

NFTs in Metaverse: Do Trademark Owners need to register their Trademarks for Virtual Goods and Services?

“Nike Sold an NFT Sneaker for USD 134’000”: This New York Times headline of May 26, 2022 and similar headlines regarding virtual goods in Metaverses or NFT Trade Platforms have made us realize that NFTs are not only for digital art but also a huge market for brand products.

What is an NFT (Non-Fungible Token)?

- A Brief Introduction / Technical Background

NFTs are units of data recorded and stored on blockchain/digital ledger which owe the hype around them to their non-fungibility making them unique, one of a kind and, therefore, eligible for use as assets. NFTs and the underlying blockchain technology allow to make digital artwork unique by restricting its copyability. NFTs also serve as representatives of asset ownership within virtual environments and NFT trade platforms, e.g. representations of fashion items, digital pizzas, sneakers, in-game items, trading cards for virtual events and other virtual products, allowing to allocate ownership of virtual goods and letting brands to address customers in new ways, for some generating millions in revenue.

An NFT is "minted", i.e. created through a smart contract and recorded in the blockchain. Smart contract is a computer program on an electronic ledger that executes and settles transactions based on pre-determined conditions by its developers, such as assignment of ownership, transferability management and further functionalities (e.g. resale royalties, use rights, etc.). It also stores address of the "wallet" for which the NFT is generated. That means that the smart contract manages the information that a specific NFT is owned by the user who can identify himself as the owner of the wallet with the wallet address stored in the smart contract.

NFTs and Trademarks?

Unauthorized use of trademarks for virtual goods and/or services in a virtual environment for commercial purposes (sale, advertising, etc.) and/or respective bad faith registrations may constitute an infringement of trademarks by third parties.

Are previous trademark registrations for analog goods and services sufficient for trademark protection in virtual environments?

In the view of current practice of different trademark offices, it is advisable for trademark owners to register their trademarks specifically for digital goods and/or services if they want to enjoy trademark protection also in virtual worlds and platforms. The virtual goods – so obviously argued by the trademark offices – are not to be considered as actual goods, such as e.g. footwear, clothes, food etc. in the sense of the Nice Classification. To what extent virtual goods will be regarded as similar to their real equivalent remains still unclear. Only in case of famous marks cross-class trademark protections may remain arguable/enforceable. Companies in the fashion, cosmetics, sports and entertainment industries are currently eagerly applying for trademarks for their virtual goods and services as well.

Quick overview over the current practice of selected trademark offices:

- a) The **World Intellectual Property Organization’s (WIPO, Geneva) 12th Edition of the Nice Classification** (will enter into force on January 1, 2023) will incorporate a new good type “*downloadable digital files authenticated by non-fungible tokens*” in class 9.
- b) The **European Union Intellectual Property Office (EUIPO)** has recently provided some initial guidance regarding classification of NFTs. The EUIPO stated that virtual goods and NFTs fall under Class 9 of the Nice Classification list. This is because they are treated as digital content or images. “*Virtual goods*” are proper in class 9, but they must be specified, e.g. “*downloadable virtual goods, namely, virtual clothing, etc.*”; term “non fungible token” on its own is not acceptable
- c) In the **US** due to an Office Action of the United States Patent and Trademark Office (USPTO) Nike (one of the great profiteers of the NFT hype) had to specify its “JUST DO IT” trademark goods and services list as underlined as followings:

Class 9 “Downloadable virtual goods, namely computer programs featuring footwear – for use online and in online virtual worlds”

Class 35: “Retail store services featuring virtual goods, namely ... for use online; on-line retail store services featuring virtual merchandise, namely, ...”

Class 41: “Entertainment services, namely providing online, non-downloadable virtual footwear, ... for use in virtual environments”

d) The Swiss Institute for Intellectual Property (IGE):

“Virtual goods” in class 9 are not acceptable, possible e.g. “downloadable digital files authenticated by non-fungible tokens [NFTs]” or “Software, which can represent goods virtually”

E.g. Nike has registered a Swiss trademark for:

Class 9: “Downloadable virtual goods, namely computer programs for online use and for use in online virtual worlds regarding topics footwear, clothes...”

Class 35: “Retail services with virtual goods, namely footwear,, for online use; online retail services with virtual goods, namely...”

Class 41: “Entertainment services, namely the provision of non-downloadable virtual footwear, ... for online use in virtual environments”

Key Takeaways

- a) Brand owners should consider the virtual reality and NFT trade platforms as possible trademark use “spaces” and, therefore, work on the strategy and protection of their trademark for virtual goods and services as well (the sooner the better).
- b) The exact wording of virtual goods and services descriptions for classification purposes is still being discussed and elaborated among the various trademark offices, but due to the first filings of trademarks for virtual goods by some well-known

brand owners trademark offices worldwide are already dealing with this matter and working on establishing a unified practice.

- c) Brand owners should also consider the possible new virtual use of their brands when adopting their license agreements.
- d) The general terms and conditions of virtual reality platforms may provide procedures to enforce rights of rights owners (e.g. notify and take down procedure). However, the trademark owners must become aware of possible infringements themselves by monitoring and policing use of their trademarks in these platforms.

Our experts will gladly help you to navigate the metaverse - NFT and multi-jurisdictional trademark, design and copyright protection strategies, license agreements and enforcement.



Dr. André Wahrenberger
a.wahrenberger@blumgrob.ch



Dr. Giedre Neverauskas
g.neverauskas@blumgrob.ch

Blum & Grob & You

ATTORNEYS AT LAW

Closer for better advice.