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**Enforceability of Trade Mark Rights in Metaverse:  
Where Virtual Worlds Meet Legal Realities**

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## ABSTRACT

While Metaverse is a virtual world, trade mark law is a reality. Consequently, Metaverse cannot undermine trade mark law, which is being given the opportunity to demonstrate its plasticity once again. There is therefore no need to create any false suspense: trade mark law is enforceable in the virtual world. However, the modalities of this enforceability are uncertain, and thus merit in-depth study. The central question, currently the focus of much heated debate, is whether right owners need to register a new Metaverse-specific trade mark. In our view, such a registration is not only unnecessary, but also dangerous. It is pointless because the courts have already confirmed that protection for real products and services extends to equivalent virtual products and services. Consequently, the infringement action loses none of its effectiveness in Metaverse. Malicious users believing they are living a daydream in Metaverse could be in for a rude awakening. Finally, if re-registering a specific trade mark in Metaverse is not only useless but also dangerous, this is because one can easily lose one's right to prohibit in the virtual world. Ultimately, re-registering a new trade mark specific to a virtual world entails a major risk. A risk which will prove to be very real.

Keywords: trade mark, Metaverse, Web 3.0, trade mark registration, virtual goods and services, infringement action, NFT.

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## INTRODUCTION

1. **The long-standing relationship between trade mark law & Metaverse.** “An entirely new world is emerging as a hotbed for brand promotion as well as possible trade mark infringement – the world of virtual reality.”<sup>1</sup> Unexpectedly, such a comment - highlighting the risks of trade mark infringement in the persistent virtual world that is Metaverse - is by no means recent. This statement was formulated in the World Intellectual Property Organization (WIPO) magazine back in 2007. Thus, the apparent antagonism between the virtuality of Metavers and the "purely material origin of trade marks",<sup>2</sup> consisting in the affixing of signs to products to inform purchasers of their commercial source, was brought to light long before Metavers entered the dictionary in 2023.<sup>3</sup> Hence, questioning trade mark enforceability in Metaverse, as we know it today, requires delving back into Metaverse's “first life”: *Second Life*.

2. **Trade mark law in *Second Life*.** *Second Life* is a metaverse created in 2003, enabling users to embody an avatar in a virtual world and interact with other users. The commercial potential of this new world promptly came to be recognized and exploited by trade mark owners.<sup>4</sup> In 2006, the owner of the mark AMERICAN APPAREL opened the first virtual store in *Second Life*.<sup>5</sup> The concept of the store was as follows: for every purchase of a virtual t-shirt in *Second Life*, customers were offered a 15% discount on the same "real" t-shirt sold on the website. In view of the rapid growth in the number of trade marks exploited in this virtual universe - and the emergence of the first trade mark infringements -, the establishment of a trade mark office dedicated to *Second Life* - the *Second Life Trade mark Office (SLTO)* - was considered and even experimented with.<sup>6</sup> In addition, the rise of the CopyBot program, enabling any *Second Life* user to create an identical copy of a virtual good, led to the appearance of the first trade mark disputes. For instance, in 2007, an American judge for the first time awarded damages against a counterfeiter for acts committed in *Second Life*.<sup>7</sup> In this case, an ill-

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<sup>1</sup> « IP and Business: *Second Life* - Brand Promotion and Unauthorized Trademark Use in Virtual Worlds », In *WIPO Magazine*, n°6, December 2007, p. 11.

<sup>2</sup> BEAUMONT (J.), « La protection des marques dans le metavers », In *Revue Lamy Droit de l'Immatériel*, n°191, 1<sup>st</sup> April 2022.

<sup>3</sup> MOINARD (G.), « Top 10 des nouveaux mots du Petit Robert (édition 2024) », In *Le Robert dico en ligne*, May 2023.

<sup>4</sup> LAVERDET (C.), « La contrefaçon dans les mondes virtuels », In *Expertises*, January 2014.

<sup>5</sup> HOLDEN (R.), « American Apparel finds the right fit in *Second Life* », In *TheStreet*, 27 October 2006.

<sup>6</sup> VERN (M.), « *Second Life* – A new Dimension for Trademark Infringement », In *Journal of the Patent and Trademark Office Society*, 1<sup>st</sup> March 2008.

<sup>7</sup> US District Court for the Eastern District of New York, *Eros, LLC & al. v. Simon*, 24 October 2007, n° 1:2007cv04447.

intentioned user sold several hundred copies of the "Eros SexGen Bed", a virtual bed enabling erotic interactions between avatars. The American judge ordered the user to pay \$525 to the owner of the SEXGEN trade mark. While the penalty may be derisory, it does clearly demonstrate the enforceability of trade mark rights in the Second Life metaverse.

The transposability of this solution to Metaverse, as we know it today, proves far from obvious. Indeed, Metaverse, as we understand it today, differs significantly from Second Life on a technological level (**Section I**). The legal apprehension of Metavers through the prism of trade mark law therefore merits further analysis (**Section II**).

## **Section I: Metaverse**

3. **No definition of Metaverse in the legal sphere.** Although the word "Metavers" has been floating around ever since Mark Zuckerberg announced, on October 28, 2021, that Facebook would be renamed Meta, the word remains foreign to French and European Union law. As a result, there is logically no definition of Metaverse in French and European law. This is not to say that the law is entirely silent on Metaverse. Indeed, the EU's soft law is taking great care to understand this new technological reality. In a report dated June 29, 2022, the analysis and research team of the Council of the European Union defines Metaverse as “an immersive and constant virtual 3D world where people interact through an avatar to enjoy entertainment, make purchases and carry out transactions with crypto-assets, or work without leaving their seat.”<sup>8</sup> While this definition seems particularly relevant in that it incorporates the key elements of Metaverse, one can only regret the European Union's timidity in disseminating it. Indeed, the report containing this first definition of Metavers in EU soft law was published in English only, so its reach is severely limited. Above all, this definition of Metaverse is devoid of any regulatory significance, since it was only laid down in a soft law document. It is therefore preferable to turn to the technological sphere to better understand the technological revolution of Metaverse.

4. **No consensual definition of Metaverse in the technological sphere.** While the concept of Metaverse, as understood today, is eminently recent, the word "Metaverse" has been around since the last century. In fact, the word "Metaverse" first appeared in 1992 in Neal

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<sup>8</sup> Analysis and Research Team (ART) of the Council of the European Union, « Metaverse – virtual world, real challenges », 29 June 2022.

Stephenson's science-fiction novel *Snow Crash*.<sup>9</sup> This word derives from the contraction of the Greek "meta" (which translates as "beyond") and the English "universe". Etymologically, Metaverse is therefore a universe extending beyond what we know. Conceptually, N. Stephenson imagines a virtual world in which the user is embodied by an avatar. Created as a literary concept, Metaverse gradually spread into pop culture, as demonstrated by the undeniable audiovisual successes of the *Matrix* films by the Wachowski sisters (1999-2003) and Steven Spielberg's *Ready Player One* (2018). Imagination was not long in turning into reality. The first persistent virtual worlds emerged at the dawn of the 21st century, as evidenced by the appearance of Second Life in 2003. However, these early metaverses experiments were limited by technological obstacles, and were thus incomplete. It was not until the emergence of Web3<sup>10</sup> that the idea of Metavers rose from the ashes under the impetus of Meta. Given this, Meta's definition of Metavers provides a good starting point for understanding the reality behind the term. A Metaverse would be "a set of virtual spaces where you can create and explore with other people who aren't in the same physical space as you".<sup>11</sup> Two points need to be emphasized. Firstly, this definition appears particularly vague, so that it is neither legally nor technologically satisfactory. Secondly, Meta's definition diverges significantly from the definition formulated by the Council of the European Union. Given this divergence, one might be tempted to define Metaverse by analogy with what is familiar - the virtual world. In this way, Metaverse would be a virtual copy of the physical world. While this analogy may sound appealing, the European Data Protection Supervisor (EDPS) points out that it fails to grasp Metaverse in all its complexity.<sup>12</sup> Indeed, Metaverse is intended to constitute an "augmented" physical world, in that it is designed to contain elements unknown to the real world. In light of the above, defining Metaverse represents a particularly complex operation. The reason for this difficulty lies in the fact that "Metaverse" is a generic notion covering multiple realities.

**5. Explanation of the absence of a consensual definition of Metaverse: a generic concept encompassing multiple realities.** The word "Metaverse" constitutes a polysemous notion. It refers to two incomparable realities: a technology on the one hand, and an

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<sup>9</sup> STEPHENSON (N.), *Snow Crash*, 1992.

<sup>10</sup> Web 3.0 is intended to be the heir to Web 2.0 - the current version of the Internet that has seen the rise of e-commerce and social media - which in turn is the heir to Web 1.0, consisting solely of Web pages connected by hyperlinks. It should be noted, however, that the notion of Web 3.0 is still being debated, and no consensual definition has yet been formulated.

<sup>11</sup> META, « Building the Metaverse Responsibly », available at: <https://about.fb.com/news/2021/09/building-the-metaverse-responsibly/>.

<sup>12</sup> EUROPEAN DATA PROTECTION SUPERVISOR, « Metaverse », available at: [https://edps.europa.eu/press-publications/publications/techsonar/metaverse\\_fr](https://edps.europa.eu/press-publications/publications/techsonar/metaverse_fr)

implementation of that technology on the other. In other words, while there is only one Metaverse technology, a plethora of metaverses exist (Decentraland, The Sandbox, Roblox, etc.). To differentiate between these two realities, it has become common practice to use a capital "M" to refer to the technology, and a lower-case "m" to refer to the implementation of the technology.<sup>13</sup> For instance, Meta is utilizing Metaverse technology to forge the Horizon Worlds metaverse. Making this distinction does not resolve the difficulty of defining Metavers. Indeed, metaverses themselves break down into different subsets: there is a *summa divisio* between centralized and decentralized metaverses. In a centralized metaverse, a centralizing entity ensures the correct functioning of the network (as is the case with Horizon - Meta's metaverse). In contrast, decentralized metaverses are devoid of a centralizing third party. Governance is provided by the community of users via a blockchain. Added to this distinction are the differences in the business strategies of metaverse companies. In this context, the European Data Protection Supervisor rightly notes that “there is no unified view about how exactly the metaverse platforms look like and how they will continue to grow. Major companies are already developing their own versions and each of them is adapting the idea of metaverse to their strengths.”<sup>14</sup> Above all, in addition to being different from one another *ab initio*, metaverses are not yet stabilized. Meta notes that, “at this early stage, the metaverse can develop in many ways, depending on research, innovation, investment, and policy.”<sup>15</sup>

6. **Criteria common to all metaverses.** This difficulty in defining Metaverse can be overcome by identifying criteria common to all metaverses. Indeed, as noted by an author, “despite their plurality, metaverses exhibit common functionalities and characteristics against which they can be defined.”<sup>16</sup> In this respect, the new forms of metaverses currently share three common criteria - persistence, synchronicity and immersion - to which a fourth and final criterion is destined to be added in the future: interoperability.<sup>17</sup> These four criteria prove particularly relevant in that they enable to distinguish between Web2 metaverses - such as Second Life - and Web3 metaverses, which are the focus of this study. These two generations of metaverses share persistence and synchronicity, since these virtual worlds persist after users log off, and users can connect to and evolve simultaneously in these worlds. However, only

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<sup>13</sup> For the sake of clarity, this paper adopts this distinction between Metaverse and metaverse.

<sup>14</sup> EUROPEAN DATA PROTECTION SUPERVISOR, « Metaverse », *op. cit.*

<sup>15</sup> META, « Building the Metaverse Responsibly », available at: <https://about.fb.com/news/2021/09/building-the-metaverse-responsibly/>.

<sup>16</sup> ELKAIM (J.), SAND (C.), SABER (S.), « Métavers : réflexions prospectives », In *La Semaine Juridique Entreprise et Affaires*, n° 11, 17 March 2022, 1105.

<sup>17</sup> FAUCHOUX (V.), « L'économie des Métavers », In *Revue Lamy Droit de l'Immatériel*, n°191, 1<sup>st</sup> April 2022.

Web 3.0 metaverses provide immersive experiences. In other words, entry into these new virtual worlds is by immersion through virtual reality (VR). Immersion is the key criterion that distinguishes Second Life from Metaverse as we understand it today. In addition to the three existing criteria of persistence, synchronicity and immersion, a final prospective criterion must be added: interoperability. As they stand, metaverses are compartmentalized worlds. Such compartmentalization ought not to persist, since it limits the virtualities of Metaverse, which is destined, in the long term, to constitute a single virtual world. In this respect, interoperability may only be at the project stage today, but it needs to be anticipated. Indeed, the consequences in terms of the exercise of trade mark rights could be considerable.

7. **Technologies associated with Metavers: Blockchain and NFT.** Technologically speaking, the particularity of Metavers lies in its combination of digital technologies. As such, Metaverse functions as an ecosystem, organizing the cohabitation of a plurality of technological species. Two of these species merit particular attention in the context of a study of trade mark enforceability in Metaverse: blockchain and non-fungible tokens (NFT). While there are metaverses without a blockchain, the overwhelming majority of virtual worlds are built on a blockchain. According to the CNIL (the French independent data authority), blockchain is “a technology for storing and transmitting information that is transparent, secure and operates without a central control body.”<sup>18</sup> Blockchain is the technological component that has turned the idea of a cryptocurrency into reality. Cryptocurrencies are defined by European Union law as “a digital representation of value that is not issued or guaranteed by a central bank or a public authority, is not necessarily attached to a legally established currency and does not possess a legal status of currency or money, but is accepted by natural or legal persons as a means of exchange and which can be transferred, stored and traded electronically.”<sup>19</sup> Blockchain therefore empowers metaverses with a real economy. All the more so as Blockchain also enables the creation and transfer of non-fungible tokens (NFT) within a metaverse. According to the Cambridge Dictionnaire, a non-fungible token (NFT) is “a unique unit of data (= the only one existing of its type) that links to a particular piece of digital art, music, video, etc. and that can

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<sup>18</sup> CNIL, « Blockchain », available at:

<https://www.cnil.fr/fr/definition/blockchain#:~:text=La%20blockchain%20est%20une%20technologie,sans%20organe%20central%20de%20contrôle>.

<sup>19</sup> Article 3 of the Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.



be bought and sold.”<sup>20</sup> It is clear from the above that Metavers generate its own economy. Hence, "metaverses represent commercial and advertising opportunities for companies in many sectors, enabling them to diversify their offering and reach a new audience.”<sup>21</sup>

8. **The commercial potential of Metavers for trade mark owners.** If the business potential of Metaverse is so enormous, this is because the virtualities of Metaverse are potentially limitless. In fact, theoretically, anything performed today in the physical world could be performed tomorrow in a Metaverse. Many of the services provided in the physical world are already provided in the virtual world. For example, an AXA insurance agent has already opened on the Gather platform a virtual agency, where you can book an appointment and speak to an advisor.<sup>22</sup> Similarly, you can already work, play, shop or even take part in a fashion show<sup>23</sup> in a metaverse. Mindful that “brands that dare to enter the metaverse are not sure to win, but those that don't are sure to lose,”<sup>24</sup> trade mark owners soon made of Metaverse their new playground.

9. **The first invocations of trade mark law in Metaverse.** As a result, many trade mark owners have undertaken to exploit their sign in a virtual world. In 2022, for example, SAMSUNG opened its first virtual store, called "Samsung 837x" on *Decentraland*.<sup>25</sup> Similarly, in 2022, GUCCI inaugurated on *Roblox* a museum dedicated to its creations.<sup>26</sup> Against this backdrop, various trade mark owners have not hesitated to file new trade mark applications specifically targeting Metaverse. The IP offices have therefore recently been confronted with the issue of trade mark enforceability in Metaverse. For instance, the EUIPO has accepted the registration of NIKE,<sup>27</sup> RALPH LAUREN<sup>28</sup> and BURBERRY<sup>29</sup> EUTM intended to be used in the virtual world. Faced with the proliferation of such applications, and questions about how to apply trade mark law in Metaverse, intellectual property offices have launched a series of initiatives. On March 2, 2023, for example, the EUIPO announced its intention to host an event

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<sup>20</sup> Cambridge Dictionary, « NFT », available at: <https://dictionary.cambridge.org/dictionary/english/nft#>.

<sup>21</sup> BERENDES (P.), « Les métavers vus sous l'angle d'un avocat spécialisé en propriété intellectuelle », In *Metavers Tribune*, 14 November 2022.

<sup>22</sup> CHABRIER (B.), « Métavers : un agent général Axa ouvre son agence virtuelle », In *L'Argus de l'assurance*, 25 March 2022.

<sup>23</sup> FAGUER (A.), « Première Fashion Week dans le metaverse », In *Les Echos*, 30 March 2022.

<sup>24</sup> RICHEBOIS (V.), « Le metavers promet de révolutionner la publicité », In *Le Monde*, 10 July 2022.

<sup>25</sup> « Samsung révèle le magasin virtuel 837X dans Decentraland Metaverse avec des badges NFT et du théâtre », In *Crypto Week*, 9 January 2022.

<sup>26</sup> « Gucci étend son exposition Archetypes sur Roblox », In *Journal du Luxe*, 19 May 2021.

<sup>27</sup> EUTM NIKE no. 018586664.

<sup>28</sup> EUTM RALPH LAUREN no. 1712073.

<sup>29</sup> EUTM BURBERRY no. 018686310.

in Metaverse, to organize a campaign directly in Metaverse to raise awareness of intellectual property rights, and to hold a forum on the risks for rights owners resulting from Metaverse.<sup>30</sup> Although the trade mark offices were the first to deal with the enforceability of trade mark rights in virtual worlds, they now no longer retain a monopoly on this subject. Indeed, the first disputes have already arisen. Courts have already been called upon to rule on the matter. In the light of these initial developments, one thing is certain: “for brand owners, (...) getting ready to play in the new meta sandbox will require a legal strategy.”<sup>31</sup> All the more so as Directive 2015/2436<sup>32</sup> is silent on the application of trade mark law in virtual worlds.

## **Section II: Trade mark law in Metaverse**

10. **The double loophole in Article 3 of Directive 2015/2436.** Article 3 of Directive 2015/2436 provides the textual basis for trade mark rights in European Union law. Thus, “a trade mark may consist of any signs (...) provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.” Two shortcomings are apparent when reading this article from the point of view of the present study of the trade mark enforceability in Metaverse. On the one hand, the absence of any distinction between the right (the right to prevent competing use) and the object of the right (the sign)<sup>33</sup> results in a heavy silence as to the trade mark enforceability. On the other hand, no reference is made to the world in which the trade mark is intended to be used. While this lack of mention of the virtual world is perfectly logical, given that Metaverse is still in its infancy, it raises questions about the enforceability of trade mark rights in Metaverse.

11. **The silence of Article 3 of Directive 2015/2436 regarding trade mark enforceability.** It has to be said that Article 3 of Directive 2015/2436 remains surprisingly silent on the right of the trade mark owner. This is despite the fact that the exclusive right on the sign is the *raison d’être* of trade mark legislation. Accordingly, a trade mark should be defined as “a distinctive sign whose use is reserved by law to a person for the designation in commerce of the goods or services referred to in the registration.”<sup>34</sup> Such a definition, centered on the owner's exclusive

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<sup>30</sup> EUIPO Press Release, « Des nouvelles sur le métavers », 2 March 2023.

<sup>31</sup> PARK (K.), « Trademarks in the metaverse », In *WIPO Magazine*, March 2022.

<sup>32</sup> Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks.

<sup>33</sup> For the purposes of this study, I take up the legislator's confusion between trade mark rights and trademarks as distinctive signs. Indeed, this confusion, which is commonly endorsed in the literature, proves to be convenient.

<sup>34</sup> PASSA (J.), *Traité de droit de la propriété industrielle*, tome 1, 2 ed, LGDJ, 2012, p. 46.

rights, has the virtue of highlighting the enforceability of trade mark rights. Enforceability, which could be defined as "the ability of a right (...) to make its effects felt with regard to third parties (...) by forcing them to recognize the existence of so-called enforceable rights, to respect them as elements of the legal order and to suffer their effects, subject to their opposition when the law gives them the right to do so."<sup>35</sup>

12. **Silence of Article 3 of Directive 2015/2436 regarding the applicability of trade mark law in the virtual world.** Admittedly, Article 3 remains silent on the enforceability of trade mark rights. But it remains even more silent on the enforceability of trade mark rights in the virtual world. Indeed, the European legislator confines himself to referring to a sign "capable of distinguishing the goods or services," without specifying whether the goods and services in question belong to the real world or the virtual world.<sup>36</sup> The recitals are of little help, since recital 31 merely states that trade marks fulfil their function "only when they are actually used on the market." This is without indicating whether the notion of "market" invoked in this case refers solely to the real market, or whether it also covers the virtual market. The question then arises as to whether the real and virtual markets form a single market, or rather two distinct markets.

Given this textual silence on trade mark enforceability in Metaverse, and the fact that trade mark law, which predates the emergence of metaverses, was not designed to be applied in virtual worlds, the question of the ability of the existing law to tackle the challenges presented by Metaverse is worth raising. "Should the law adapt to the metaverse or should the metaverse adapt to the law?"<sup>37</sup>

13. **Trade mark law inapplicable in Metaverse?** Some believe that "the rules for Metaverse should be laid down right now," to remedy what would be today a "legal vacuum."<sup>38</sup> Rather, I would argue that the plasticity of trade mark law enables it to deal fully and effectively with Metaverse. All the more so as Metaverse in no way challenges the notion of trade mark or its functions. In fact, Metaverse is simply a new way of exploiting trade marks. As a result,

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<sup>35</sup> CORNU (G.), *Vocabulaire juridique*, PUF, 12 ed., Paris, 2018, p. 1581.

<sup>36</sup> GUETIN (A.), « Le droit des marques à l'épreuve du Metavers et des NFT : faut-il se protéger et comment le faire », In *Propriété industrielle*, n°4, April 2023, 1.

<sup>37</sup> RAMOS (A.), "The metaverse, NFTs and IP rights: to regulate or not to regulate?", In *WIPO Magazine*, 2/2022, June 2022.

<sup>38</sup> DAHAN (V.), « Les métavers et la propriété intellectuelle : quelle protection pour les titulaires de marques ? », In *Editions Multimédia*, n°276, April 2022.

"existing legislation makes it possible to resolve disputes specific to trade marks in this new virtual Eldorado."<sup>39</sup> Thus, "though metaverses and NFTs are not subject to any specific regulations and appear to be the new legal Wild West, pre-existing regulations remain transposable and applicable."<sup>40</sup> It is in this sense that the statement made by the European Parliament that "the metaverse is subject to relevant legislative framework, such as the privacy and data protection framework, digital legislation and the competition framework"<sup>41</sup> should be interpreted. Although this statement concerns competition policy and does not expressly refer to trade mark law, it nevertheless seemingly applies to trade mark law. Indeed, the use of the locution "such as" indicates that the list provided is not exhaustive. It may therefore be argued that this statement also applies to trade mark law.

14. **Resilience of trade mark law.** Claiming that trade mark law is incapable, as it stands, of dealing with Metaverse would be to ignore the capacity for adaptation that trade mark law has consistently demonstrated. Indeed, trade mark law has succeeded in adapting to disruptive technological innovations, notably by increasing the number of products and services that can be protected.<sup>42</sup> The Internet constitutes undoubtedly the most symbolic illustration of trade mark law's resilience. Indeed, the emergence of the Internet has not defeated trade mark law. In this context, just as it was wrong to assert in the past that the Internet was a law-free zone, it cannot be asserted today that Metaverse is defeating trade mark law. While trade mark law's responses to Metaverse will differ from its responses to the Internet, the fact remains that it will succeed in formulating such responses. Trade mark law is therefore enforceable in Metaverse.

15. **Question.** This raises the question of how the exclusive trade mark right designed for the real world can be enforced in the virtual world: **what trade mark enforceability in an illusory world where signs are used to designate fictitious products and services?**

16. **Outline.** Although Metaverse is a virtual world, the trade mark owner's right to prohibit a concurrent use of the use in Metaverse is real. Thus, the virtuality of the world does not diminish the effectiveness of the right. This is not to say that this virtuality is without consequences for the right. Indeed, it is not without raising difficulties as to the existence (**Part**

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<sup>39</sup> NAUMANN (S.), « Protéger sa marque à l'heure des NFT et du metaverse », In *La Tribune*, 10 May 2022.

<sup>40</sup> GRIGUER ABBOU (M.), « Les nouveaux défis juridiques du Web 3 pour les marques », In BRIONES (E.), *Luxe & Digital. Les nouveaux territoires du luxe*, Paris, Dunod, 2022, p. 207.

<sup>41</sup> European Parliament resolution of 5 May 2022 on competition policy — annual report 2021 (2021/2185(INI)).

<sup>42</sup> BEAUMONT (J.), *op. cit.*

I) and exercise (**Part II**) of the right to prohibit. Both the claim to and respect for trade mark rights in Metavers therefore merit particular attention.

## **PART ONE: THE EXISTENCE OF THE RIGHT TO PROHIBIT IN METAVERSE**

17. **Birth and death of the right to forbid in Metaverse.** To oppose is to force “the recognition of the existence of a right.”<sup>43</sup> Consequently, the existence of the right invoked appears to be the first condition of opposability. The right to prohibit the use of a sign in Metaverse is no exception to this principle. A paradox must then be noted: while Metaverse may be considered devoid of existence due to its virtuality, the right to prohibit in this parallel world must exist in order to be opposed. Such antagonism is, in fact, easy to understand: the right to prohibit in Metaverse arises in the real world. If there might be a virtual world, there is no such thing as a virtual right. The existence of the right to prohibit in Metaverse is therefore the condition for its opposability. Existence is assessed at both ends of life: birth and death. Therefore, in order to exercise the right to prohibit in Metaverse, it is necessary to have acquired such a right (Chapter 1) and not to have lost it (Chapter 2).

### **Chapter 1: Acquiring the right to prohibit in Metaverse**

18. **A misinterpretation of trade mark law causing confusion as to the suitability of a new Metaverse application.** Scholars and Intellectual Property offices have addressed the application of trade mark law in Metaverse through the lens of the acquisition of the right to prohibit in Metaverse. This should come as no surprise: approaching a subject of study through its birth is a logical step. As such, the first question to emerge was whether trade marks registered in the real world should be re-filed to cover virtual goods and services in Metaverse. While many have argued that “if a company is contemplating selling branded virtual goods and services in the metaverse, trade mark applications should be filed as soon as possible,”<sup>44</sup> such a statement seems to be highly erroneous. Indeed, it follows from the application of the cardinal principles of trade mark law that the registration of a trade mark for real-world goods and services is sufficient to give rise to a right to prohibit in Metaverse (Section I). There is therefore no need to register a new Metaverse-specific trade mark (Section II). This is all the more true

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<sup>43</sup> CORNU (G.), *op. cit.*

<sup>44</sup> PARK (K.), *op. cit.* In the same vein: ELKAIM (J.), SAND (C.), SABER (S.), *op. cit.* Offices also seem to be implicitly encouraging new Metaverse-specific trademark applications.

given that practice shows that the overwhelming majority of Metaverse registrations do not concern trade mark owners who simply wish to protect their trade mark in Metaverse, but rather have the ambition to use their trade mark in Metaverse, as if the registration were likely to give rise to a right to use the trade mark. However, it should be remembered that the trade mark right does not constitute a right to use, but a right to prohibit.

*Section I: Ownership of the right to prohibit without a Metaverse-specific registration*

19. **Metaverse and the principles of speciality and territoriality.** Acquiring the right to prohibit in Metavers does not require a new registration in Metavers. Indeed, the principle of speciality ought not to be interpreted too strictly. While the existence of protection is thus certain (I), the scope of this protection is uncertain (II). Indeed, reconciling the virtuality of Metavers with the principle of territoriality gives rise to a number of difficulties.

I) Certainty as to the existence of protection

20. **Theoretical certainty.** Advocates of the absence of ownership of the right to prohibit in Metaverse unless there is a specific registration for this virtual universe base their reasoning on the cardinal principle of speciality. This principle, which governs trade mark law, reflects the idea that “trade mark right exist, and is therefore protected, only in respect of the sign's connection with goods and services.”<sup>45</sup> The principle of speciality is enshrined in the recitals of the EU Trade mark Regulation (EUTMR), which state that “EU trade mark protection is granted in relation to specific goods or services.”<sup>46</sup> A strict interpretation of the principle of speciality would dictate that the owner of a right to prohibit in the real world does not benefit from the same right in the virtual world. This would be because his registration does not refer to virtual goods or services. Nevertheless, to adopt such an interpretation would be to ignore the fact that “the application of the rule of speciality is subject to temperament.”<sup>47</sup> This rule does not preclude the sanctioning of counterfeiting by unlawful imitation, i.e. counterfeiting involving similar products or services. And it seems difficult to argue that a real product and its virtual equivalent are not similar. While it might be tempting to argue that a virtual bag does not fulfil the same function as a real one, since it is merely a collection of data and therefore cannot be

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<sup>45</sup> PASSA (J.), *op. cit.*

<sup>46</sup> Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, recital 28.

<sup>47</sup> BERTRAND (A.), *Droit des marques*, 2 ed., Paris, Dalloz, 2005, p. 151.

used to store belongings, real and virtual bags serve the same aesthetic purpose.<sup>48</sup> Moreover, both virtual and real bags will be referred to as "bags" by consumers. It seems audacious to argue that two goods referred to by the same word are not similar. It can therefore be claimed that the holder of a right to prohibit in the real world can exercise his right in Metaverse for equivalent virtual goods and services.<sup>49</sup> To formulate such an assertion leads to address the opposite hypothesis: does the owner of a right to prohibit in Metaverse obtained by means of a registration for virtual products or services benefit from the right to prohibit in the real world for equivalent real products and services?<sup>50</sup> While the answer to this question may seem less obvious, applying the reasoning set out above should lead to an identical answer. A registration for virtual products and services should therefore confer a right to prohibit against use for equivalent real products and services.

21. **Practical confirmation.** The reason why it is now possible to assert that a new Metaverse-specific registration is unnecessary is because such a rule has been implicitly endorsed in practice by offices and judges. For example, in August 2022, the US Patent and Trade mark Office (USPTO) refused to register a GUCCI trade mark for computer programs presenting virtual shoes and clothes, intended for use in the virtual worlds. The applicant was not the owner of the GUCCI trade marks in the real world. In support of its rejection, the USPTO argued that the trade marks were identical or virtually identical, and that “applicant's and registrant's services are legally identical” and that “applicant's and registrant's goods are closely related.”<sup>51</sup> In the same vein, two rulings by American and Italian judges have retained infringements in Metaverse of trade marks not specifically registered in this world (cf. p. 38). While these rulings are of very limited value, since they do not emanate from the CJEU, they do shed welcome light on the matter. It should be noted here that, because these two decisions concern well-known trade marks, some have argued that only owners of well-known trade marks need not reapply.<sup>52</sup> This argument should be rejected, since, as demonstrated above, the similarity of the products and services in question will be established.

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<sup>48</sup> DAHAN (V.), *op. cit.*

<sup>49</sup> However, there must be a likelihood of confusion. In the second part, the assessment of the likelihood of confusion will be discussed.

<sup>50</sup> INTA Emerging Issues Committee, « White Paper Trademarks in the Metaverse », April 2023.

<sup>51</sup> USPTO Serial No. No. 97112038, available at:

[https://tsdr.uspto.gov/#caseNumber=97112038&caseSearchType=US\\_APPLICATION&caseType=DEFAULT&searchType=statusSearch](https://tsdr.uspto.gov/#caseNumber=97112038&caseSearchType=US_APPLICATION&caseType=DEFAULT&searchType=statusSearch).

<sup>52</sup> POIRSON (C.), « Le Web3 n'est pas un no man's land juridique : condamnation aux USA pour contrefaçon de marque par NFT », In *Le Journal Du Net*, 14 February 2023 ; ELKAIM (J.), SAND (C.), SABER (S.), *op. cit.* ; BERENDES (P.), *op. cit.*

## II) Uncertainty as to the scope of protection

22. **Issue: the immateriality of Metaverse vis-à-vis the territoriality of trade mark rights.** While the existence of trade mark protection outside of a new Metaverse-specific filing is certain, the scope of this protection remains uncertain. In other words, while reconciling Metaverse and the principle of speciality proves easy, reconciling Metaverse and the principle of territoriality turns out to be more complex. “At this stage, the notion of territoriality is perfectly diluted in the digital nebula represented by Metaverse.”<sup>53</sup> This dilution is easy to understand: since Metaverse does not constitute a tangible territory, it is antagonistic to the territorial nature of trade mark rights. This territorial nature means that trade mark rights “produce effects for the benefit of their owner only in the territory for which they have been granted by the administrative authority (...); indeed, this authority can only exercise such prerogatives within borders.”<sup>54</sup> However, metaverses ignore the boundaries of the real world. In the absence of an office dedicated to the virtual world, it is questionable whether the ownership of a national or EU trade mark confers a right to prohibit throughout Metaverse.

23. **Solution: application of the criteria laid down for trade mark infringement on the Internet?** To overcome this obstacle, it was emphasized that Metaverse is not the first digital technology to abolish borders. The Internet provides a striking example of this. And trade mark law has brilliantly overcome this difficulty, by establishing new criteria for assessing whether a site is aimed at the public of an EU member state. It has been held that “the mere fact that a website is accessible from the territory covered by the trade mark is not a sufficient basis for concluding that the offers for sale displayed there are targeted at consumers in that territory.”<sup>55</sup> In this context, some scholars suggested to apply to Metaverse the criteria established by jurisprudence for trade mark infringement via the Internet.<sup>56</sup> Such a solution turns out to be totally unworkable in practice. Indeed, the criteria specific to the Internet are devoid of any substance in Metaverse.

Firstly, while the criterion of the place of delivery of the product or service could be relevant when it is possible to order in a metaverse a real good/service that will be delivered/provided in the real world, it has to be said that such a hypothesis is exceptional. In practice, almost all

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<sup>53</sup> ELKAIM (J.), SAND (C.), SABER (S.), *op. cit.*

<sup>54</sup> PASSA (J.), *op. cit.*

<sup>55</sup> CJEU, gd ch., 12 July 2011, case C-324/09, *L'Oréal v. eBay* (pt. 65).

<sup>56</sup> DREYFUS (N.), « Comment protéger sa marque dans le métavers », In *Le Village de la justice*, décembre 2022 ; APRAM Symposium, « NFTs, Metaverse et Propriété Intellectuelle : vraie tendance ou faux débat ? », 22 June 2022.



virtual products and services are "delivered" or "provided" in the Virtual World. Consequently, the criterion of the place of delivery or service provision will very often prove inoperative.

Secondly, the criterion of the currency used seems even more inoperative. In metaverses, transactions are not carried out in currencies linked to a central bank, but in cryptocurrencies. Crypto-currencies, such as bitcoin or ether, are international means of payment that cannot be tied to a particular territory.

Last but not least, the language used does not seem any more relevant. Metaverse is designed to be the realm of Artificial Intelligence (AI). One practical consequence of this is that a metaverse has no "official language". In fact, each metaverse includes AIs capable of realtime translation into any language.<sup>57</sup> Consequently, the use of a given language in a metaverse can in no way be interpreted as evidence of the targeting of a given territory.

Given the inapplicability of these criteria, and in order not to jeopardize infringement actions in Metaverse, I recommend establishing a rebuttable presumption that activity is targeted at the territory in which a user is located at the time of connection to the metaverse. Such a presumption would be based on the idea that an individual cannot "teleport" into a metaverse by chance. If he has arrived in a given virtual world, it is because he has been led there. Under such a rebuttable presumption, it would be up to the party against whom the infringement action is directed to find a way of proving that its activity was in no way directed towards the territory in which a user happened to be at the time of connection. While such a proposal is far from providing a cure-all, it nevertheless ensures that the enforceability of trade mark rights in Metaverse is not hindered.

All in all, the scope of protection conferred to the trade mark owner is uncertain. This is true whether or not the right to prohibit in Metaverse is based on a specific Metaverse registration. As no convincing solution has yet been formulated, a jurisprudential intervention is eagerly awaited.

## *Section II: Ownership of the right to prohibit by means of a Metaverse-specific registration*

24. **The two challenges of the application: class and wording.** It follows from the above that ownership of the right to prohibit in Metaverse is not conditional on a new registration

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<sup>57</sup> BALENIERI (R.), « La traduction en simultané, un enjeu clé du métavers », In *Les Échos*, 18 October 2022.

specific to this virtual world. Consequently, calls for a new application “as a precaution”<sup>58</sup> are meaningless. This is not to say that the question of the acquisition of a right to prohibit in Metaverse by means of a registration specific to this world does not arise. Indeed, anyone who does not own a right to prohibit in the real world for equivalent real products or services will have to make a Metaverse application. It must be said, unfortunately, that the modalities of such an application remain obscure to this day. In the absence of an office dedicated to Metaverse, the question arises as to the office before which the application should be filed. While no solution has yet been formulated,<sup>59</sup> some answers can be given to the two key questions of which classes to register trade marks in, and what wording to use. Providing answers on these two points - which requires a distinction to be drawn between product (I) and service (II) registrations - is all the more essential as rights owners are particularly imaginative, especially when it comes to wording. Even to the point of asking themselves pointless questions. For example, many applicants have taken it upon themselves to refer to Metaverse in their wording, with the result that the latest trade marks registered by the EUIPO include statements such as "for use in the metaverse",<sup>60</sup> "for use in online virtual worlds"<sup>61</sup> or "virtual environments".<sup>62</sup> This is despite the fact that such terms concern use, and therefore have no place at the registration stage. In addition, mentioning that the products are to be used in “virtual worlds” is not only unnecessary, but also dangerous. Indeed, using the expression "virtual worlds" implies, on the one hand, that the real world and the virtual world are two distinct worlds - which I strongly doubt - and, on the other hand, that there are several virtual worlds. If we assume that there are several virtual worlds, shouldn't we specify in which virtual world the mark will be used? Metaverses are compartmentalized "worlds" (I would prefer to call them virtual spaces/environments). For now, it is impossible to move from one metaverse to another. The consequence is that consumers are not using all metavers at once, but only one. The metaverses could therefore constitute different markets with different consumers. Consequently, two similar trade marks used for similar products in different metavers could potentially not generate a likelihood of confusion insofar as they are on different markets. In

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<sup>58</sup> APRAM Symposium, « NFTs, Metaverse et Propriété Intellectuelle : vraie tendance ou faux débat ? », 22 June 2022.

<sup>59</sup> Trade mark owners can only be encouraged to file their trademark application with the trade mark offices of territories where they carry out a significant proportion of their economic activity, or with the trade mark offices of territories where the risk of infringement is particularly high.

<sup>60</sup> EUTM YVES SAINT LAURENT no. 018686310.

<sup>61</sup> EUTM RALPH LAUREN no. 1712073.

<sup>62</sup> EUTM BURBERRY no. 018686310.

this context, I would argue that the applications should not target Metaverse or should target the metaverses in which the trade mark is intended to be used.

I) Application to register a trade mark for virtual goods

25. **Relevance of the Nice Classification.** In which class should a trade mark for a virtual shoe be registered, and how should it be described? This is the question that applicants and trade mark Offices have been confronted with in practice. It would be a mistake to underestimate the significance of such a question. At stake is the ability of the Nice Classification to grasp the new technology represented by Metaverse, and therefore its very survival. The initial responses from the IP Offices have dispelled any doubts: Metaverse does not jeopardize the Nice Classification. Indeed, the initial guidelines provided by the IP Offices guarantee that virtual products and services will be effectively covered by the Nice Classification.

26. **The choice of a single class for virtual goods.** Regarding class, both the national offices of Member States<sup>63</sup> and the EUIPO<sup>64</sup> have ruled that virtual products and services cannot be registered in classes for equivalent real products and services. Thus, it is not because real shoes belong in class 25 that virtual shoes can be registered in class 25. Rather than spreading virtual products across all classes, the Offices have decided to concentrate them in a single class: Class 9. The rationale for this is their digital nature. I believe this choice of grouping all virtual goods together to be unwise. First of all, it could lead one to believe that virtual goods belong to the same category of goods, and that they therefore present a certain homogeneity tending towards similarity. And my opinion is that virtual goods are no more homogeneous than real goods. Since the latter have been separated into different classes, it would have been logical to proceed in the same way for virtual goods. It would therefore have been more appropriate to classify virtual goods in the same class as their real equivalent. This choice would have had the advantage of demonstrating that there is no need for a new Metaverse-specific registration. In addition, classifying virtual goods in the same class as their real equivalents would have greatly simplified matters, and would have solved the problems currently faced by depositors. Finally, one cannot but regret that the decision to group all virtual goods in class 9 reinforces the

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<sup>63</sup> For instance : DRAPPIER (A.), NEVEU (C.), ZAMBITO-MARSALA (L.), BOUNIF (K.), « La désignation des produits et services dans le cadre des dépôts de marques relatifs aux NFT, aux métavers et aux actifs numériques », In *PIBD*, 1192-II-1.

<sup>64</sup> EUIPO Webinar, « Trade marks and designs in the metaverse: legal aspects/EUIPO practice », 13 September 2022, available at: <https://euipo.europa.eu/knowledge/course/view.php?id=4763>.

imbalance of the Nice classification, by further increasing the size of an already overloaded class 9. The latter then appears as a “catch-all” class.

27. **The challenge of wording for virtual goods.** While an answer has been given as to the class in which to file virtual goods, the wording to be used remains uncertain. This uncertainty results in particular from the strict application by the offices of the principle of precision and clarity, which requires that “the goods and services for which protection is sought shall be identified by the applicant with sufficient clarity and precision to enable the competent authorities and economic operators, on that sole basis, to determine the extent of the protection sought.”<sup>65</sup> In application of this principle, the EUIPO pointed out that the term “virtual good” is not admissible. Indeed, the notion of virtual goods is obscure, and in no way makes it possible to identify the exact products it covers. To illustrate this point, the EUIPO suggested that applicants wishing to protect their signs for virtual clothing and footwear should formulate the wording as follows: “downloadable virtual goods, namely virtual clothing or footwear”.<sup>66</sup> As an illustration, here are a few wordings recently accepted by the EUIPO in class 9: “Downloadable virtual goods, namely, computer programs featuring footwear (...) for use online and in online virtual worlds,”<sup>67</sup> “downloadable virtual goods, namely, computer programs featuring shoes, clothing (...) for use online in online virtual worlds”.<sup>68</sup>

28. **Registration of a trade mark for non-fungible tokens (NFT).** Like the wording “virtual good”, the wording “non-fungible token” will not be accepted by the Offices to describe an NFT, on the ground of the principle of precision and clarity. The wording must therefore specify the product authenticated by the NFT. As the number of applications for NFTs has skyrocketed,<sup>69</sup> and in order to make things easier for applicants, the Nice classification has been adapted to cover NFTs. On June 23, 2022, the EUIPO announced that the 12th edition of the Nice Classification, which came into force on January 1, 2023, introduces the term “downloadable digital files authenticated by non-fungible tokens” in class 9.<sup>70</sup> As an example, here is a wording recently admitted by the EUIPO in class 9 for NFTs: “digital materials, namely, non-fungible tokens (NFT) featuring footwear, clothing, (...)”.<sup>71</sup>

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<sup>65</sup> Article 30 of the Directive 2015/2436.

<sup>66</sup> Webinar de l’EUIPO, *op. cit.*

<sup>67</sup> EUTM NIKE no. 018586664.

<sup>68</sup> EUTM RALPH LAUREN no. 1712073.

<sup>69</sup> MOYA FERNANDEZ (N.), BOURGUIGNAT (N.), « Métavers et NFT : les apports de la classification de Nice », 6 January 2023.

<sup>70</sup> EUIPO Press release, « Virtual goods, non-fungible tokens and the metaverse », 23 June 2022.

<sup>71</sup> EUTM PUMA no. 018673382.

## II) Application to register a trade mark for virtual services

27. **A plurality of classes for virtual services.** The challenges surrounding trade mark applications for virtual services are slightly different. While virtual goods belong in class 9, virtual services do not belong in a single class. Indeed, it follows from Offices decisions that a number of classes can accommodate virtual products. Such a contrast with virtual goods only reinforces my doubts as to the decision to group them together in the same class. This difference in treatment is hard to understand. All things considered, while the choice not to assign a single class to virtual services sounds sensible, it does nevertheless raise a number of practical difficulties. Indeed, it can be complex to distinguish, on the one hand, between different forms of intermingled virtual services and, on the other, between virtual and real services.

28. **The need to distinguish between virtual services.** Firstly, the aforementioned requirement for precision and clarity means that services falling into different classes must not be included in the same wording for a single class. For the sake of illustration, a national intellectual property office in one of the EU Member States put forward an example of such an error preventing the registration of a trade mark.<sup>72</sup> This Office criticized the following wording proposed for registration in class 41: "entertainment services, namely online offering of virtual goods, namely fragrances, art objects, digital collectibles and non-fungible tokens intended for recreational use". This wording in fact combines services from different classes: on the one hand, entertainment services from class 41 and, on the other, retail services from class 35. Such confusion is all the more prejudicial in that class 35, which relates to retail store services, is set to become the leading class for virtual services. Indeed, any owner wishing to sell virtual goods in a metaverse - and who has not already registered a trade mark in the same class for the real world - will have to register his trade mark in class 35. Logically, this class appears to be highly popular in the latest EUIPO Metaverse-specific applications.<sup>73</sup>

28. **The need to distinguish between virtual and real services.** Secondly, formulating a wording for a virtual service in Metaverse can prove highly complex given the habit of some applicants - and unfortunately validated by the offices - of qualifying services provided in the real world as "virtual services." The following wording: "services of a virtual restaurant

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<sup>72</sup> DRAPPIER (A.), NEVEU (C.), ZAMBITO-MARSALA (L.), BOUNIF (K.), *op. cit.*

<sup>73</sup> EUTM ADIDAS no. 018713981; EUTM LOUIS VUITTON no. 018720394.

offering a selection of prepared dishes, food products and beverages”<sup>74</sup> is the best example of this phenomenon. On reading this wording, one cannot tell whether it refers to a virtual restaurant in the sense of dark kitchen - i.e. a restaurant offering real dishes for sale but only accessible via an Internet platform - or a genuine restaurant in the sense of Metaverse - i.e. a restaurant offering virtual food for avatars. While the virtual restaurant in the sense of dark kitchen will fall under class 43, the virtual restaurant in the sense of Metaverse must be treated as a service providing access to a computer network. As such, it should be registered in class 38. In such a case, the wording could be worded as follows: “provision of access to global computer networks providing the services of a virtual restaurant offering a selection of prepared dishes, food products and beverages.”<sup>75</sup>

In short, it follows from the above that acquiring the right to prohibit in Metaverse does not require a new registration specific to Metaverse. In fact, such a registration should be discouraged, since it is not made necessary by the absence of a trade mark registration for equivalent real products and services. Indeed, registering a trade mark for virtual products and services is no easy task. Anyone undertaking such an application must tread carefully. In addition, the owner of a Metaverse-specific trade mark is not granted the right to prohibit in Metaverse indefinitely. Indeed, such a right can erode until it disappears forever. While Metaverse may be seen a virtual world, the obstacles to the existence of the right to prohibit in Metaverse are very real.

## **Chapter 2: Losing the right to prohibit in Metaverse**

29. **The impact of the virtuality of Metaverse on the loss of the right to prohibit.** To exist, in addition to having been acquired, the right to prohibit in Metaverse must not have been lost. Indeed, while trade mark rights are potentially perpetual, “the trade mark owner may sometimes be deprived of his right or hindered in its exercise.”<sup>76</sup> Thus, the existence of the right to prohibit is conditional on the meeting of a positive condition - to have been acquired - and a negative condition - not to have been lost. This negative condition merits particular attention in the context of a study of Metaverse. This is because the virtuality of Metaverse has implications on the grounds for loss of trade mark rights. Indeed, the preservation of the right to prohibit is

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<sup>74</sup> *Ibid.*

<sup>75</sup> *Ibid.*

<sup>76</sup> AZÉMA (J.), GALLOUX (J.-C.), *Droit de la propriété industrielle*, Paris, Dalloz, 6 ed., 2006, p. 816.

more perilous in Metaverse, due to their technological characteristics. Not only is there an increased risk of failure to use (Section I), but also of improper use (Section II).

*Section I: Sanction for non-use in Metaverse: revocation*

30. **Revocation in Metaverse: somewhere between inescapable and impossible.** Article 19 of Directive 2015/2436 states that “a trade mark shall be liable to revocation if, within a continuous five-year period, it has not been put to genuine use in the Member State in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use.” While this rule is to be welcomed as “the exclusive right loses its *raison d'être* - distinguishing goods or services -if it is not enforced,”<sup>77</sup> it could be perverted in Metaverse in such a way as to constitute an obstacle to the enforceability of trade mark rights. Indeed, trade mark law practice already suggests that proving use in Metaverse is an uphill battle (I). Consequently, it is not unrealistic to think that a very large number of Metaverse trade mark owners could be deprived of their rights in the future. Conversely, if the difficulty of proving use were to be overcome, and revocation for absence of use set aside, the issue of proving the extinction of use would arise acutely (II). Metavers could therefore have two opposing effects on revocation: making it virtually inescapable or impossible.

I) Proof of use in Metaverse

31. **The requirement for a serious and localized use.** To avoid revocation, the owner of a Metaverse-specific trade mark must provide proof of trade mark use in the territory for which the right was granted. Two difficulties arise: the requirement of use as a trade mark and the localization of use.

Firstly, it is questionable whether use of a sign for virtual goods and services - i.e., by definition, for goods and services that do not exist - constitutes trade mark use. In other words, it comes down to determining whether the use of a sign for mere lines of code constitutes trade mark use. This is doubtful, given that case law requires use for existing products and services.<sup>78</sup> This raises the question of whether virtual goods and services constitute goods and services within the meaning of trade mark law.

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<sup>77</sup> POLLAUD-DULIAN (F.), *La Propriété Industrielle*, Paris, Economica, 2011, p. 853-854.

<sup>78</sup> See CJEU, 23 March 2010, case C-236/08, *Google v. Louis Vuitton Malletier SA*.

Secondly, the condition of localization of use is no easier to satisfy. The difficulty of reconciling the virtuality of Metavers and the principle of territoriality, mentioned above,<sup>79</sup> is evident here. To the best of our knowledge, no remedy has yet emerged in doctrine, and the EUIPO is content to announce that it “is working on it.”<sup>80</sup>

32. **Proof of a serious and localized use.** Serious use in the territory for which protection has been granted must not only exist, but also be proven. Establishing proof in a virtual world is no easy task, as demonstrated by a 2007 French court decision concerning the Second Life metaverse.<sup>81</sup> In this decision, the judge seems to take a malicious pleasure in underlining the tribulations of a bailiff in this virtual world and implying that his mission was doomed to failure. This, before concluding that "this report can therefore only be rejected". This difficulty of proof, already highlighted in the past, does not seem to have abated in the present, as evidenced by the USPTO's first decisions on proof of use. The USPTO has already been confronted with the issue of proof of use in Metaverse because it requires proof for registration (except for intent-to-use application). One thing is clear from the PTO's decisions: its knowledge of Metaverse is limited, making it difficult to prove use in this virtual world. Two decisions illustrate this reality.

On April 30, 2021, a U.S. federal trade mark application was filed for a trade mark for virtual services involving NFTs.<sup>82</sup> To prove the use of its mark, the applicant submitted a screenshot showing a button labeled "Buy on OpenSea." The USPTO objected on the grounds that the button made no mention of NFTs. Such a decision is hard to fathom for anyone with even the slightest knowledge of the Metaverse ecosystem. After all, OpenSea is the world's largest NFT marketplace. Ultimately, in order to obtain registration of his trade mark, the applicant had to modify the button to display the following statement "Explore the NFTs."

In the same vein, on November 18, 2021, a U.S. federal trade mark application was filed for BA YC BORED APE YACHT CLUB for downloadable NFTs.<sup>83</sup> Despite the mark's immense reputation among the informed public,<sup>84</sup> The USPTO rejected the application on the grounds

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<sup>79</sup> Cf. p. 19 - 21.

<sup>80</sup> EUIPO Webinar, *op. cit.*

<sup>81</sup> Paris Court (TGI), ordonnance de référé, 2 July 2007. See CARON (C.), « Une seconde vie virtuelle », In *Communication Commerce électronique*, n°6, June 2022.

<sup>82</sup> U.S. Serial No. 90684262.

<sup>83</sup> U.S. Serial No. 97132874.

<sup>84</sup> BORED APE YACHT CLUB is a collection of NFTs featuring stylized apes. This collection is extremely popular, so much so that the "Bored Apes", highly prized by celebrities, can be traded for several million dollars.



that the applicant had provided a screenshot showing a button reading "Buy an Ape on OpenSea". To justify this refusal, the USPTO argued that the button suggested that the service provider was not the applicant, but OpenSea. To get around this refusal, the applicant was forced to amend his filing by deferring the proof-of-use requirement until after publication. In other words, the applicant tuned his application into an intent-to-use application.

In short, the Offices know little about Metaverse. If this observation is not drawn from EUIPO decisions, it would be surprising if this office had any greater knowledge of the subject. Owners of Metavers-specific trade marks should therefore be prepared to encounter difficulties if they have to prove their use.

33. **Persistence of a right to prohibit after revocation?** In light of this difficulty, the question arises as to what should happen to those who have decided to re-file a Metaverse-specific trade mark application, but who, faced with a revocation action, are unable to provide proof of use in the virtual world. When a person owns a right to prohibit in Metaverse on the basis of two different registrations, what happens to the right that remains when the other disappears? Theoretically, the registrant retains a right to prohibit in Metaverse on the basis of their earlier trade mark which does not cover Metaverse. While such a solution would have the virtue of underlining the uselessness of a new Metavers-specific application, it may not be morally tenable. Indeed, it would be tantamount to allowing a person to exercise a right of which he or she has just been deprived. In this context, it is imperative that the doctrine be clarified. Unfortunately, to the best of our knowledge, this issue has never yet been raised. In short, in addition to being pointless, a new Metavers-specific registration could prove dangerous.

## II) Proof of extinction of use in Metaverse

34. **Revocation confronted with the persistence of Metaverse.** While Metaverse is likely to make revocation virtually unavoidable, due to the difficulty of proving use, it could also, on the other hand, deprive revocation of all substance. This is because of the complexity of proving the extinction of use in a persistent universe. Persistence means that Metaverse and all the elements comprising it do not disappear when the user disconnects. What's more, all these elements may never disappear. For example, a virtual store could exist indefinitely in Metaverse. Two hypotheses need to be distinguished: on the one hand, the virtual store where

sales are performed by an avatar embodied by a human being, and on the other, the virtual store where sales are performed by an AI.

35. **The virtual store operated by a human being.** If the sale is performed by an avatar embodied by a physical person, then failure of that individual to connect transforms the store into a mere shop window. The question then arises as to whether the perpetual existence of this store without any intervention by the right owner constitutes an act of use such as to prevent revocation. Answering this question requires referring to the notion of serious use, defined in doctrine as "the owner's behavior clearly expressing, through a certain number of unequivocal material acts, his will to actually exploit the trade mark" (P.-Y. Gautier).<sup>85</sup> In light of this definition, it may be argued that the mere persistence of a virtual store front does not qualify as serious use. An analogy with inactive websites, which are denied proof of serious use,<sup>86</sup> supports this analysis.

35. **The virtual store operated by an AI.** The situation becomes much more complex when the sale is carried out by an AI-driven avatar. Indeed, in this hypothesis, even in the event of inaction on the part of the right owner, Metaverse users will be able to buy virtual products from the store indefinitely. Indeed, a virtual shoe does not need to be "produced" in a factory. The problem of running out of stock disappears in Metaverse. Faced with this perpetual sale, the question arises of how to prove the extinction of use. It is certain that the exploitation of the sign by AI cannot be assimilated to a "use of the trade mark with the consent of the proprietor."<sup>87</sup> Indeed, as the AI does not enjoy legal personality, it cannot "use" a trade mark within the meaning of Directive 2015/2436. Moreover, the qualification of "serious use" would have to be ruled out. Such a solution would have far-reaching consequences: it could lead to the trade mark rights of many owners who only use their sign in the context of a virtual store being called into question. In fact, the very purpose of Metaverse is to enable the continuous operation of these stores, without any intervention on the part of right owners.

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<sup>85</sup> LE BIHAN (E.), « FascL 7405-2 : Perte du droit sur la marque : transformation de la marque en *res nullius* », In *JurisClasseur Marques – Dessins et modèles*, Lexis Nexis, Fasc. 7405-2, 1<sup>st</sup> January 2018.

<sup>86</sup> For an example in US law: *Canine Caviar Pet Foods, Inc.*, 126 USPQ2d 1590, 1593-95 (TTAB 2018).

<sup>87</sup> Article 16 of the directive 2015/2436.

*Section II: Sanction for improper use in Metaverse: deceptive use*

36. **Geographical trade marks.** The owner of a Metaverse-specific trade mark still runs the risk of losing his or her private right in the event of deceptive use of his or her trade mark. One hypothesis of potential deceptive use deserves particular attention, as it is emblematic of the difficulties that can arise when applying trade mark law in Metaverse: geographical trade marks.<sup>88</sup> Two forms of geographical trade mark must be distinguished: the trade mark designating a real place (I) and the trade mark designating a virtual place (II).

I) Geographical trade marks designating a real location

37. **Geographical trade marks objectively deceptive.** Questioning the fate of the geographical trade mark in Metaverse requires turning one's attention to the notion of geographical origin. Article 20 of Directive 2015/2436 states that a trade mark shall be liable to revocation if “as a result of the use made of it by the proprietor (...) it is liable to mislead the public, particularly as to (...) geographical origin of those goods or services.” Clearly, the notion of geographical origin cannot remain indifferent to the emergence of a new world, filled with its own unique territories. In this context, the legality of a geographical trade mark, which application specifically refers to Metaverse and designating a place of origin different from the place of production, remains uncertain. This is all the more true given that the notion of "place of production" has little meaning in virtual worlds. Indeed, a virtual good is not "produced", but emerges from the void to appear in the digital nebula through a simple combination of data. A trade mark referring to a real place is therefore necessarily objectively misleading in that it does not designate the place of production. However, the objectivity of deceptiveness is irrelevant: deceptiveness is assessed subjectively.

38. **Assessment of the deceptiveness of geographical marks for the relevant public.** Therefore, in order to determine whether a geographical trade mark is deceptive in the eyes of the relevant public, it is necessary to ask whether the relevant public might think that a virtual good is produced in the real world. To illustrate this point, I will take the example of a trade mark "PARIS" used to designate virtual clothing. Is such a trade mark used to designate virtual

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<sup>88</sup> A geographical trade mark can be defined as a trade mark composed of a neutral geographical sign - i.e. one that provides no information to the consumer as to the characteristics of the product. In fact, this neutrality is the condition of its legality.

clothes, which by definition are not produced in Paris since they are virtual, likely to mislead the public as to the true origin of the goods? Answering this question is not as easy as it may seem. While an informed public would never imagine that a virtual garment was produced in Paris, such an idea might cross the mind of a lay public. Everything will depend on the degree of knowledge of Metaverse that the courts lend to the relevant public. Obviously, if Metaverse were to be democratized, the public would no longer be considered lay. This would mean that the PARIS trade mark could no longer be considered deceptive. That is, unless Paris has, as other cities/countries have,<sup>89</sup> created its digital twin in Metaverse. In such a scenario, Paris would no longer be just a real place, but also a virtual one.

## II) Geographical trade marks designating a virtual location

38. **Are metaverses territories under trade mark law?** Dealing with a geographical trade mark designating a virtual location is a more complex matter. This means first determining whether a virtual place constitutes a territory within the meaning of trade mark law. To answer in the affirmative would be tantamount to recognizing the actual existence of a "second world". I believe such a solution to be highly undesirable. Indeed, Metaverse does not constitute an alternative world, but merely a form of application of virtual reality. Denying Metaverse the status of 'territory' would, however, have the effect of preventing Article 20 of Directive 2015/2436 from coming into play against the owners of a geographical trade mark that has been the subject of a Metaverse-specific application. A geographical trade mark, designating a location other than the virtual place where the data forming a virtual product has been assembled, could therefore not be challenged on the basis of Article 20 of Directive 2015/2436. This is despite the fact that even the public could legitimately be misled as to the origin of virtual products.

39. **Assessment of deceptiveness in a metaverse or Metaverse.** If it were to be held that Metaverse territories are geographical places within the meaning of trade mark law and therefore that Article 20 of Directive 2015/2436 is applicable in the virtual world, the question would arise as to how deceptiveness should be assessed through use. In particular, this would involve determining whether deceptiveness should be assessed solely in terms of the metaverse in which the sign is used, or in terms of all metaverses. In other words, should deceptiveness be

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<sup>89</sup> KELLY (N.), FOTH (M.), « An entire Pacific country will upload itself to the Metaverse », In *The Conversation*, 17 November 2022.

assessed in terms of the metaverse or Metaverse as a whole? Practically speaking, answering this question amounts to asking whether a geographical trade mark aimed at a place in another metaverse than the one in which it is used should fall under Article 20 of Directive 2015/2436. I believe that this should not be the case. Indeed, users of one metaverse cannot be considered to know the locations of another metaverse: they make alternative, and not cumulative, use of the metaverses.

40. **The sanction for deceptive use vs. future interoperability.** Although I recommend this solution, it nevertheless has a major shortcoming. What happens when metaverses become interoperable? A trade mark designating a place in another metaverse will indeed be likely to mislead the public. At this point, it is time to remember that Article 20 of Directive 2015/2436 is subject to one condition: the deceptiveness must be the fault of the trade mark owner. Interoperability is certainly not the owner's fault. However, given that it is generally accepted that the interoperability of metaverses is only a matter of time,<sup>90</sup> shouldn't it be assumed that the trade mark has become deceptive because the trade mark owner was aware of future interoperability?

All in all, the existence of the right to prohibit in Metaverse does not require a new application specific to this virtual world. Indeed, the right to prohibit in the real world can be exercised in the virtual world for equivalent products and services. This is because the distinction between the virtual and real worlds is purely artificial. There is only one world - our real world - in which virtual reality can be used. While re-filing a Metaverse-specific trade mark application may be a marketing move, it is legally pointless. More than that, it is not only useless, but also dangerous. Indeed, the applicant of a Metaverse-specific trade mark runs a high risk of losing his trade mark rights. Those who have lost their right to prohibit in Metaverse can no longer hope to exercise it.

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<sup>90</sup> BERENDES (P.), « L'avenir des métavers passe par l'interopérabilité », In *Metavers Tribune*, 11 December 2022.

## **PART TWO: THE EXERCISE OF THE RIGHT TO PROHIBIT IN METAVERSE**

41. **An extended right to prohibit in Metaverse?** Plutarch's maxim that "one must live and not merely exist" is easily transposed to the exclusive right in Metaverse. In other words, trade mark rights exist not only to exist, but also to be exercised. Put another way, a trade mark right exists in order to be enforced against third parties by its owner. This is not to say that the enforceability of the right to prohibit that is the trade mark right is unconditional. Indeed, the courts have recognized the existence of an "exception"<sup>91</sup> to the owner's right to prohibit: the exhaustion of trade mark rights. Provided that Metaverse does not defeat trade mark law, both the principle and the exception of enforceability of the right to prohibit should apply in Metaverse. There can be no doubt regarding the application of this principle: an infringement action can be brought in response to a trade mark infringement perpetrated in Metaverse (Chapter 1). However, the applicability of the exception to the right to prohibit in this "virtual world" - exhaustion of trade mark rights - is uncertain. Indeed, the conditions of the exhaustion of rights rule are not adapted to Metaverse. The scope of the right to prohibit could therefore be enhanced.

### **Chapter 1: The certain enforceability of the right to prohibit prior to an authorized release on the market in Metaverse: the infringement action**

42. **A new El Dorado for infringers ?** Some people refer to Metaverse as a "virtual El Dorado."<sup>92</sup> It makes me wonder: for whom? It is a safe bet that in the kingdom of Metaverse, infringers will be kings. No need to rely on divination to make such a claim: one need only look at the past. Historically, infringers have flocked to platforms that offer them anonymity (in order to escape enforcement of their rights by trade mark owners).<sup>93</sup> While the efforts of the first metaverse platforms to curb infringement - symbolized by *Roblox's* patent for a software detecting infringing virtual products<sup>94</sup> - are welcome, they will undoubtedly prove insufficient. Since metaverses are destined to be flooded by infringing products, infringement actions targeting Metaverse are bound to proliferate. Although Metaverse is a fictitious universe, the chances of success for infringement actions targeting this universe are very real. Indeed, while

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<sup>91</sup> CJEC, 23 April 2009, case C-59/08, *Copad* (pt. 41).

<sup>92</sup> NAUMANN (S.), *op. cit.*

<sup>93</sup> INTA Emerging Issues Committee, *op. cit.*, p. 49.

<sup>94</sup> TAYLOR (P.), « Roblox files US patent on counterfeit item detector », In *Securing Industry*, 27 juillet 2021.

difficulties may arise in theory (Section I), the first infringement actions have shown, in practice, that there is no need to panic (Section II).

*Section I: Theoretical conditions for infringement actions*

43. **Conditions for infringement actions.** Article 10 of Directive 2015/2436 sets out the conditions for bringing an infringement action. These relate partly to the act of the third party (I) and partly to public perception (II). The application of these conditions in Metaverse is uncertain. Jurisprudence will therefore be expected to shed light on the conditions it has itself forged. This, in order to guarantee their effective application.

I) Conditions regarding the third party's act in Metaverse

44. **Use on the territory for which protection has been granted.** The first requirement for an infringement action is use in the territory for which the trade mark right has been granted. There is no need here to dwell on this previously addressed issue. Suffice it to say that, while this requirement of localization of use may be difficult to reconcile with the immateriality of Metaverse, it is not an insurmountable obstacle. With this in mind, I have recommended above the establishment of a simple presumption of activity targeting the territory in which a user is located at the time of connection to the metaverse. In other words, as soon as a user connects to a metaverse from France, any use of a sign in this metaverse must be assessed as use in France.

45. **Unauthorized use: the license.** The first condition laid down in article 10 is that of unauthorized use. It raises a number of difficulties in terms of licensing. On this point, a distinction must be made between two hypotheses: a license prior to the emergence of Metaverse and a license subsequent to the emergence of Metaverse.

In the case of a license prior to the emergence of Metaverse, the question arises as to whether the license includes the use of the trade mark in Metaverse. Answering this question requires an examination of the parties' intentions. Following the example of French law, a number of Member States' national contract laws state that “a contract is to be interpreted according to the common intention of the parties, rather than the literal meaning of its terms.”<sup>95</sup> In this context, there is no doubt that a trade mark owner who has granted rights to a licensee for a specific

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<sup>95</sup> French Civil Code, art. 1188.

territory did not intend to confer rights for Metaverse. Indeed, because of its immateriality, Metaverse transcends borders and is therefore international in scope. On the other hand, it seems to me that the owner who has granted non-geographically-bounded rights to a licensee cannot oppose the use of the trade mark in Metaverse. An additional difficulty must be considered: the license that is not specific to a territory, but to a distribution channel.<sup>96</sup> Should we consider that a license that authorizes the use of a trade mark only in a brick-and-mortar store - and therefore not on the Internet - allows the use of the trade mark in a virtual store where the licensee is embodied by an avatar? Determining whether a virtual store falls within the scope of online or brick-and-mortar sales is far from easy. In case of doubt, it will be up to the trade mark owner and the licensee to clarify this point.

In the case of a license issued after the emergence of Metavers, things appear to be much easier. The license agreement simply needs to specify whether Metaverse is included in the license. What's more, it must be specified whether the licensee may use the trade mark in all metaverses or only in some of them. In the latter case, it is imperative to foresee, from the outset, what will happen to the license when the interoperability of metaverses becomes a reality. Anyone who fails to foresee this future interoperability is bound to run into major difficulties, when competing rights will clash.

46. **Use in the context of commercial activity: corporate metaverses.** The second condition of the infringement action requires that the use take place in the context of commercial activity. It follows from the canonical *Arsenal* case that this condition is satisfied if the use "takes place in the context of commercial activity with a view to economic advantage and not as a private matter."<sup>97</sup> The reference to "private matter" could cause headaches when it comes to Metaverse. One might reasonably ask whether certain metaverses should not fall under private matter, and therefore as such be excluded from the scope of Article 10 of Directive 2015/2436. This could be the case for "corporate metaverses", which refer to the use of Metaverse within a company for internal management purposes.

47. **Use as a trade mark.** Last but not least, mere use is not enough. The use must be as a trade mark. In other words, the trade mark must be used in its trade mark function, i.e. the public must perceive the sign as an indication of a connection to a commercial source. As previously

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<sup>96</sup> INTA Emerging Issues Committee, *op. cit.*

<sup>97</sup> CJEC, 12 November 2002, case C-206/01, *Arsenal Football Club* (pt 40).



mentioned, this condition, already a cause of major difficulties in the real world, is not likely to be any easier to grasp in Metaverse. Indeed, one might even wonder whether trade mark use is possible in the virtual world. This is particularly true in view of the "gaming"<sup>98</sup> - and therefore artistic - dimension of Metaverse. A ruling by a U.S. judge concerning an allegation of trade mark infringement in a video game is a perfect illustration of this difficulty.<sup>99</sup> In this case, AM General LLC, known for producing the HUMVEE military vehicle, accused the publisher of the "Call of Duty" video games of reproducing its vehicle in its games, thereby infringing its trade mark. The court dismissed the infringement action, noting that the use of the trade mark served an artistic purpose. Although the American judge's rationale cannot be transposed to European law, it nevertheless highlights the artistic dimension of the use of a trade mark in a video game. In Opel, the Court of Justice ruled that the use of a sign for aesthetic purposes does not constitute use as a mark.<sup>100</sup>

## II) Conditions regarding the perception of Metaverse users

48. **Identification of the relevant public.** Article 10 requires that "there exists, in the mind of the public, a likelihood of confusion". Assessing the likelihood of confusion thus requires prior identification of the relevant public. According to case law, the likelihood of confusion must be assessed by reference to the abstract figure of the average consumer. In *Lloyd*, the latter is defined as "the average consumer of the category of products concerned (...) deemed to be reasonably well-informed and reasonably observant and circumspect."<sup>101</sup> In the event of an infringement action being brought in Metaverse by a trade mark owner who has registered his mark for real products and is not using his trade mark in Metaverse, it would appear that the "category of products concerned" is that of virtual products, not real ones. If this precision is decisive, it is because the average consumer's attention span « is likely to vary according to the category of goods or services in question."<sup>102</sup> In this context, retaining that the category of products concerned is that of virtual products would be tantamount to considering that the degree of attention of the average consumer, in relation to which the likelihood of confusion must be assessed, is high. Indeed, case law shows that "in view of the nature of the goods

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<sup>98</sup> Metaverses were originally conceived as video games (Second Life, Fortnite, etc.). It is only very recently that new ways of using virtual universes beyond video games have been envisaged. Nevertheless, the most popular metaverses remain video games (Fortnite).

<sup>99</sup> United States District Court Southern District of New York, 31 mars 2021, *AM General LLC v. Activision Blizzard Inc.*, 17 Civ. 8644 (GBD).

<sup>100</sup> CJEC, 25 January 2007, case C-48/05, *Opel*.

<sup>101</sup> CJEC, 22 June 1999, case C-342/97, *Lloyd* (pt. 26).

<sup>102</sup> *Ibid* (pt. 26).

concerned and in particular (...) their highly technological character, the degree of attention of the relevant public at the time of purchase is particularly high.”<sup>103</sup> According to case law, the attention span of the average consumer of a highly technological product is therefore particularly high. And it is indisputable that virtual products are highly technological. It should therefore be considered that the level of attention of the average consumer in Metaverse is particularly high, and that the risk of confusion is therefore reduced.

49. **Public perception in Metaverse.** While such a conclusion is in line with the existing legal framework, it fails to grasp the reality of Metaverse. This is because it is not unreasonable to expect the public's perception in the "virtual world" to differ from perception in the real world. In this respect, the EUIPO has considered that public perception in Metaverse is less acute.<sup>104</sup> To justify its position, the Office uses the example of the potential lack of distinctiveness of a figurative mark representing a backpack. According to the EUIPO, consumers in the real world are likely to identify the specific features of this bag, so that the sign can be registered. But Metaverse users are unlikely to be able to identify these features, so the trade mark application will have to be rejected for lack of distinctiveness. While this example provided by the EUIPO seems unfortunate in that the use of the trade mark is irrelevant at the validity stage, it does have the virtue of highlighting the difference in public perception in the real world and in Metaverse. In this context, one can only hope that jurisprudence will soon intervene to shed light on the average consumer in Metaverse.

50. **The risk of association.** Regardless of the degree of attention paid by the average consumer in Metaverse, it is highly likely that the likelihood of confusion will be easily characterized by the courts. This is due to the broad interpretation of the notion of likelihood of confusion, with likelihood of association being assimilated to likelihood of confusion. Indeed, it follows from the *Canon* case that constitutes a likelihood of confusion “the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings.”<sup>105</sup> As consumers are now aware that a large number of trade mark holders have ventured into Metaverse - due to the intense communication of rights holders -,<sup>106</sup> they expect to find the trade marks they know in this

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<sup>103</sup> CJEU, 22 June 2004, case T-185/02, *Picasso*.

<sup>104</sup> EUIPO Webinar, *op. cit.*

<sup>105</sup> CJEC, 29 September 1998, case C-39/97, *Canon* (pt. 29)

<sup>106</sup> DELON (E.), « NFT, Métavers ... pourquoi les marques de luxe s’immergent dans le Web3 », In *Capital*, 15 December 2022.

universe. In this context, faced with a sign similar to a trade mark they know, consumers will be inclined to associate the disputed products with the owner of the trade mark they know and think they will find in Metaverse.

In short, while Metaverse may appear to be a “virtual El Dorado,”<sup>107</sup> triggering a gold rush among would-be infringers, their enrichment may only be temporary. Indeed, the infringement action loses none of its vigor in the virtual world, as confirmed by the first infringement actions brought to a successful conclusion in this new universe.

## *Section II: Practical lessons from the first infringement actions in Metaverse*

51. **Two infringement actions in Metaverse.** Infringement actions in the virtual world are no longer merely a possibility, but already a reality. Courts have already had to rule twice on such actions. These decisions were rendered in different circumstances: in the presence of a Class 9 trade mark registration by the owner claiming infringement of his trade mark rights (I), and in the absence of such a registration (II). Although the scope of these two decisions is limited, given that they were handed down by American and Italian courts, they are nonetheless rich in information.

### I) The *MetaBirkin* case: infringement action in the absence of a class 9 registration

52. **Facts.** While trade mark law in Metaverse remains a little-known subject, the first decision rendered in the United States on infringement actions in this virtual universe - the *MetaBirkin* case<sup>108</sup> - has caused a stir and been widely commented on.<sup>109</sup> a collection of 100 NFTs, named "MetaBirkin" and representing the iconic Birkin bag marketed by HERMÈS, was launched in December 2021 by artist Mason Rothschild. Faced with the immense commercial success of these NFTs, which had already sold for over a million dollars by January 2022 (i.e. in less than a month), Hermès was quick to invoke its right to prohibit. It thus obtained the suspension of sales of the disputed NFTs in Metaverse on the *OpenSea* platform. However, the artist did not comply with this decision, and legal proceedings were initiated.

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<sup>107</sup> NAUMANN (S.), *op. cit.*

<sup>108</sup> PIGUET (V.), « L'affaire MetaBirkin vue de la France », In *Le Journal du Luxe*, 20 February 2023.

<sup>109</sup> Here are a few examples: NEGRO (C.), O'CONNOR (V.), « Les marques sont-elles protégées dans le métavers » EUIPO, 30 March 2023 ; BELLEC (S.), « Contrefaçon dans le métavers : victoire d'Hermès dans l'affaire des NFT MetaBirkin », 17 March 2023 ; CONTIVAL (A.-S.), « Deuxième acte dans l'affaire des NFT MetaBirkin », In *Dalloz Actualité*, 25 November 2022 ; POIRSON (C.), *op. cit.*

53. **Arguments put forward by the Hermès companies.** Hermès claimed infringement of its BIRKIN trade mark. It argued that it was irrelevant that the trade mark had not been registered for virtual products. This is because the protection granted to real products extends to their virtual equivalents. Hermès also argued that there was a likelihood of confusion. To this end, Hermès submitted a survey indicating a 18.7% risk of confusion among the public likely to purchase NFTs, as well as the various advertising slogans used by Mason Rothschild to promote its NFTs (e.g. "#NotYourMothersBirkin"). What's more, Hermès pointed out that the term Birkin was used by the artist in a way identical to the way they use it in the real world. Thus, the plaintiffs emphasized the existence of what, under European and French law, would be akin to use as a mark.

54. **Arguments put forward by Mason Rothschild.** Mason Rothschild's defense was based on the principle of freedom of expression enshrined in the First Amendment to the U.S. Constitution. The artist argued that his collection of NFTs should be appreciated as a socially engaged work denouncing animal mistreatment in the luxury goods industry. The virtual bags were intended to be made of faux fur. With this in mind, Mason Rothschild invoked the application of the "Rogers test", enshrined in the canonical *Rogers v. Grimaldi* case,<sup>110</sup> which balances trade mark rights against the freedom of artistic creation. This test calls for a determination of whether the use of the trade mark is artistically relevant, and whether it is explicitly misleading.

55. **Jury's decision.** Ultimately, on February 8, 2022, the jury upheld all the claims made by Hermès and ordered Mason Rothschild to pay \$133,000 in damages.<sup>111</sup> The court held that the use of the trade mark in Metaverse constituted an infringement, despite the absence of any Metaverse-specific registration, and that the artist's act diluted the reputation of the Birkin trade mark.

56. **Key takeaways from this decision.** Although this decision has no force under European law, it nevertheless carries a wealth of lessons. So much so that it is not unrealistic to think that it will influence European jurisprudence. As some have said, "this decision is likely to set a precedent in the United States, and not only there!"<sup>112</sup> Firstly, this decision confirms that

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<sup>110</sup> US Court of Appeals for the Second Circuit, 5 mai 1989, *Rogers v. Grimaldi*, 875 F.2d 994.

<sup>111</sup> US District Court of Southern District of New York, *Hermès Int. et Hermès of Paris Inc. v. Mason Rothschild*, Verdict, 14 February 2023.

<sup>112</sup> POIRSON (C.), *op. cit.*

Metaverse does not defeat trade mark law. Thus, "U.S. law applies de facto in this case without ultimately needing to create Web3 law or Metaverse law."<sup>113</sup> Secondly, the court here implicitly confirms the futility for real-world trade mark owners of filing a new Metaverse-specific application for equivalent virtual goods and services. Indeed, the scope of protection extends to the them. This principle seems to confirm my intuition that Metaverse is in no way a "virtual world" alternative to the real world. Since there is only one world - our real world - in which products can be used in virtual form by means of virtual reality, it is logical that the protection conferred for real products should extend to equivalent virtual products. Mason Rothschild's appeal therefore seems doomed to failure.

## II) The *Juventus* case: infringement action in the presence of a class 9 registration

57. **Real digital goods and virtual digital goods.** The ruling in the MetaBirkin case certainly represents the most publicized decision concerning Metaverse. Nevertheless, it is not the first decision concerning an infringement action in Metaverse. On July 20, 2022, the Court of Rome handed down a decision<sup>114</sup> that went largely unnoticed,<sup>115</sup> but was nonetheless no less important. If this case (hereinafter "Juventus case") merits in-depth study, it's because the facts are significantly different from those which gave rise to the MetaBirkin case. Indeed, the owner alleging infringement of his trade mark in Metaverse was the owner of a trade mark for real digital products. Thus, the Italian judge was called upon to compare digital products to be used online - and therefore in the real world - with virtual digital products intended to be used in Metaverse. In this context, while the MetaBirkin and Juventus decisions have in common that they confirm the effectiveness of the infringement action in Metaverse, they do so in different circumstances. The Juventus case therefore enriches the solution reached by the New York court in the MetaBirkin case.

58. **A sensible solution.** In this case, Blockeras was offering for sale NFTs associated with digital collectible figurines. The figurines reproduced trade marks owned by the Juventus football club: the word marks JUVE and JUVENTUS, as well as a figurative mark representing

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<sup>113</sup> CARGNINO (C.), « Hermès c/ Mason Rothschild : un procès au service du droit de la propriété intellectuelle 3.0 ? », In *BLIP ! Le blog de la propriété intellectuelle*, 13 February 2023.

<sup>114</sup> Order of the Court of Rome, 20 July 2022, n. 32072/2022.

<sup>115</sup> To my knowledge, only two authors have commented on this decision: CORTESI (G.), HOUISSE (F.), « Juventus 1 - NFT 0 : quand les titulaires de marque tirent et gagnent », In *BLIP! (Le blog de la propriété intellectuelle)*, 1 December 2022 ; STELLA (T.), « JUVENTUS – NFT : 1 – 0 Match pour la protection de la marque dans le Métavers », In *Village de la justice*, March 2023.

the emblematic black-and-white striped jersey. In order to put an end to this infringement of its trade mark rights, Juventus brought emergency proceedings before the Court of Rome, seeking an order prohibiting the production, marketing and promotion of the disputed NFTs. This was despite the fact that Juventus did not have trade mark rights for downloadable virtual products, but only for "downloadable electronic publications." The Italian judge did not hesitate to grant the football club's claims, and recognized the infringement of its trade marks. In so doing, the Court of Rome noted that "by creating these cards and marketing them, (...) the defendant company has used Juventus' trade marks without authorization" and that "the creation and marketing of the cards in question entails an infringement of the trade marks in question, giving rise to a likelihood of confusion." All in all, although this decision by the Italian judge is welcome in that it recognizes for the first time the effectiveness of trade mark infringement action in Metaverse, the rationale behind it has struck me as poor.

59. **A poor rationale.** The decision of the Roman court is based on a particularly imaginative interpretation of Juventus' Class 9 registration. The Tribunal begins by pointing out that the football club owns a trade mark for "downloadable electronic publications" in class 9. This, before pointing out that class 9 also includes downloadable virtual goods. Such a statement is extremely puzzling. Indeed, the Court seems to implicitly consider that Juventus' lack of trade mark ownership for downloadable virtual products is compensated for by the fact that it owns a trade mark for another product in the same class. This is despite the fact that, in no case, does the registration of a trade mark for a product in a given class grant a trade mark right for all the products in that class. Although it is extremely complex to follow the judges' reasoning, it is *a contrario* very easy to understand the philosophy behind it. There's no doubt that the Juventus decision is more political than legal. It is clear that the Roman court knew the end point of its reasoning - the characterization and punishment of infringement - before it had even begun. Against this backdrop, it tried, as best it could, to construct a line of reasoning to justify its solution. I believe this attempt was unsuccessful. However, I must admit that I agree with the outcome of the case. Indeed, Metaverse cannot defeat the infringement action.

In short, the effectiveness and efficiency of the infringement action in Metaverse cannot be disputed. The enforceability of the exclusive trade mark right to prohibit is therefore certain in the virtual world. However, the scope of the right to prohibit remains unclear. The conditions governing the exhaustion of trade mark rights are not adapted to Metaverse.

## **Chapter 2: The uncertain enforceability of the right to prohibit after an authorized release on the market in Metaverse: exhaustion of trade mark rights**

60. **Nike v. StockX.** In response to an infringement action brought by Nike against it in Metaverse, StockX has invoked the the "first sale" doctrine, akin to the exhaustion of trade mark rights rule under European law. An American court will soon have to rule on this issue.<sup>116</sup> This dispute stems from the unauthorized marketing by StockX of NFTs of shoes bearing the famous NIKE figurative trade mark. Such an invocation of trade mark exhaustion raises a key question: “is there (...) a “doctrine of exhaustion” in the metaverse”?<sup>117</sup> Answering this question requires turning one's attention to the European notion of exhaustion of trade mark rights. Article 15 of Directive 2015/2436 states that « a trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Union under that trade mark by the proprietor or with the proprietor's consent.” It appears that this “exception or limitation to the trade mark right,”<sup>118</sup> which is the result of the confrontation between the freedom of circulation of goods and the exclusive trade mark right, is contingent on several cumulative conditions being met. Two of these conditions merit particular attention in the context of a study of trade mark rights in Metaverse: release onto the market (Section I) and the localization in the European Union (EU) of the release onto the market (Section II).

### *Section I: The act of the trade mark owner: putting the good on the market*

61. **Putting the good on the virtual market.** The textual requirement that goods be "put on the market" by the trade mark owner is clarified by case law. It follows from the *Peak Holding* case that goods are put on the market, within the meaning of the exhaustion of rights rule, when the right holder transfers to third parties “the right to dispose of the goods bearing the trade mark.”<sup>119</sup> Consequently, exhaustion of rights can only be invoked if the right to dispose of virtual products is transferred (I). Even then, virtual products would have to qualify as products within the meaning of Article 3 of Directive 2015/2436 (II).

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<sup>116</sup> MORENO (J.), ORMAN (M.), « Calling for answers: brand protection in the metaverse », In *The Patent Lawyer Magazine*, October 2022, p. 24.

<sup>117</sup> CHAN (B.), ETKIN (P.), WINEGUST (T.), « Brands are Plugging in and Cashing in - Protecting Trademarks and Copyright in Virtual Goods and Services », 16 March 2022.

<sup>118</sup> PASSA (J.), *op. cit.*

<sup>119</sup> CJEC, 30 November 2004, case C-16/03, *Peak Holding* (pt. 42).

I) The nature of the act of commercializing virtual products

62. **Nature of rights transferred.** Professor Terré claimed that "qualification allows to grasp reality."<sup>120</sup> Today, qualification is also called upon to capture what is virtual. More specifically, qualification today faces the challenge posed by the act of marketing virtual products. This is a particularly thorny challenge, given that the two parties – trade mark owner and Metaverse user - will most likely disagree on the extent of the rights conferred by the former on the latter when "selling" a virtual product. Indeed, it's a safe bet that the user will believe he or she is acquiring the virtual product and the right to dispose of it. However, as trade mark owners are likely to argue, this may not be the case. This intuition is based on the study of first-generation metaverses (Second Life, Fortnite, etc.). These have long offered users the possibility of acquiring virtual clothes - "skins" - to dress up their avatars. users the possibility of acquiring virtual clothes - "skins" - to dress up their avatars. Users who have "acquired" these skins retain the right to use them for as long as they continue to connect to the metaverse... and therefore to pay for licenses. As such, the "sale" of these skins is more akin to a license than a transfer of ownership.<sup>121</sup> What Metaverse users will call a sale may well turn out not to be one.

63. **The silence of the law.** The law does not provide a definitive answer as to the qualification of the act of marketing a virtual product in Metaverse as a license or a sale. Yet it would have been logical for an answer to be provided by Directive 2019/770 on certain aspects concerning contracts for the supply of digital content and digital services. This directive applies to virtual products insofar as it defines the notion of "digital content" as the assembly of "data which are produced and supplied in digital form."<sup>122</sup> No need to be an expert on virtual products to understand that they fall within this definition. Consequently, the qualification conferred by the directive on contracts for the supply of digital content and digital services should have answered questions as to the qualification of the act of marketing virtual products. However, Directive 2019/770 explicitly refrains from specifying whether contracts for the supply of digital content and services constitute contracts of sale, leaving this responsibility to the member states.<sup>123</sup> Needless to say, most national laws, notably French law, are silent on this point. As a result, the qualification of the marketing of virtual products as a "sale" is, to say the least, uncertain. This is all the more true given that case law on IT contracts is not particularly

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<sup>120</sup> F. TERRÉ, *L'influence de la volonté individuelle sur les qualifications*, Préf. R. Le Balle, LGDJ 1957, n°641.

<sup>121</sup> PARK (K.), *op. cit.*

<sup>122</sup> Directive 2019/770, art. 2.

<sup>123</sup> Directive 2019/770, recital 12.



helpful, as it is particularly obscure, as illustrated by the *UsedSoft* case.<sup>124</sup> In this respect, the applicability of the exhaustion of rights rule in Metaverse cannot be negated or confirmed on the basis of the sole criterion of the transfer of the right to dispose of the goods bearing the trade mark.

II) The nature of the item to be commercialized

64. **The wording of Article 3 of Directive 2015/2436.** It follows from Article 15 of Directive 2015/2436 that the exhaustion of rights is conditional on "goods" being placed on the market. Both directive 2015/2436 and the EUTMR are careful not to define the notion of good. In fact, this lack of definition is easy to understand: there was no need to define what was, until yesterday, self-evident. The emergence of "virtual products" now casts a shadow of doubt over this notion. Indeed, it is questionable whether the simple lines of code that are virtual products constitute products within the meaning of Article 3 of Directive 2015/2436. This is all the more so since, by analogy with the exhaustion of copyright, the notion of product seems to have to be understood as referring to that of "tangible copy." It is therefore conceivable that the exhaustion of trade mark rights implies that a tangible item has been put on the market. If this were the case, it would be impossible to apply the rule of exhaustion of trade mark rights in Metaverse.

65. **The philosophy behind Article 3 of Directive 2015/2436.** Such a solution, which complies with the wording of Article 3 of Directive 2015/2436, would however ignore the philosophy of the exhaustion rule for trade mark rights. This philosophy is to prevent the owner from continuing to exercise control over his products once he has agreed to sell them. From this point of view, depriving the rule of exhaustion of rights of its effectiveness in Metaverse on the basis of the virtual nature of products would have the effect of jeopardizing the precarious balance between trade mark rights and the free circulation of goods. Such a solution would therefore be unsatisfactory. This is all the more true given that some argue that drawing a distinction between real and virtual products would be artificial, given that "the sale of virtual products is functionally equivalent to the sale of real products in the physical world."<sup>125</sup>

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<sup>124</sup> CJEU, 3 July 2012, case C-128/11, *UsedSoft GmbH v. Oracle International Corp.*

<sup>125</sup> XIAO (B.), « Chines court rules on NFT transactions and responsibility of trading platforms », In *Journal of Intellectual Property Law & Practice*, 2022, Vol. 17, No. 8, p. 604.

In short, while reconciling the conditions relating to the nature of the act and the nature of the item to be commercialized with the virtuality of Metavers may prove complex, it should not be impossible. On the other hand, the requirement of localization in the EU could well constitute an insurmountable barrier to the application of exhaustion of rights in Metaverse.

*Section II: Localization of the trade mark owner's act: the EU*

66. **European and international exhaustion.** As exhaustion of rights aims to prevent the compartmentalization of national markets in order to ensure the effectiveness of the European single market, the application of Article 3 presupposes an act of commercialization localized in the EU. Exhaustion of rights is therefore closely tied to the notion of borders. Yet the very essence of Metaverse is to transcend borders. The requirement that a product be released on the market in the EU does not sit well with Metaverse (I). The absence of international exhaustion of trade mark rights, which would have been appropriate for Metaverse, is therefore lacking (II).

I) Existence of a European trade mark right exhaustion not adapted to Metaverse

67. **Impossible European exhaustion in Metaverse.** As metaverses ignore the concept of borders, it seems impossible, as things stand, to localize in the real world a "sale" of a virtual product that has taken place in a metaverse. As a result, there is no way of determining whether the marketing of a virtual product in Metaverse has taken place in the EU within the meaning of Article 3. Since it is impossible to link such an act to the European territory, the application of the exhaustion of rights becomes impossible in Metaverse. As it stands, therefore, Metaverse defeats the trade mark exception of exhaustion of rights. The right to prohibit is consequently strengthened in Metaverse. More precisely, the scope for exercising the right to prohibit is broadened. A paradox worth noting emerges: Metaverse's disregard for borders has the effect of extending the domain in which the right to prohibit can be invoked. While Metaverse's lack of territoriality may appear to be an obstacle to the enforceability of the right to prohibit (particularly in the context of infringement proceedings), it could well prove to be an agent in favor of the enforceability of the right to prohibit.

## II) Lack of international trade mark right exhaustion adapted to Metaverse

68. **Possible international exhaustion in Metaverse.** Establishing international exhaustion of trade mark rights could constitute a remedy for Metaverse's unsuitability for European exhaustion of trade mark rights. Indeed, if the release on the market in the EU requirement were to be abolished - for the virtual world only - any marketing in Metaverse could trigger the exhaustion of rights. In such a case, the question of where the virtual product is marketed would no longer arise. Indeed, since Metaverse does not constitute an alternative "virtual world", but simply a virtual reality experience taking place in the real world, any commercialization occurring in a metaverse necessarily takes place in the real world. The impossibility of tying this commercialization to a specific location in the real world is therefore irrelevant. While the establishment of international exhaustion of trade mark rights for virtual products may be appealing, such a solution does not appear to be on the agenda. Indeed, the European Court of Justice has expressly ruled against international exhaustion of trade mark rights in the *Silhouette* case.<sup>126</sup>

## CONCLUSION

69. **Enforceability of trade mark rights in Metaverse.** If the EU institutions proclaim their ambition to “set the global standards when it comes to technological development” so that digital transformation “works for all and not for only a few,”<sup>127</sup> adopting new norms to protect trade mark rights in Metaverse is pointless. Indeed, trade mark law has already proven its ability to operate in Metaverse. Such enforceability of trade mark rights in Metaverse is easy to understand: Metaverse is not the "virtual world" it claims to be. There is only one world - the real world - in which virtual reality can be used. This is one of the reasons why the protection granted for a trade mark registration covering real products and services extends to their virtual equivalents. This means that the owner of a right to prohibit obtained by means of a trade mark registration for real products and services is not deprived of the benefit of infringement proceedings in Metaverse for virtual equivalents. In short, not only is a new Metaverse-specific trade mark registration pointless, it could also prove dangerous. Indeed, it is easy to lose the right to prohibit in Metaverse. This could result in a trade mark owner losing the right to prohibit

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<sup>126</sup> CJEC, 16 juillet 1998, case C-355/96, *Silhouette*.

<sup>127</sup> Communication from the Commission to the European Parliament, the Council, the European economic and social committee and the committee of the regions, Shaping Europe's digital future, COM (2020) 67 final.

in Metaverse that he intended to acquire by means of a new registration specific to this universe, while retaining such a right on the basis of his previous registration for equivalent real products and services. Judges and offices could therefore be faced with this contradiction between the loss and preservation of a right to prohibit in Metaverse. My opinion is that these owners should be deprived of their trade mark rights. This would sanction the use of trade mark law for purely advertisement purposes. It is a safe bet that applicants are not looking for legal protection so much as capitalizing on the popularity of Metaverse. Such wilful misuse of trade mark law cannot remain without adverse consequences.

70. **Enforceability of copyright in Metaverse.** If the owner of a figurative trade mark finds that his rights have been infringed in Metaverse, he may be tempted to bring an action for trade mark infringement, but he may also be tempted to invoke his copyright. This raises the question of the enforceability of copyright in Metaverse.

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