



A pair of Birkin bags in a Hermès International luxury goods boutique in Paris on Oct. 21, 2020. Hermès has sued Mason Rothschild for trademark infringement in federal court in New York over his line of digital assets branded as “Me taBirkins.”

## **Brands in the Metaverse Will Fight Old Battles on New Ground**

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*As demand for virtual goods increases, and the amounts paid for those goods skyrocket, we can expect to see more litigation, Covington & Burling LLP attorneys say. Established and developing cases involving digital images illustrate the types of claims that may shape the future metaverse ecosystem—with copyright, trademark, and right-of-publicity disputes taking center stage.*

The metaverse is still a work in progress, but there is general agreement that no matter how the technology develops, the user experience will be highly immersive. Mark Zuckerberg has said of the metaverse that a user will be “in the experience, not just looking at it.”

Philip Rosedale, a co-founder of the pioneering platform Second Life, has observed that for some people, the person you are in the metaverse will become your “primary identity.”

### **‘Is That Blue Crocodile Hermès Birkin Bag Real or Fake?’**

Those who create a metaverse avatar will almost certainly seek ways to identify themselves and set themselves apart from others, in much the same way that new arrivals to “real world” communities frequently do. Branded goods, from a New York Yankees T-shirt to Harry Winston ruby slippers, can be used to share affiliations, display wealth or working class roots, and showcase passions. These issues are not new. Brand owners have been dealing with knockoffs on the internet for years.

What is new is the possibility that as people spend more of their lives on metaverse platforms (working, socializing, dating, sharing religious observances, marking life events, etc.), the market for branded goods in the metaverse could be greater than the market for branded goods “in real life.” If your identity in the metaverse becomes your “primary identity,” then, for example, you may spend more of your money on expensive apparel for your avatar and less on your real world clothes.

With that much at stake, the development of the law on infringement, passing off, and misappropriation for virtual goods becomes highly relevant to brand owners. Understanding the law now, in broad strokes, is the first step in developing a strategy for what comes later.

## A Look at Second Life Cases

The online platform Second Life, which debuted in 2003, was a pioneer of the metaverse technologies and its rapid growth following its launch spawned a wide variety of intellectual property disputes. User-generated content, one of the building blocks of Second Life's online environment, produced a number of legal claims, including user-creators [suing each other](#) and Second Life developer, Linden Lab, for [copyright](#) and [trademark](#) infringement.

For example, in 2009, the [manufacturer of the physical TASER stun gun sued Linden Lab](#) alleging that it allowed Second Life users to infringe and dilute the TASER trademark and Taser's design patent by creating virtual versions of the TASER stun guns and selling them in Second Life alongside adult-oriented virtual products. [The parties settled](#) before a decision on the merits.

While the Second Life cases are instructive, they frequently failed to establish binding precedent. Several issues first addressed in the Second Life cases are still being litigated today by video-game developers.

The producers of the video game NBA2K [successfully defended copyright infringement claims](#) based on tattoos on real-world athletes, with the court finding the in-game uses of such tattoos were de minimis, impliedly licensed, and fair use. But in a similar and still-pending case involving tattoos on a real-world professional wrestler incorporated into the game WWE2K, [the court concluded](#) that the use was not de minimis, and found triable issues on the license and fair use defenses.

Another video game developer, Epic Games, defeated several claims over turning short, real-world dance moves into Fortnite emotes, with the U.S. Copyright Office determining that the dance moves were not copyrightable and courts finding no significance of the dance moves as a source identifier or commercial likeness.

## Soft Assets Sell for Hard Cash

The launch of new platforms offering metaverse functionality has created a demand for virtual assets and a proliferation of trademark filings for virtual goods.

A plot of virtual land in Decentraland sold in November 2021 for \$2.4 million. In December 2021, Nike acquired a virtual sneaker company, RTFKT, on confidential terms. In recent months, prominent brand owners, including Nike, Ralph Lauren, Converse, and Wal-Mart, have filed trademarks for a range of virtual goods and services.

Companies like Prada and Gucci reportedly are challenging applications filed by unaffiliated individuals attempting to register PRADA and GUCCI marks in classes for metaverse-related categories, including downloadable virtual goods, virtual worlds, and virtual clothing used in virtual spaces.

On Jan. 14, Hermès [sued](#) artist Mason Rothschild over his collection of 100 "MetaBirkin" NFTs, in part for trademark and trade dress infringement and dilution.

The MetaBirkin NFTs, two-dimensional depictions of versions of Hermès' iconic Birkin bags, originally sold for \$42,000. Rothschild claims that these NFTs are art protected by the First Amendment, akin to Andy Warhol's art depicting Campbell's soup cans. The case [was recently filed](#) so these important issues have not been decided.

As the demand for virtual goods increases, and the amounts paid for those goods skyrocket, we can expect to see more litigation. Established and developing cases illustrate the types of claims that may shape the future metaverse ecosystem.

We can expect copyright, trademark, and right of publicity disputes over virtual versions of real-world assets involving platforms, developers, and users, echoing past disputes that often were never fully litigated or finally resolved.

Brand owners, content creators, and platforms alike should understand this history and monitor ongoing developments to better stake their claim in this new frontier.

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