *Id.*

the fast-paced development of the Metaverse to be intimidating, others will choose to “grab the tools at their disposal and carve out space for themselves.”<sup>321</sup> The expansion of eCommerce, which is expected to progress hand-in-hand with the expansion of the Metaverse, will allow companies to provide new ways for their customers to feel and touch the products they are interested in, without actually being in store, through the use of various services such as virtual reality (VR) and augmented reality (AR) technologies in which customers will be able to “use” the products prior to purchasing.<sup>322</sup> As a whole, the Metaverse, in its current state, serves as a “blank canvas wrapped around our digital world, and consumers are watching to see how it is drawn,” which should encourage companies that have not yet considered getting involved in the virtual realm to consider the ever-growing market and partake in a world full of substantial revenue-generating potential.<sup>323</sup>

While the vast majority of companies may, at the very least, consider expanding their product lines to encompass products in the virtual reality, many companies which may be hesitant to do so are left wondering, “how might we protect ourselves and our marks within the Metaverse?” Currently, one form of Metaverse trademark protection filing that has been made is for “virtual world,” which offers protection for downloadable software to access the Metaverse.<sup>324</sup> Virtual world filings ultimately indicate that the company in question is considering, or rather planning on, creating software that would serve as a platform within the Metaverse where users may interact with other users, as well as interact with virtual goods and services that are offered.<sup>325</sup> On the contrary, another form of trademark filing that has been utilized is for “digital good” or “digital service.”<sup>326</sup> Digital good or service filings encompass the downloadable, or non-downloadable, images that are produced for entertainment purposes and are especially useful for smaller companies that do not have the monetary bandwidth to create an entire platform of their own.<sup>327</sup> Ultimately, digital good or service filings will serve to ensure that no other businesses are operating

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<sup>321</sup> *Id.*

<sup>322</sup> Awosika, *supra* note 311.

<sup>323</sup> Mackaman, *supra* note 307.

<sup>324</sup> Edbrooke, *supra* note 306.

<sup>325</sup> *Id.*

<sup>326</sup> *Id.*

<sup>327</sup> *Id.*

within the Metaverse that are planning on using the company's trademarked name within the virtual space.<sup>328</sup> Lastly, and arguably the more traditional approach, would be for companies that offer services to apply for broad service protection with the USPTO and include within their trademark protection application that the services are connected to the Metaverse as this would permit companies that are not expressly operating within the Metaverse to safeguard their real-world marks against virtual infringers.<sup>329</sup>

Anthony Lupo, the chair of the legal firm Arent Fox, who specializes in matters of fashion and technology for major clients such as Valentino and Balenciaga, recently stated that "any brand should be filing for its trademark in the metaverse right now . . . all my clients are."<sup>330</sup> Lupo has, in the same token, acknowledged that while trademark law has yet to catch up with the ever-growing prominence of the Metaverse and the digital products that can be found within it, a few common classes of trademarks, such as classes 9, 35, and 41, currently protect virtual goods and spaces.<sup>331</sup> Ralph Lauren, with the launching of its wide variety of digital goods, has filed with the USPTO for "items including store services featuring virtual clothing and accessories for use in online virtual worlds (35), and online, non-downloadable virtual clothing and accessories for use in virtual environments (41)."<sup>332</sup> Several other well-known brands, such as DKNY and Nike, have filed for trademark protection for similar items.<sup>333</sup> Concurring with Anthony Lupo, Gina Bibby, the head of a global fashion tech practice law firm, affirmed that "the increase in intellectual property filings signal that conducting business in the virtual world is an increasingly high priority for brands, and likely necessary for staying relevant and competitive," and, as such, advises that "brands register trademarks with USPTO and foreign equivalents, consider subscribing to a trademark watch service, and before threatening trademark infringement, evaluate the nature and use of marks, as not all use in the

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<sup>328</sup> *Id.*

<sup>329</sup> *Id.*

<sup>330</sup> Maghan McDowell, *How to trademark the metaverse*, VOGUE BUSINESS (Jan. 11, 2022), <https://www.voguebusiness.com/technology/how-to-trademark-the-metaverse>.

<sup>331</sup> *Id.*

<sup>332</sup> *Id.*

<sup>333</sup> *Id.*

metaverse is ‘actionable.’”<sup>334</sup> Accordingly, it is evident that companies should begin considering potentially involving themselves in the Metaverse or, at the very least, protecting their real-life products within the Metaverse because the question that stands is no longer whether the Metaverse is here to stay, but rather, for companies which may be the subject of repeated infringement litigation, “do you want to keep playing defense like this?”<sup>335</sup>

#### D. Copyright Protection Considerations

In assessing how an individual or company might go about protecting their copyrighted works as well as their other intellectual property rights, within the Metaverse, a very obvious solution comes to mind, monitoring. While seemingly simple in essence, as discussed above, this solution is not always attainable given the complexity of the Metaverse and the overlapping worlds that make it up. A simple “search” of the Metaverse conducted on the traditional Internet is not realistic because “searching and monitoring services generally do not have the capability to see or scrape content in Web3 platforms, and major search engines are unlikely to capture blockchain code in their common law web searches.”<sup>336</sup> As such, there is no easy way to navigate the decentralized worlds created within many of the prominent platforms such as the previously discussed Decentraland and The Sandbox. In many cases, the presence and circulation of infringing work may be detected with the right amount of due diligence; however, sometimes only one remote instance of infringement may be discovered. Therefore, it would be within the best interest of, specifically, corporations to invest in creating AI algorithms and models that can scour the Metaverse to find infringing use and, thereafter, determine the identity of infringers either through the use of their username or their IP address information if an alias is used. As an added measure, the wide variety of virtual platforms should implement these AI algorithms into their own software to allow users to utilize this feature to help themselves find infringing use. This would be especially beneficial to individuals and small corporations that cannot afford to develop

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<sup>334</sup> *Id.*

<sup>335</sup> *Id.*

<sup>336</sup> Anthony V. Lupo & Dan Jasnow, *Protecting and Enforcing IP Rights in the Metaverse*, ARENTFOXSCHEFF (Apr. 22, 2022), <https://www.afslaw.com/perspectives/alerts/protecting-and-enforcing-ip-rights-the-metaverse>.

algorithms of their own but have intellectual property that may be infringed. In the case of a corporation that has the financial stability to invest in developing such an algorithm, the development cost would more than likely be minuscule when compared to the cost of potentially having to litigate the infringement issue in court. As demonstrated in a recent litigation between an AI technology company and Getty Images, a database for stock photos, “implementing effective detection software that can track and identify copyrighted content used in AI-generated artworks, images, or music is crucial in protecting the rights of content creators and preventing future lawsuits.”<sup>337</sup> In this case, Getty Images alleged that the AI company had developed an AI software that copied thousands of its stock photos stored within its database, serving as a sort of “wake-up call for AI developers and content creators, shedding light on the need for robust copyright infringement detection software.”<sup>338</sup>

Alternatively, copyright holders may consider implementing a watermarking technology that would place a watermark, visible or invisible, on their copyrighted work to facilitate simpler and more effective tracking of derivative works. Digital watermarking involves “embedding a digital code or image, which might be visible or covert, inside multimedia content” and can be used to “trace copyright infringement as it contains source tracking code,” essentially acting as a potential deterrent for future piracy.<sup>339</sup> More specifically, the use of an invisible watermark, one that cannot be detected by the human eye, would be most beneficial for monitoring purposes, while a visible watermark that can be detected by the human eye may be most beneficial for deterrence purposes. In fact, in the most recent Napster case, the court pointed to not only the lack of watermarks on the MP3 files but also suggested that future MP3 files should include these watermarks given that “generally speaking, the next phase of SDMI [Secure Digital

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<sup>337</sup> *What is AI Copyright infringement detection software?*, B12 (Nov. 26, 2023), <https://www.b12.io/resource-center/ai-how-to-guides/what-is-ai-copyright-infringement-detection-software.html>.

<sup>338</sup> *Id.*

<sup>339</sup> Chris Brook, *What Is Digital Watermarking?*, DATAINSIDER (June 14, 2023), <https://www.digitalguardian.com/blog/digital-watermarking#:~:text=Digital%20watermarking%20is%20used%20to,and%20ownership%20of%20digital%20media>.

Music Initiative] will concern two forms of digital rights management technology: encryption and watermarking.”<sup>340</sup>

In the case of video circulation, the implementation of a Digital Rights Management (“DRM”) technology would ensure that “video content is stored and transmitted in an encrypted form, so that only authorized users and devices can play it back” and thus before the video content is even streamed, “video content must be encrypted and packaged, often using multiple DRM schemes for greater device compatibility.”<sup>341</sup> As such, whenever a user tries to re-access or play back a particular video content, the user will have to enter a key from a server that would determine whether the user has permission to access the content.<sup>342</sup> DRMs allow copyright owners to not only prevent others from unlawfully altering their work but also allow for ownership to be maintained.<sup>343</sup> Implementing technologies such as AI detection algorithms, watermarking technologies, and DRM technologies to safeguard copyrighted works would allow for early and seamless detection of infringing work across a platform that can otherwise be notoriously unsearchable.

As has been demonstrated by a wide variety of platforms, including Roblox, the implementation of copyright notices and Terms of Services that are displayed prominently on virtual content and sites can potentially deter those interested in using copyrighted work from doing so, thereby preventing potential infringement litigation. While not all who have malintent in producing infringing works will actually heed the warnings disclosed within the Terms of Service, displaying them on the virtual content and clearly spelling out what constitutes infringing use and the repercussions attached to unlawfully using the protected goods are helpful. The majority of users who may have considered using the work will think twice about their decision out of fear of potentially being sued. Alternatively, the Terms of Service need not

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<sup>340</sup> Michael Seadle et al., *Why Watermark? The Copyright Need for an Engineering Solution*, [chrome-extension://efaidnbmninnibpcapjpcglefindmkaj/https://www.egr.msu.edu/~deller/WhyWatermark\\_revised-final.pdf](chrome-extension://efaidnbmninnibpcapjpcglefindmkaj/https://www.egr.msu.edu/~deller/WhyWatermark_revised-final.pdf) (last visited May 7, 2024).

<sup>341</sup> JD Russell, *How to Protect Video Content with Digital Rights Management (DRM)*, BRIGHTCOVE (Jul. 17, 2018), <https://www.brightcove.com/ko/resources/blog/dealing-drm-understanding-drm-and-how-produce-protected-content/>.

<sup>342</sup> *Id.*

<sup>343</sup> Lukas Bleidorn, *Digital Rights Management: what it is and why you need it to protect your digital content*, RED POINTS, <https://www.redpoints.com/blog/what-is-digital-rights-management/> (last visited May 7, 2024).



only spell out what will happen if one were to infringe but can also be used to explicitly define how the copyrighted work may be used including in what form or on what forum it may be utilized. Taking a more proactive approach to drafting these Terms of Service may encourage other users to utilize the protected works within their defined confines, rather than being scared off from the get-go by Terms of Service that only seem to speak to potential negative usages and repercussions.

Another viable option for potentially forgoing copyright infringement litigation and the unlawful use of copyrighted works involves entering into licensing agreements with those who may be interested in utilizing the works, as had been demonstrated in the *Random House* case.<sup>344</sup> A licensing agreement provides the added benefit of ensuring that it is made explicitly clear who owns the work and, as a result, who owns any intellectual property rights allotted to the work. Entering into a licensing agreement would offer not only the infringed upon party legal comfort and safeguard, but also the alleged infringer would no longer have any resounding fear of potentially being sued for infringement. For example, content artists may choose to provide certain licenses for their real-world works to ultimately be transformed into and used in the virtual platform. Offering and entering into licensing agreements would also overcome many of the previously discussed cross-jurisdictional issues that go hand-in-hand with copyright infringement litigation in the Metaverse as the lawful use of protected works in compliance with a set licensing agreement is a steadfast way to avoid having to litigate the issue and worry about the finite details associated with litigation, namely venue. As such, these licensing agreements should include information as to the right to display the work, create derivative works, and commercially exploit the work.<sup>345</sup> Additionally, creators should consider registering their copyrighted works in all potential jurisdictions and thus “brands should consider filing IP registrations for virtual world applications that help protect a business to sell goods and services in the metaverse.”<sup>346</sup> Ultimately, “digital artistic expression will be ubiquitous in the

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<sup>344</sup> *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001), *aff’d*, 283 F.3d 490 (2d Cir. 2002).

<sup>345</sup> Michael D. Murray, *Transfers and Licensing of Copyrights to NFT Purchasers*, STAN. JOURNAL OF BLOCKCHAIN LAW & POLICY (Jan. 10, 2023), <https://stanford-jblp.pubpub.org/pub/copyrights-nft-purchasers/release/1>.

<sup>346</sup> Bleidorn, *supra* note 343.

metaverse, and one question to answer will be who will be able to exploit the value of these creations now and for the future,” and thus, copyright licensing agreements are one possible answer to this question.<sup>347</sup>

#### IV. EXPANDING THE LAW TO ENCOMPASS ISSUES ARISING WITHIN THE METAVERSE

##### A. The Expansion of Trademark Law

While express protection for trademarks within the Metaverse may seem sparse, brands are protected within the virtual realm in some ways under the current law.<sup>348</sup> Under the “Zone of Natural Expansion” theory, even if brands do not currently have filings that would protect, or rather name, virtual fashion or Metaverse-related products, they may still be granted virtual protection of their mark.<sup>349</sup> Pursuant to the Zone of Natural Expansion doctrine, a trademark’s prior rights may be expanded into a new geographical area or into a new product line, when the company is already using its trademark within one area, and the “newly expanded area is a natural extension of the prior use,” as has been evidenced as the modern-day interest itself has continued to grow.<sup>350</sup> Anthony Lupo, in promoting the applicability of the Zone of Natural Expansion doctrine to matters concerning the Metaverse, has stated that “if I had a line of clothing but I didn’t have scarves, I should have protection for scarves because a consumer would reasonably believe that if I have dresses, tops and bottoms, scarves would be in that zone.”<sup>351</sup> There are many questions that have yet to be answered regarding how various legal terms may be defined within the Metaverse, such as, “is an image of a virtual handbag different because it doesn’t carry objects, or does it provide the same inherent values of status and exclusivity?”<sup>352</sup> As a result, Lupo has encouraged all of his luxury

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<sup>347</sup> Murray, *supra* note 345.

<sup>348</sup> Mcdowell, *supra* note 330.

<sup>349</sup> *Id.*

<sup>350</sup> *Zone of Natural Expansion (Trademark) Law and Legal Definition*, USLEGAL, <https://definitions.uslegal.com/z/zone-of-natural-expansion-trademark/#:~:text=Zone%20of%20natural%20expansion%20is,extension%20of%20the%20prior%20use> (last visited May 7, 2024).

<sup>351</sup> Mcdowell, *supra* note 330.

<sup>352</sup> *Id.*

name-brand clients to register for the Metaverse to gain a “presumption of validity and ownership,” as this may, in the long run, prevent lengthy and costly litigation or, as another option, to look into licensing and distribution agreements that would protect them within the Metaverse.<sup>353</sup> Julie Zerbo, the founder of *The Fashion Law*, in sharing her opinion on the expansion of trademark law to encompass property and items being sold within the Metaverse, has stated that the “laws required to protect brands in the metaverse will probably not need to be earth-shatteringly different from the laws we currently have . . . . I do not see why trademark law, as it currently stands, would not protect brands’ use of their trademarks on virtual goods.”<sup>354</sup> However, contrary to the perspectives of Lupo and Zerbo, many trademark experts continue to consider the current law to be lacking with respect to virtual protection, even though some laws and trademark classes currently apply to virtual goods. They believe that the ceiling for expansion of the trademark classification system is monumental and further expansion would only guarantee better and more secure protection across the various platforms that have come into play.<sup>355</sup> While several laws and classes do protect virtual products, the prominence of the Metaverse and the ever-growing interest in owning virtual goods leave much room for the necessary expansion of the traditionally established classification system to better encompass all forms of virtual goods and services that may be offered and, in turn, offer the utmost protection to mark holders.

The USPTO, in assessing matters relating to trademark protection, has subdivided products that may merit trademark protection into 45 different categories, 34 of which are for products while 11 are designated for services.<sup>356</sup> These classes allow the USPTO to differentiate among the thousands of mark applications that they receive annually.<sup>357</sup> The Nice Classification (“NCL”) is updated every five years, with an updated version of each edition published annually.<sup>358</sup> In

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<sup>353</sup> *Id.*

<sup>354</sup> *Id.*

<sup>355</sup> *Id.*

<sup>356</sup> Brian Farkas, *Trademark Classes: Which One Fits the Mark You Are Registering For?*, NOLO, <https://www.nolo.com/legal-encyclopedia/trademark-classes.html> (last visited May 7, 2024).

<sup>357</sup> *Id.*

<sup>358</sup> *Nice Classification*, WIPO, <https://www.wipo.int/classifications/nice/en/> (last visited May 7, 2024).

addressing trademark protection in the Metaverse, several experts have noted that there is a “weird misalignment for what the trademark classes are designed to project versus what they are trying to protect now . . . . I would be thinking about spanning the scope of registration in terms of classes and expanding the definition of some of the classes themselves.”<sup>359</sup> For example, Class 9, which previously only encompassed “electrical and scientific apparatuses,” has been amended to apply to “downloadable virtual goods in virtual online worlds”; thus, some classes have already been amended to adapt to the prominence of the virtual reality market.<sup>360</sup> It is entirely possible, and should be encouraged, that sometime in the near future, a class will be created specifically to protect digital goods because when these classes were created, digital goods were not considered, “but the idea was to be comprehensive [and] expansive – not to create windfalls for people working in new technologies.”<sup>361</sup> John Maltbie, the director of civil enforcement of intellectual property at Louis Vuitton North America, Inc., has stated that this would not be the first time that the law would be forced to stretch to encompass a novel technology, notably, the law was expanded just a few years prior to account for 3D printing.<sup>362</sup>

In a June 2022 statement, the European Union Intellectual Property Office (“EUIPO”) stated that trademark offices across Europe have also begun receiving an increased number of applications to protect virtual goods and NFTs.<sup>363</sup> The EUIPO has stated that virtual goods fall within Class 9 of the NCL system given the fact that they are digital content or images, but has warned that merely using the term “virtual goods” when drafting a list of goods on a trademark application is not sufficient as it is far too broad.<sup>364</sup> Instead, the trademark application must specifically state the type of virtual good in question such as, for example, the mark “TOMMY HILFIGER,” as protected under Class 9, encompasses protection for virtual goods such as clothing, bags, and perfumes, all of which would otherwise be protected in the real world.<sup>365</sup> In addressing virtual goods, however, EUIPO

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<sup>359</sup> Mcdowell, *supra* note 330.

<sup>360</sup> *Id.*

<sup>361</sup> *Id.*

<sup>362</sup> *Id.*

<sup>363</sup> *Trademark Law In The Metaverse*, GLEISS LUTZ (Oct. 18, 2022), [https://www.gleisslutz.com/en/Trademark\\_law\\_in\\_the\\_metaverse.html](https://www.gleisslutz.com/en/Trademark_law_in_the_metaverse.html).

<sup>364</sup> *Id.*

<sup>365</sup> *Id.*

distinguished NFTs from virtual goods and defines NFTs as “unique digital certificates registered in a blockchain, which authenticate digital items but are distinct from those digital items.”<sup>366</sup> A primary distinction between virtual goods, such as virtual shoes, and NFTs is that digital goods can ultimately be duplicated an infinite number of times, while NFTs provide purchasers with an exclusive certificate of authenticity for the digital object in question.<sup>367</sup> Under the EUIPO, listing “Non-Fungible Token” on a trademark application is not sufficient, rather, the application must specify the exact form of digital object that is being authenticated by the NFT, which would also be granted protection pursuant to Class 9 of the NCL.<sup>368</sup> To address the issues currently plaguing the EUIPO when granting protection in the virtual world, the upcoming twelfth edition of the NCL is expected to specifically incorporate the term “downloadable digital files authenticated by non-fungible tokens” into the current definition of Class 9.<sup>369</sup> Nonetheless, the EUIPO has confirmed that virtual goods and services will continue to be classified within the corresponding NCL class according to the modern-day definitions of each class, such as trademark applications encompassing “computerized online wholesale and retail services for buyers and sellers of downloadable digital videos, clothing, hats, glasses, bags authenticated by non-fungible tokens [NFTs],” being protected and registered under Class 35 of the NCL.<sup>370</sup> While the Metaverse “does not exist in a legal vacuum,” and there is still far more room within which the NCL and USPTO classes may extend to expressly encompass virtual products, services, and NFTs, companies should take proactive steps towards, at the very least, extending their trademark portfolios to encompass trademark protection over virtual goods, services, and NFTs that currently fall within Classes 9 and 35 of the NCL.<sup>371</sup>

Senators Thom Tillis and Patrick Leahy, in their June 2022 letter to the Directors of the USPTO, requested that the USPTO undertake a study of intellectual property rights and how they currently pertain to

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<sup>366</sup> *Id.*

<sup>367</sup> *Id.*

<sup>368</sup> *Id.*

<sup>369</sup> *Trademark Law In The Metaverse*, *supra* note 363.

<sup>370</sup> *Id.*

<sup>371</sup> *Id.*

NFTs.<sup>372</sup> The letter asked the USPTO to elaborate on several questions that included, but were not limited to, “what are the current applications of NFTs and their respective IP and IP-related challenges?,” “what potential future applications of NFTs do you foresee and what are their respective potential IP challenges?,” and, for those who currently have applications for NFTs pending or who will submit applications in the near future, “in what way does infringement apply? What is the potential infringement analysis where an NFT is associated with an asset covered by third party IP? Or where the underlying asset associated with an NFT is owned by the NFT creator and infringed by another?”<sup>373</sup> Ultimately, the Senators have stated that they seek to “understand how NFTs fit into the world of intellectual property rights – as said rights stand today and as they may evolve as we move into the future.”<sup>374</sup> The Senators have affirmed that the above-stated questions are critical, recognizing that while certain trademark rights can protect all or certain elements of the NFTs and many trademark owners have been successful in enforcing their rights through various infringement claims, the litigation surrounding trademark infringement involving NFTs and other virtual goods and domains can be quite unpredictable, uncertain, and produce drastically inconsistent results.<sup>375</sup> Accordingly, the USPTO should undertake the study and, in turn, amend the current trademark classes to expressly encompass virtual goods, services, and NFTs to resolve the ambiguity that plagues the courts.

Efficiently navigating the current USPTO and NCL classification systems can be quite challenging when discussing the protection of digital goods and services. Several recent trademark applications for virtual goods and services have fallen within the modern-day understanding of the “metaverse classes,” specifically, Class 9 for “downloadable virtual goods through software or application software,” and Class 42 for “online non-downloadable virtual goods and design of virtual fashion.”<sup>376</sup> Nonetheless, neither of these classes

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<sup>372</sup> Hunton Andrews Kurth’s Privacy and Cybersecurity, *Senators Dive Into the World of NFTs, Asking US Patent and Copyright Offices to Consider Questions Regarding Related IP Rights*, NAT. L. REV. (June 22, 2022), <https://www.natlawreview.com/article/senators-dive-world-nfts-asking-us-patent-and-copyright-offices-to-consider>.

<sup>373</sup> *Id.*

<sup>374</sup> *Id.*

<sup>375</sup> *Id.*

<sup>376</sup> Klukosky, *supra* note 302.

specifically mentions, for example, “virtual footwear” or “virtual apparel,” and therefore the classification classes should be amended to specifically designate classes for a variety of virtual goods, services, and NFTs to eliminate confusion or ambiguity when filing trademark applications for protection within the Metaverse. These changes would enable companies and mark holders to more efficiently navigate registration within the virtual realm.<sup>377</sup>

### **B. The Expansion of Copyright Law**

While current copyright laws do seem to account for goods created within these virtual realms and to protect real-life goods that may be infringed upon within the virtual realm, courts should take a much more stringent approach when assessing whether the virtual goods created through the use of already protected copyrighted work may be deemed transformative in nature. The sheer differences between not only the Metaverse and the real world, but also the Metaverse and the traditional Internet, are clear cut, and, as such, editing done to protected works for the sake of merely making them compatible with the platform, such as scaling images down, should not qualify as transformative work. Rather, courts should hold digital works to a higher level of creativity and require a far more distinct level of originality to be present than in their real-world counterpart given the ease and speed with which these virtual goods may be created and circulated without potential detection. A stricter level of scrutiny should be applied to cases involving infringement within the Metaverse to not only penalize those who very easily and sneakily infringe upon real-life goods but to also continue to incentivize individuals to create in real life without fear that they will be awarded weaker rights if the work were to be unlawfully utilized in the digital realm. Seemingly penalizing real-world creators while giving infringing users a pass as a result of their minimal level of creativity of conversion, as had been demonstrated in *Solid Oak*, is both dangerous and detrimental to the core essence of intellectual property law and society’s goal to continue to encourage innovation and creation without fear of being very easily ripped off. As such, courts should not only be encouraged, but also obligated, to take on more copyright infringement and intellectual property

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<sup>377</sup> Ben Williams & Penelope Catley, *Trade marks and the metaverse*, AJPARK (Nov. 22, 2021), <https://www.ajpark.com/insights/trade-marks-and-the-metaverse/>.

infringement cases as a whole to develop a legal framework for the allocation of intellectual property rights in the Metaverse and, additionally, identifying the applicable elements and criteria in determining whether infringing use did occur. While copyright law in itself may not be fundamentally flawed as it has seemed to expand with technological innovation proactively, the application of these laws to real-life cases has been inconsistent and has surely left many practitioners, creators, and courts believing that there is no clear-cut answer to issues involving infringement within the Metaverse.

## V. CONCLUSION

While the Metaverse initially became popular as a result of its gaming platforms, it has since developed into a virtual realm in which individuals can not only interact, but also buy and sell goods, interact with goods and services without actually interacting with them in the real world, and ultimately, as a forum through which companies and mark holders may acquire another steady stream of revenue.<sup>378</sup> The Metaverse has reached new highs in providing business opportunities to companies that are interested in spanning out to a larger global customer base without having to physically interact with these customers.<sup>379</sup> Many companies and mark holders, such as Nike, Samsung, and Coca-Cola, have already seen value in spreading their goods and services into the Metaverse and have begun operating virtual enterprises through which they will sell virtual clothing, real estate, and even food.<sup>380</sup> On average, over the next ten years, the value of the Metaverse is expected to reach an all-time high of \$800 billion, proving just how monumental this virtual reality is.<sup>381</sup> Nonetheless, despite the rapid growth in both popularity and profitability of the Metaverse and the virtual goods and services that it encompasses, many companies and mark holders seek to protect their existing trademark rights within the Metaverse, while also leveraging the spike in innovation.<sup>382</sup> However, trademark protection within the Metaverse is not a clear-cut standard, with the USPTO having refused Metaverse-focused

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<sup>378</sup> Natalie A. Remien, *Trademarks in the Metaverse*, CLARK HILL PLC (Aug. 29, 2022), <https://www.clarkhill.com/news-events/news/trademarks-in-the-metaverse/>.

<sup>379</sup> *Id.*

<sup>380</sup> *Id.*

<sup>381</sup> *Id.*

<sup>382</sup> *Id.*



trademark applications due to the high likelihood that the virtual products may be confused with previously registered real-life and virtual marks.<sup>383</sup> Given the spike in Metaverse-focused trademark applications, the USPTO has begun issuing Notices of Allowances in response to a variety of intent-to-use applications for these digital goods and services.<sup>384</sup> However, much ambiguity remains in applying the current trademark standards and laws, in particular the USPTO and NCL classification systems, to Metaverse-focused matters as the classes are yet to be expanded to expressly encompass the products that are being traded, sold, and even resold within the Metaverse.<sup>385</sup> Additionally, protecting copyrights within the Metaverse has proven to be quite a difficult feat given the fact that not only is detecting copyright infringement challenging but when such infringing activity is detected, there is no guarantee that courts will find in favor of the copyright owner. The need for the implementation of programs that can help detect infringement across the complex worlds of the Metaverse and the need for companies to begin considering alternatives to litigation such as licensing, permissions, and watermarking are not only desirable but necessary. As the Metaverse's commercial potential continues to increase, the need for a further developed trademark standard or statute and an expanded understanding of copyright law and its function within the virtual realm is critical to the continued success of a variety of companies.<sup>386</sup> Continuing the ambiguity related to the current trademark and copyright laws and standards would only serve to discourage companies from attempting to apply for trademark and copyright protection, promote possible infringement within the Metaverse, and ultimately, in turn, negatively impact these companies from both an economic and a reputational standpoint.<sup>387</sup> As we transition into a new era of technological and virtual dominance, we must not focus on how we can work around the current standards to incorporate these substantial innovations but, rather, we must be proactive and acknowledge the change and, ourselves, amend the current standards and our current understanding to promote a harmonious transition into the new age of technological novelties.

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<sup>383</sup> *Id.*

<sup>384</sup> *Id.*

<sup>385</sup> *Id.*

<sup>386</sup> *Id.*

<sup>387</sup> Williams & Catley, *supra* note 377.