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Protecting Fashion Brands in the Metaverse and Beyond

By now, many have likely heard of the metaverse—a network of digital environments where individuals can use avatars to, among other things, interact and shop. The metaverse is undoubtedly one of the hottest topics in recent years. So, while still in the early stages, it's unsurprising that fashion brands have shown an interest in the metaverse's potential.

One reason fashion brands have taken an interest in the metaverse is, presumably, due to the creative freedoms it allows. In the metaverse, creatives aren't limited by supply chain issues or travel delays—they can simply produce a product that is instantly and freely accessible to consumers. But with that freedom comes an easier means for counterfeiters to infringe upon brands' valuable intellectual property (IP).

For example, Roblox users can purchase authentic virtual clothing and accessories from [Gucci](#) and [Ralph Lauren](#), but there are also countless unauthorized products available for purchase, including [Cartier LOVE bracelets](#), [Supreme hoodies](#), and [Chanel blazers](#).

Numerous fashion brands have also started offering non-fungible tokens (NFTs), one-of-a-kind digital assets that can be used to represent items, such as works of art, videos, and even digital (or physical) garments. For example, [Gucci](#), [Rimowa](#), [Dolce & Gabbana](#), [Givenchy](#), and others have launched NFTs to engage with the digital community. On the other hand, NFTs have provided a new medium for copycats. A fairly high-profile example is the [MetaBirkins NFTs](#)—colorful, hyper-realistic, and furry depictions of Hermès' famous Birkin bag—which are the subject of an infringement, dilution, and cybersquatting suit brought by Hermès. Mason Rothschild, the MetaBirkins creator, recently moved to dismiss Hermès' suit, arguing that his use of "MetaBirkins" was protected artistic expression under the *Rogers* test—under which the use of a third-party trademark with a creative work does not infringe unless the use (1) has no artistic relevance whatsoever, or (2) is explicitly misleading. While the U.S. District Court for the Southern District of New York (SDNY) agreed that NFTs can be subject to the *Rogers* test—which up until then was an open question—it denied Rothschild's motion to dismiss because Hermès' amended complaint sufficiently alleged that his use of "MetaBirkins" is explicitly misleading.

Beyond this, courts have yet to provide meaningful guidance on what is or is not infringing or dilutive in the virtual world. Further, in denying Rothschild's motion to dismiss, the SDNY suggested *in dicta* that *Rogers* might not apply to, for example, a virtually wearable Birkin handbag since the "MetaBirkins" name would then be used with a nonexpressive commercial product. Such virtual bags could conceivably be subject to other fair-use defenses, but in light of the open questions and potential risks posed by the metaverse and other virtual offerings, brands should consider expanded trademark filings expressly covering digital products and NFTs, which can improve enforcement efforts and ease expansion plans into the metaverse. First, a trademark registration provides evidence of the owner's exclusive rights to the registered mark. As a result, a registration covering NFTs and virtual goods will enhance a brand's enforcement, anticounterfeiting, and take-down efforts against infringing virtual offerings. For instance, many metaverse platforms and NFT marketplaces have take-down procedures, under which they may remove infringing virtual goods in response to proof of infringement of protected rights—the latter of which can be more easily established with a trademark registration covering relevant goods or services.

The unauthorized designer products on Roblox demonstrate consumer demand for branded virtual goods in the metaverse. In turn, brands can satisfy this demand and edge out infringers by introducing their own virtual goods and NFTs. Trademark registrations can also be leveraged when entering into licensing arrangements with NFT minters, metaverse platforms, and other operators in the virtual world.

Many top brands have taken heed, as evidenced by the [2,600 trademark applications](#) for virtual products filed from January to May 2022 alone. The same is also true for apparel and footwear brands, in particular. Nike was an early mover when it filed to register many of its brands for virtual products and services starting in October 2021, including NIKE, JUST DO IT, and the iconic Nike swoosh logo, among others. Other top brands, like Valentino and Saint Laurent, followed shortly thereafter. Interestingly, many top fashion retailers have even applied to register their marks for virtual real estate services—perhaps in anticipation of the metaverse's omnichannel potential.

Takeaways

Beyond trademark registrations, fashion brands should monitor popular metaverse and NFT platforms for unauthorized usage of their IP. Many infringements will likely be resolvable with "informal" enforcement measures through demand letters, business-to-business discussions, and/or take-down requests—though, as mentioned, trademark registrations for virtual goods will enhance those efforts. Brand owners should leverage trusted IP counsel to craft registration, monitoring, and enforcement plans to combat current and future infringement in the digital world.

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