



## **JURISDICTION AND ENFORCEMENT ISSUES IN THE METAVERSE**

**A Partial Summary of *Trademarks in the Metaverse: A Report from INTA***

**New Emerging Issues Sub-Committee of the INTA Emerging Issues Committee**

**November 2023**

Catherine Mateu

Emerging Issues Committee Chair

Barbara Porcario

Emerging Issues Committee Vice Chair

Luis Fernando Bermejo

New Emerging Issues Subcommittee Chair

Pieter Van Den Bulck

Stobbs Netherlands B.V. (Author)

## **Acknowledgements**

This Committee Report was produced by the New Emerging Issues Subcommittee of the Emerging Issues Committee. Special thanks to all the members of the said committee as well as to INTA members who contributed strongly to the production of this report, also acknowledged hereafter.

## **Disclaimer**

All information provided by the International Trademark Association in this document is provided to the public as a source of general information on trademarks rights in the context of virtual and digital environments such as the metaverse. In legal matters, no publication, whether in written or electronic form, can take the place of professional advice given with full knowledge of the specific circumstances of each case and proficiency in the laws of the relevant country. While efforts have been made to ensure the accuracy of the information in this document, it should not be treated as the basis for formulating business decisions without professional advice. We emphasize that intellectual property laws vary from country to country, and between jurisdictions within some countries. The information included in this document will not be relevant or accurate for all countries or states.

## **Introduction**

The advent of the Internet in the 1990s sparked a revolution that touched on every aspect of modern life and opened doors for all manners of technological progress. At the same time, this revolution also led to new legal challenges across an equally broad spectrum. It gave birth to the phenomenon of “cyber squatters” and created new avenues for counterfeits and other forms of unfair competition, to name just a few issues. These challenges led brand owners to seek and devise new mechanisms to defend their rights and seek redress. Over time, legal practitioners developed new protection and enforcement strategies, and governmental and non-governmental entities responded with national legislation, treaties, and other forms of action to ensure the Internet could provide a stable environment for stakeholders and users alike. These challenges continue even as the Internet continues to evolve, including into new virtual environments and new forms of e-commerce. With the benefit of that experience, brand owners, legal practitioners, and governmental and non-governmental entities now have the opportunity to prepare for what may be the next revolution, or at least a new frontier—the metaverse.

While the metaverse is still in a nascent stage of development, it has the potential to revolutionize how we experience the Internet and interact with brands and each other. With that potential also comes the possibility of the same challenges arising that followed the rise of the Internet, perhaps as well as some new and unforeseen challenges. With that in mind, the International Trademark Association (INTA) published a white paper in April 2023 titled Trademarks in the metaverse to identify at least some of the diverse problems and potential best practices for brand owners who enter the metaverse.

This paper highlights the findings of that publication as they pertain specifically to prosecution and enforcement issues in the metaverse.

## **The Metaverse Challenges Traditional Notions of Jurisdiction**

One of the difficulties when thinking about the use of a trademark in the metaverse is the question: “when a trademark is used in the metaverse, what national or geographic territory does that use correspond to?” (i.e., jurisdiction). This jurisdictional question around use is particularly important for trademark owners that wish to develop a registration strategy. In the physical world, the issue is relatively straightforward, that is, a trademark owner will likely register where the company has sales, markets for export, and wherever they foresee that such activities might continue in the future. However, this is much less straightforward in the metaverse. The metaverse might cause a blurring between, or a layering of, the physical and virtual world and cause us to redefine our traditional ideas on jurisdiction, particularly for enforcement purposes and especially for litigation purposes. If a person or company is infringing a mark in the metaverse, where does the trademark owner sue for redress? Where does the infringement take place? If a trademark owner wishes to seek an injunction to prevent use in the metaverse, in what country should it apply? Terms of Use and End User License Agreements of the metaverse platforms might bind parties to litigate or arbitrate when there is privity among the parties, but if the trademark owner is not privy to them, where can he or she find judicial redress?

It is well understood that for a legal judgment to have force, the rendering court must have jurisdiction, with notice and an adequate opportunity to be heard by the parties to be bound by the judgment. The question of how the international jurisdiction of national Courts is assessed depends, in most cases, on the domestic law of those Courts. This paper cannot and will not try to do a comparative view of domestic laws for jurisdiction purposes in metaverse disputes, particularly with regard to IP. However, with broad strokes we will try to examine the situation in selected important jurisdictions.

### **Lack of Unified Approach with Respect to Jurisdiction in the Metaverse**

In the context of IP infringement, the “minimum contacts” requirement (US), forum delicti commissi (Europe), and similar principles based on where infringement takes place, can establish jurisdiction in addition to principles of domicile. However, the extent to which it is required that the alleged infringer is active in such additional jurisdictions (mere online availability vs actively targeting) can vary significantly. We summarize the position in the US and Europe where case law has been more abundant in matters related to these matters by textually quoting the relevant sections 5.2 and 5.3 from the “White Paper Trademarks on the Metaverse: A Report by INTA”:

#### *United States*

“In the U.S., a state has general jurisdiction to hear legal claims against a defendant if that defendant is “domiciled” or “essentially at home” in that state—for example, where the state is the company’s state of incorporation or principal place of business. *Daimler AG v. Bauman*, 571 U.S. 117, 133 n.11, 137 (2014). Otherwise, a court must have specific

personal jurisdiction over the defendant, through a showing that the claim relates to activities within that state. In a landmark case, *International Shoe*, the U.S. Supreme Court established the “minimum contacts” standard for specific personal jurisdiction, stating that “[d]ue process requires that non-resident defendants have ‘minimum contacts’ with the forum, such that the exercise of personal jurisdiction does not offend ‘traditional notions of fair play and substantial justice.’” *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

The U.S. Supreme Court has not yet provided a standard for how a defendant’s virtual or online activities translate into contacts for purposes of the minimum contacts analysis. However, several U.S. courts have examined this question, including in the IP infringement context. A consistent view has emerged that the “purposeful availment” prong is not satisfied by merely operating a website accessible in a state. *Plixer Int’l, Inc. v. Scrutinizer GmbH*, 905 F.3d 1, 8 (1st Cir. 2018) (collecting cases). This is so even if a website is “interactive.” See, e.g., *be2 LLC v. Ivanov*, 642 F.3d 555, 558–59 (7th Cir.2011). Instead, the defendant must have purposefully exploited the market of the forum state, such that it could reasonably expect to be hauled into court in that state. See *Plixer Int’l Inc.*, 905 F.3d at 11.

It is notable that, in its “MetaBirkins” complaint, Hermes’s asserted personal jurisdiction over the defendant in New York on the basis that (1) the defendant offered METABIRKINS NFTs on OpenSea, among other NFT marketplaces, which is a Delaware corporation with a principal place of business in New York; (2) at least one consumer living in New York purchased a METABIRKINS NFT; and (3) defendant’s conduct has caused harm to Hermes in New York, where it maintains a principal place of business. *Hermès International, et al. v. Mason Rothschild*, 1:22-cv-00384 (SDNY Jan. 14, 2022). The defendant did not challenge personal jurisdiction in its motion to dismiss the complaint or the amended complaint.

With regard to trademark infringement claims arising from the existence of the metaverse, which like the Internet itself, by definition is “borderless,” courts will continue to look to the facts of the particular case to determine whether a defendant has sufficient “minimum contacts” in a forum to establish personal jurisdiction.”

### *European Union*

“In Europe, it is important to take into account that court jurisdiction with regard to trademark disputes is regulated by the Brussels Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (hereafter, Brussels Regulation) and by Regulation 2017/1001 on the European Union Trademark (hereafter, “REUT”) with regard to disputes on European Union trademarks. Additionally, the domestic provisions on court jurisdiction are applicable in instances where the above mentioned regulations do not apply, or in some cases, by express provision of the same.

With regard to disputes related to domestic or national trademarks, the Brussels Regulation 1215/2012 rules establish international jurisdiction in the courts around

notions of “domicile” (see, for examples, articles 4 and 5), which as noted, is complicated by the fact that user names and ownership of avatars might be difficult to determine. On the other hand, in relation to infringement of trademarks, the Brussels Regulation in article 7(2) states that “[a] person domiciled in a Member State may be sued in another Member State: ...2) in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur....” Thus, the Regulation sets forth, as a competent court, the forum in which the tort was committed (forum delicti commissi). Additionally, in contract disputes, regarding obligations to be complied with in the metaverse (not in the physical world), what is the “place of performance of the obligation” to establish international jurisdiction of the Courts? Where are goods “delivered” in the metaverse? These sorts of questions are likely to complicate an IP dispute beyond the usual considerations of infringement and harm.

The REUT also stipulates in articles 125(1) and (2) that actions can be brought in the Courts of the Member State where the defendant has its domicile (125(1)) or where it has its establishment (125(2)). Moreover, when neither the defendant has its domicile or establishment in the court of a Member State, article 125(5) provides for the typical forum delicti commissi stating: “Proceedings in respect of the actions and claims referred to in Article 124... may also be brought in the courts of the Member State in which the act of infringement has been committed or threatened....”

At first glance, the comparison between the grounds of jurisdiction in the Brussels Regulation (applicable to disputes on national trademarks) and the REUT (applicable to EU trademarks) are quite similar. Thus, when the defendant is domiciled in a Member State, the complaint can be brought before the courts of that State (Art. 4 Brussels Regulation and Art. 125 (1) REUT), or before the courts of the forum delicti commissi (Art. 7 (2) Brussels I Regulation, Art. 125 (5) REUT). “The Court of Justice of the European Union (CJEU, hereafter) has interpreted that, similar to the provisions of Art. 125 (5), the courts of forum delicti commissi can only be seized about complaints concerning trademark infringements committed in the territory of that Member State.”

Very important to metaverse situations, the CJEU has adopted a flexible interpretation of forum delicti commissi in several judgments where the Court has stated that the mere accessibility of a website from the territory of a Member State is sufficient enough basis for courts of that State to declare jurisdiction. However, that has changed somewhat since the judgment of the Court in the “AMS Neve” case for EU trademarks applying the EUTM. In the said judgment it was stated that, for the purpose of present Art. 125(5), an infringement of a EUTM is committed in the place “of the Member State within which the consumers or traders to whom that advertising and those offers for sale are directed are located.” By the said judgment trademark owners can bring their legal action before the courts “of the Member State within which the consumers or traders to whom that advertising and those offers for sale are directed are located, notwithstanding that that third party took decisions and steps in another Member State to bring about that electronic display.” “This is highly convenient for EUTM owners because the place where it is domiciled and where it carries out its main commercial activities will usually be the same.” However, divergences appear on the interpretation of the forum delicti commissi between

the Brussels Regulation and the REUT because the decision introduces the so-called “targeting activities” criterion, that is, for the EUTM Court of a Member State to declare jurisdiction, it needs to be shown that the defendant targets its activities to that Member State’s market.”

For the purposes of this paper, perhaps the most salient or important aspect is that the “mere accessibility” criterion can be deemed in some cases as a source of legal uncertainty to any participant in the metaverse marketplace. It is foreseeable that participants in the metaverse marketplace will have a tough challenge assessing their risks of being sued in a particular jurisdiction. Some commentators have argued that forum delicti commissi in Art. (2) Brussels Regulation should only give jurisdiction to the courts of the Member State where a company is geographically “targeting” (akin to the test for REUT in “AMS Neve”) its commercial activities to lessen the risk of uncertainty in companies doing business in the metaverse.

### **Difficulties in Obtaining Provisional or Interim Measures of Protection.**

Platforms may not have permission to reveal personal details in the absence of a court order, while the courts cannot always establish jurisdiction without knowing where a defendant has its domicile. Even then, there might be challenges to convince Courts to assume jurisdiction to obtain the court order applying the criteria of the forum to establish international jurisdiction of the said Courts.

### **The nature of the Metaverse can create difficulties in recovery of damages for infringement in certain jurisdictions.**

In the recent U.S. Supreme Court decision *Abitron Austria GmbH v. Hetronic International, Inc.* 143 S. Ct. 978 (2023), the Court held that applying the presumption against extraterritoriality, §1114(1)(a) and §1125(a)(1) of the Lanham Act are not extraterritorial and extend only to claims where the infringing use in commerce is domestic, as a result, the plaintiff could not claim damages over infringement in foreign jurisdictions. This decision might create a wide array of difficulties for cases in the metaverse, because, due to its lack of particular territoriality, it will be difficult or cumbersome to the least, to prove damages are incurred in the US forum.

### **Disputes between brand owners and third parties, as well as disputes between brand owners and platforms are generally subject to terms and conditions.**

While these terms and conditions, including any dispute resolution provisions, can provide fast solutions in relation to IP infringement, they can be insufficient in the context of complex cases. This is one of the reasons why INTA expressed concerns on the proposed out-of-court dispute settlement mechanism in the draft EU Digital Services Act (the “DSA”).

The DSA, which came into force in the EU on November 16, 2022, is designed to enhance protections for consumers online, establish transparency and accountability for online



platforms, and foster innovation, growth, and competitiveness. Among the requirements imposed on online platforms by the DSA was the creation of an alternative dispute resolution (ADR) process to resolve disputes with the users. INTA expressed concerns that the proposed process, in particular as it seemed inappropriate for factually complex trademark and copyright disputes, could result in inconsistent decisions while encouraging forum shopping, and lead to duplicate legal proceedings to circumvent the out-of-court decisions.

The same concerns may arise in the case of ADR solutions for disputes in the metaverse.

**It is not safe to assume that trademark rights for physical goods protect brand owners against unauthorized use of virtual goods in the metaverse.**

While there are more and more examples of courts that afford such broader protection, owners of brands that do not (yet) enjoy a reputation should be particularly careful. Hermès' victory against a reseller of virtual Hermès Birkin bags called "MetaBirkins" in the US gives brand owners reasons to feel optimistic. In that case, a New York federal jury found that the artist Mason Rothschild infringed the trademark and trade dress rights of Hermès International by offering virtual designer bags under the name METABIRKIN. The fashion company successfully argued that the virtual goods infringed the company's rights to BIRKIN and the Birkin bag design with respect to physical goods. Whether this decision set a standard for future disputes between physical world and metaverse brands is to be seen. Moreover, as of this publication, the defendant in that case has appealed the decision to the U.S. Court of Appeals for the Second Circuit.

While the appeal is pending, Hermès can rely on its trademarks having a reputation, and it had evidence that the infringer was acting in bad faith. For now, the recommendation remains that trademark owners should file for trademark protection in respect of virtual goods.

Since the metaverse is not limited to jurisdictions from the perspective of potential reach, brand owners should not only consider trademark filing strategies in relation to specification of goods, but also from the angle of geographical coverage.

In addition to filing in key markets from a commercial and business focus point of view, brand owners should consider filing in countries where relevant platforms originate, and apply for protection in markets where infringement is the most likely to occur. That said, brand owners should also consider use requirements, either at the time of filing or upon expiration of any non-use periods. Obtaining the right level of protection in the right countries will become a bigger challenge than it has ever been.

**There is no equivalent to Uniform Domain Name Dispute Resolution Policy (UDRP) for blockchain domains.**

These domains, also known as NFT domains, play an important role in the metaverse, while brand owners have limited options to enforce trademark rights if their brands are

registered as a blockchain domain. For now, best practice is to secure blockchain domains as early as possible from blockchain domain name service companies like Unstoppable Domains and ENS, and to submit take-down requests to NFT marketplaces, like OpenSea and Rarible, where the blockchain domain is offered for sale.

## **Conclusion**

Determining jurisdiction will be a key issue and also a challenge. The ability to identify the alleged infringer and their place of domicile will place plaintiffs in a stronger position. When it comes to enforcement, existing takedown systems may well prove useful in the metaverse. However, there are currently inconsistent or incompatible requirements between jurisdictions in dealing with some issues such as data, but progress in harmonizing the governance of the Internet will benefit the approach to the metaverse.

Careful review of the use/service offered by metaverse platforms is highly recommended for users. Users also should utilize traditional contract arrangements where possible to address some of the gaps in smart or e-contracts.