Counsel eye TM harmonisation for metaverse and NFTs

Rani Mehta April 21, 2023

Counsel analyse the issues addressed in INTA's metaverse and NFT white papers and consider best practices

Counsel say INTA was right to highlight the classification of goods and services, harmonisation concerns, brand licensing, and other key issues in reports on non-fungible tokens and the metaverse.

The trademark organisation published two white papers on April 14, an 83-page look at the metaverse, and a 60-page document concerning NFTs. In both reports, the association outlined key trademark uncertainties associated with these emerging technologies.

Frank Duffin, partner at Wiggin and Dana in Connecticut, says the white papers are helpful, noting that INTA has done its best to consider all the issues.

“Anyone who practices in this area or who wants to know about it can get some good education by reading them,” he says.

Counsel say the issues highlighted, such as the difficulty of classifying virtual goods and the lack of consensus among intellectual property offices on reviewing applications, are worth noting because they could make trademark registration more challenging.

But putting changes into practice may be easier said than done, they note.

Class conundrum

In its metaverse white paper, the association noted that virtual goods were often filed in class 9, which covers software. However, INTA questioned whether this was the right approach given the class is somewhat overcrowded.

The authors, which included members of more than 13 INTA committees, suggested potential solutions, including creating a new virtual goods option in the Nice Classification system, or allowing applicants to file for such goods in the same class as physical goods.

For now, counsel say they advise their clients to file in class 9.

Christian Tenkhoff, partner at Taylor Wessing in Munich, says it makes sense to do so under the current system.

“It would be worse and illogical to classify them with their real-life counterparts in other classes,” he suggests.

That said, sources agree with INTA that clearance could become more challenging as class 9 becomes increasingly crowded.

Michelle Cooke, partner at ArentFox Schiff in Los Angeles, says it will be interesting to see whether the USPTO will start to require more information about what the software described does as parties start file in this class more frequently.

She notes that this has already happened to some extent. Applicants used to be able to list software as a good, but now they must give more information about the software and how it works.

“That allows the office to bisect things much more finely, and it will be interesting if they try to do the same with NFTs as the space gets increasingly crowded,” Cooke says.

More significant changes could take a while to come through if they happen, says Elizabeth Cohen, partner at ArentFox Schiff in New York.

She points out that much of the technology underpinning NFTs and the metaverse is new and trademark offices don't yet know where it's going to go.

"According to the news, some days NFTs are dead, and some days they've been resurrected, so I don't think they're willing to make final distinctions until we get some years under our belt to see what happens," she says.

This issue may be more important to some applicants than others, however.

Classification may not be as big of a deal for US applicants as it is for those filing in other countries, says Mark Sommers, partner at Finnegan at Washington DC.

He notes that the USPTO looks at the nature of products irrespective of where they fall within the Nice system when determining likelihood of confusion, whereas many IP offices do not.

Global gripes

Understanding classes is crucial, however, for those filing via WIPO's Madrid System.

Duffin at Wiggin and Dana points out that applicants using this pathway cannot amend classes, which makes it important to get it right the first time.

"To the extent that there can be some sort of uniformity in practice for Madrid filings, that really helps applicants," he says.

He says it may be difficult to get trademark offices to reach a consensus, however.

"It's very important that there be some sort of harmonisation, but each national office wants its own way. Part of the issue is going to be getting the offices to sit down and agree which goods go in which classes," he says.

There have been some efforts to provide predictability to applicants.

INTA pointed out, for example, that the 12th edition of the Nice Classification, which took effect in January 2023, included "downloadable digital files authenticated by non-fungible tokens" in class 9.

But the authors said more work needs to be done.

The report recommended that countries consider a harmonised approach for classifying NFTs and that there is a need to harmonise classification of trademarks for metaverse activity and digital assets.

Tenkhoff at Taylor Wessing says a uniform approach is important because legal practitioners and clients seek clarity.

“They have an interest in building up their international protection across jurisdictions in an orderly fashion,” he says.

He notes that it will take time for the cases to reach the courts before actual legal certainty can be obtained – and even then views may differ between courts.

“In the meantime, getting people active in the field together to exchange views and establish preliminary best practices is important,” he says.

Brand licensing

It was also good that INTA focused on the issue of trademark licences, say sources.

The paper noted brand owners and their licensees would have to address questions raised by the metaverse related to trademark licences.

Duffin at Wiggin and Dana says it will be important for licensors and licensees to consider whether they need to make changes to their forms, especially when it comes to territories.

These parties might want to specify whether agreements are intended to cover virtual services in addition to ones in physical locations, he suggests.

“Then there’s no question. Everything’s great when things are good, but if there’s ever a dispute, you could have ambiguity over which territory is really intended by the licence,” he notes.

It’s also important to consider what happens when an agreement is terminated in the virtual world, says one source.

Cohen at ArentFox Schiff says, for example, that if an avatar can buy a brand-licensed product, it’s unclear what would happen to the virtual item when a licence expires.

INTA has clearly raised a lot of thorny and relevant questions about some of the latest emerging tech.

It’s still unclear how IP offices, courts, and practitioners will resolve these issues, but those who want more guidance at least now have a lot more reading material to digest.

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