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Protecting Your Intellectual Property in the Metaverse and on NFTs

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The metaverse and non-fungible tokens (NFTs) are common buzzwords as of late. Many brands such as Nike®, Victoria Secret®, TaylorMade®, and others are rushing to stake their claims on “goods” in the metaverse, as well as NFTs. Why are they doing so, and why is it important to protect your intellectual property as it pertains to the metaverse and NFTs?

Let’s start with a quick explanation on the metaverse and NFTs. The metaverse commonly refers to an immersive digital world where users can interact with different spaces, people, and things using digital avatars. There is no one commonly accepted space that is considered the metaverse and there are companies trying to establish their own spaces on platforms such as Roblox®. However, with such a digital world, there are various digital goods to be sold. Imagine buying some sneakers, or clothes for your avatar on the metaverse. Imagine purchasing a car for that avatar. These items, while not physical goods, can represent the same goods that are found in normal marketplaces. Thus, companies like Nike® are trying to protect their intellectual property as it pertains to digital goods (and services) to be sold in the metaverse.

NFTs may refer to those same digital goods, or specific pieces. However, NFTs are data that are stored on a blockchain (a digital ledger such as Ethereum®) to authenticate and keep track of that digital property. NFTs are “non-fungible” meaning that they are unique and cannot be replaced by something else. Thus, an NFT can refer to a one of one digital art piece, or they can be linked to a physical product in order to help prove the authenticity or ownership of that product.

Many businesses have existing trademark registrations for their goods and services, so why are trademarks specific to the metaverse and NFTs important? The United States Patent and Trademark Office (as well as other trademark offices around the world) place goods and services into certain international “classes” under which the trademarks are classified. For example, footwear and clothing are in class 25, jewelry is in class 14, retail store services are in class 35. Most of these goods and services in “traditional” classes do not cover digital goods and services in the metaverse or NFTs (which the USPTO classifies in classes 9 and 41, amongst others). As a result, it is important that businesses consider filing for relevant trademark applications for their goods/services in the appropriate classes.

It can be argued that existing trademark registrations for physical goods may cover these digital goods in the metaverse, but there are currently no laws or case law that govern such. There are some newly filed cases, like the lawsuit that Hermes filed against the Mason Rothschild for creating, selling, and using

“MetaBirkin” (in which Hermes alleges infringement of its trademark rights to its Birkin® bag), but these cases have not yet been heard by courts. Thus, if your company is thinking of expanding into the metaverse or NFTs, it would be worthwhile to consider filing for relevant trademarks in order to shore up protection.

As for intellectual property surrounding NFTs, think of them as art pieces—you may own the copy, but unless there is a separate agreement, you do not own the underlying intellectual property. Many of the current NFTs for sale—such as images of apes, images of people, avatars, etc.—are considered art. Unless there is a separate agreement, NFTs do not grant any ownership over the intellectual property rights of the author, and just because one owns an NFT does not mean that they are free to make derivatives or duplicates. Thus, NFT creators should consider filing copyright applications (and perhaps trademarks) for their artwork, and consider creating specific agreements to cover their intellectual property rights during and after a sale. Conversely, NFT purchasers should consider reviewing their rights upon or prior to their purchase to accurately determine what they are actually obtaining.

The metaverse and NFTs represent a new expansion in intellectual property, and if your company is considering entering into that arena, it should consider protecting its intellectual property as it pertains to this new landscape.

About the author: Philip Nulud is a seasoned intellectual property attorney at Buchalter. He represents many fashion brands, retailers, artists, influencers, and consumer goods companies. He has guided them through the process of their brand expansion, growth, licensing, and protection not only for physical goods, but also for digital ones.



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