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What Counsel Should Know to Protect Clients in the Virtual World

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Special to the Legal

The “metaverse” in conjunction with Web 3.0 can be thought of as an immersive virtual reality world or worlds, where users can play games, socialize, conduct business, and fully experience the Internet as if they were in the real world. Rather than logging into different websites with several different usernames, a user can have a single 3D avatar for traversing the metaverse and interacting with other users, companies and other organizations.

Picture a less dystopian version of “Ready Player One,” where users from all over the world have avatars dressed in the finest apparel and drive fast cars to lavish parties in scenic virtual locations. Social media influencers don’t have to leave their homes to broadcast content from some of the most beautiful places. Digital artwork can be displayed in virtual houses or art galleries within the metaverse. Companies can advertise their products or sell virtual versions, such as virtual clothing, virtual shoes, virtual jewelry and virtual accessories. Esports spectators can watch tournaments from a perspective that more closely resembles attending a sporting event rather than watching people play a video game on a screen. Virtual merchandise can even be sold at these events.

Additionally, metaverse users may maintain control over the digital property they own in the metaverse through blockchain technology such as NFTs which act as certificates of authenticity for the digital property. For example, users may own cars, homes, land, clothes, pets, game assets, and more in the metaverse. Unlike traditional gaming environments where in-game assets can only be transacted within each environment and with the game developer’s permission, users can have full control over their metaverse property. They can



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sell their metaverse property on third-party platforms and use their property within different games or environments. Users may also rent out their metaverse property, for example to talented gamers who can help them win various rewards or prizes.

However, this new and improved virtual reality environment creates several legal issues, including those related to intellectual property for not only gamers but also businesses such as law firms, art galleries, real estate companies and apparel companies. More specifically, trademark owners may now need to police their marks not only in the real world, but also in the metaverse.

For example, Hermès filed a complaint for trademark infringement, dilution, and unfair competition when Mason Rothschild began selling MetaBirkins NFTs, a collection of digital bags resembling Hermès’ real-world Birkin® bags. The court in this case will need to decide whether virtual world knock offs infringe Hermès’ trademark when Rothschild has not made or sold any real-world bags. To address this issue, some companies in the fashion industry, such as Nike, have begun to register trademarks for virtual objects that resemble their real-world counterparts.

“Trademark owners may now need to police their marks not only in the real world, but also in the metaverse.”

In a similar vein, patented products or devices may be represented digitally in the virtual world. These digital representations may have similar structure and function as their real-world counterparts. For example, some parts of the metaverse may include a physics engine so that these virtual locations are constrained by the laws of physics in the real world. The virtual products in these virtual locations may have similar components to their real-world counterparts to function properly without violating any of the laws of physics. Additionally, as VR sensors improve, products in the metaverse may even feel like the real-world version. Users may be able to feel the weight, firmness, texture and more of a virtual object.

Patent holders may have a difficult time asserting that a virtual object infringes a patent for a real-world product, particularly when the inventors did not envision a virtual analog. Patent practitioners may want to consider adding language to patent specifications to account for virtual versions of products. By doing so, it may be easier to argue later on that the patent claims not only cover the real-world version of the claimed features but also the version in the metaverse.

Content owners may also have issues protecting their copyrighted content in the metaverse. For example, users have

minted and sold NFTs representing digital content without the content creator’s permission. Even if the content creator is the first to sell the NFT for their content, other users may use pirated copies of the content within the metaverse. Companies will need to establish a standard where users can only utilize property/assets within the metaverse environment when they can prove ownership of the corresponding NFTs.

Furthermore, there may be issues related to artificial intelligence (AI) or avatars within the metaverse creating software inventions or digital content. Recently, a court in the Eastern District of Virginia held that an AI cannot be listed as an inventor on a patent. While the courts have not decided this issue with respect to copyrights, the U.S. Copyright Office has rejected an attempt to copyright a work of art by an AI. There may be situations in the metaverse where a bot or computer-controlled avatar creates an asset with minimal human intervention and the asset may be transferred to other users via an NFT. However, the users may be unaware of whether the creator avatar is controlled by a human or by software and whether they can freely make copies of the asset.

While the metaverse is still in its nascent phase, IP counsel must familiarize themselves with these issues to ensure they are prepared to guide clients through the complex scenarios the metaverse is creating. IP counsel representing companies in fashion or other consumer and lifestyle industries should consider registering trademarks for virtual objects that represent real-world items to prevent counterfeiters in the metaverse. Finally, it’s imperative that IP counsel have an understanding of the metaverse and how to interact within it to monitor the rapidly evolving virtual world and protect their clients’ intellectual property rights. •



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