

EMERGING TOPICS IN TRADEMARK PRACTICE

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Introduction

In recent years, technological advances have greatly changed the way brands present themselves. Brands are increasingly becoming aware of the commercial significance of a brand name being active in modern digital spaces. Corporations and even celebrities are looking to capitalize on their brands and growing their audiences by expanding their presence into the virtual world.

However, this raises complex legal questions at the heart of trademark law that practitioners must face ranging from the application of traditional goods or services in virtual spaces or the dangers of counterfeiting and brand dilution on intellectual property (IP) portfolios.

We highlight certain issues that practitioners may have to familiarize themselves with.

1. THE METAVERSE

The Metaverse is a virtual space which allows users to live, work and play in alternative virtual worlds. It is a digital space that combines virtual reality, augmented reality (AR), digital art and commerce, online gaming, cryptocurrencies and decentralized technologies into a shared community. In its ultimate conceptualization, the metaverse will allow participants to buy and sell virtual and physical goods and services, collect assets that are authenticated by NFTs, transact in digital currency, and jump between various platforms and bring their virtual assets with them — all in real time. The concept essentially promises to alter the way users interact with the internet, with each other, and most certainly, with brands.

Following the launch of the metaverse initiative in 2021 and Facebook's corporate rebranding, around 50,000 new online domain names containing the term "meta" were acquired. Brands such as Nike were quick to file intent-to-use trademark applications for many of their famous trademarks for use on various virtual goods and services.¹ Converse also filed several trademark applications for "downloadable virtual goods" in a variety of international classes.

Implications

Increasing brand engagement in the metaverse means that trademark lawyers have to quickly begin contending with complex questions relating to the similarity or otherwise of real-world goods and services *vis-à-vis* their virtual equivalents. For instance, brands owners will likely be posing queries relating to whether a trademark registration covering traditional goods can be equally extrapolated to virtual goods.

A recent instance of the potential challenges this may raise became apparent in January 2022 when French luxury fashion brand, Hermès sued a NFT creator Mason Rothschild, who marketed a line of digital assets called "Metabirkins," digital duplications of the Birkin bag created by Hermès. While Rothschild has not made actual tangible Birkin-type bags, because of the origin and fame associated with the Birkin bag, Hermès has alleged infringement of their trademark rights.

Brand protection considerations

Brand protection strategies are also of utmost importance. While a number of brands have already begun to file for virtual goods and services, covering a wide range of classes, it may be beneficial to keep in mind that such broad filings may leave one's registration vulnerable to challenges of non-use. Further, it is also important to keep in mind that while the metaverse will traverse different borders, trademark rights are still national/regional. As such, proprietors must carefully decide which jurisdictions to file their marks bearing in mind the challenges relating to IPR enforcement in different jurisdiction.

Further, as the metaverse and other marketplaces continue to grow into ever expansive spaces, brand protection strategies will need to evolve. Brands will need to strike a balance between strict enforcement protocols which, at times, pose the risk of deterring customer engagement and lenient oversight approaches which may be in conformance with the community ethos of decentralization but pose the danger of brand dilution.

Further, lawyers who represent brand owners need to advise their clients on the potential opportunities and risks associated with licensed use of their IP on these virtual spaces. For instance, an IP practitioner should advise a client on the selection of an appropriate platform in terms of alignment with relevant IP protections. Further, lawyers should also advise IP owners on the benefits of licensing arrangements that allows the IPR holder as the licensor to control how royalty payments will be administered, e.g., accounting for the potential for royalties upon the resale of the work.

Liability

The question of liability in infringement suits is also one that is bound to come up in these virtual spaces. For instance, with the use of avatars and other digital personas, the metaverse will allow for a greater degree of anonymity, or more rightly pseudonymity. This raises the question of who should be held liable when the identity of the infringer is unclear.

This will also likely raise questions around the contributory liability for platform service providers. These virtual platforms and marketplaces are likely to be the subject of increased calls for content moderation. Platform service providers must ensure that they seek legal assistance in order to come up with appropriate terms of use that include adequate non-infringement and limitation of liability clauses.

2. NON-FUNGIBLE TOKENS

IPR Disputes

As businesses and investors seek new ways to monetize digital content, we anticipate that Non-Fungible Tokens (**NFTs**) will raise a number of IP disputes on different issues even beyond trademark law. For instance, one of the causes for confusion with respect to NFTs is the understanding of an NFT transaction.

In its most elementary definition, an NFT is a unique digital token which cannot be interchanged due to the unique address/digital record associated with it. The most common type of NFT is a metadata file containing information encoded with a digital version of the work that is being tokenized. In a typical NFT transaction, the

artwork connected to NFTs i.e., the animations, video clips or other mixed-media representations, is not what buyers purchase. Instead, they acquire an unalterable digital record of the transaction on the blockchain, proving their ownership of the represented work.

As such, NFT transactions often create confusion among buyers, who may assume that they are acquiring copyright to the represented work as opposed to the metadata associated with the work.

This misunderstanding proved a costly mistake for Spice DAO, a group controlled by NFT holders who raised funds to buy a copy of the story bible for director Alejandro Jodorowsky's never-made adaptation of the novel 'Dune'. After winning a November 2021 auction, the group voted on a direction for the project and proposed to produce an original animated limited series inspired by the book and sell it to a streaming service. The group was widely criticized for thinking that buying an NFT of a commemorative copy of a script gave them film adaptation rights.

3. ARTIFICIAL INTELLIGENCE

The use of AI systems in the modern marketplaces continues to grow. In a 2021 survey conducted by McKinsey found, 79% of respondents stated that integrating AI into marketing and sales has increased business revenue. A previous study conducted by the European Union found that at least four in ten (42%) of enterprises in Europe have adopted at least one (1) AI technology.

The increasing use of artificial intelligence (**AI**) in global commerce poses a number of conceptual and practical questions on the future of trademark law.

Impact on the concept of the average consumer

AI, by virtue of its role in minimizing or eliminating the role of the human being in the product purchasing process, alters certain fundamental concepts and principles of trademark law. For instance, in trademark law, there is often reference to the concept of 'the average consumer'.

The average/ordinary consumer is a concept used as the standard/benchmark in determining whether a mark is likely to cause a likelihood of confusion with another mark. In such a determination, human notions such as imperfect recollection, brand perception, phonetic, conceptual and visual similarity come into play. However, where an AI/machine learning based applications are introduced in the purchasing process, this has the potential to alter the consumer model since AI applications do not necessarily take these considerations into account. For instance, most large e-commerce platforms employ some form of AI based algorithm that assists users in recommending products based on various considerations such as purchasing history, browsing history etc. In such instances, AI applications can control brand information that is available to a consumer.

As such, by controlling the kind of brand information that a consumer is exposed to, AI applications essentially act as gatekeepers between the consumer and the market thereby reformulating the concept of the average consumer in such an environment.

Liability

There is also the question of liability. The relevant question in this respect is how to apportion legal responsibility when an AI application makes biased suggestions or perhaps even suggests anticounterfeit products. In the European Union, the European Court of Justice has previously held that Google was not liable for trade mark infringement where its automated Adword suggestion service makes available to advertisers, keywords reproducing or imitating registered trademarks, without consent of the trademark proprietors. With the increase of AI in the retail environment, it is likely that similar disputes will arise in the near future.
