DENTONS LEE

Metaverse and Trademark Infringement

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Trademarks are now widely used in the metaverse.

Louis Vuitton, Prada, and Chanel sell their virtual collections for avatars in Roblox, and Samsung Electronics sells its home appliances and electronics in the Samsung VR Store. As offline activities are constantly being held back due to the prolonged COVID pandemic, companies are looking to expand their business models by entering the metaverse. Trademark holders need to think about new trademark protection strategies in line with this new era.

The purpose of this article is to understand the basic principles of trademark infringement under Korean law, their applicability in the metaverse, and legal remedies against trademark infringement.

Ralph Lauren Stadium Shop in Roblox

Trademark infringement under Korean law

Trademark holders have an exclusive right to use their trademark for certain goods designated in advance. According to the Trademark Act and Korean court precedents, "goods" here refers to an object of commerce that holds an exchangeable value, "goods designated in advance" refers to a product for which a trademark is used and which is registered along with the trademark, and "using a trademark" means an act of labeling the source of a product, distributing or advertising such product. In principle, an unauthorized use of a trademark that is identical or similar to someone else's registered trademark on goods that are identical or similar to the designated goods of the registered trademark constitutes trademark infringement and is prohibited.

Risk of not designating virtual products for trademark registration

Products traded in the metaverse fall under the definition of "goods" under the Trademark Act as they are an object of commerce that holds an exchangeable value. And if a trademark is used to identify the source of a product, such use is subject to

regulations under the Trademark Act. However, there is a massive difference between products in the real world and products in the metaverse; products in the metaverse are just images or digital files, rather than tangible products. In terms of 'Group Codes' used by the Korean Intellectual Property Office, they may be classified as the "downloadable image files" under Class 9. Hence, the question of whether selling virtual products using someone else's trademark constitutes trademark infringement requires further analysis.

Trademark infringement occurs when a trademark identical or similar to the registered trademark is used for goods that are identical or similar to the registered goods. As to what it means by "identical or similar", the Korean Supreme Court has ruled as follows: "The similarity between designated goods is determined based on whether there is a concern that the products at issue would be considered manufactured or sold by the same company if an identical or similar trademark is used on them. Provided, however, that common notions in the realm of commerce need to be taken into consideration, subject to properties of the products themselves including their quality, shape, and use, as well as actual circumstances surrounding the transaction including production, sale, range of consumers, etc." (Supreme Court decision no. 2004Hu3225 rendered on June 16, 2006). According to the position of the Korean Supreme Court, if someone uses a Gucci's trademark for sale of a virtual apparel for avatar in the metaverse, consumers might be somewhat confused as to who the actual seller is, which adds to the possibility of trademark infringement; nonetheless, given that the properties of virtual goods and real-world goods are essentially different, it is not unlikely that the court would view them as not similar and rule against trademark infringement.

In other words, if you have designated only real-world products for your trademark registration, a third party may freely use your trademark in the metaverse without being subject to any legal liabilities. A third party may even try to register your trademark by designating goods, or "downloadable image file", which you have not registered. In the United States, where the trademark regime is similar to that of Korea, there actually was someone who filed trademark applications in 2021 for trademarks that are similar to those of Gucci or Prada while designating "downloadable virtual goods" which had not been registered by Gucci or Prada. USPTO hasn't yet rendered judgement, but there is no guarantee of outcome. In Korea, in response to such act, you may counter by filing an "objection" if before the registration or by filing a "request for invalidation" if after the registration. However, for your claim to prevail, similarity between the designated goods must be recognized unless the third party attempts to cause confusion with your goods or businesses that are remarkably known to consumers or tries to use the trademark for an unfair purpose. The Korean Supreme Court has ruled that "even if a trademark is identical or similar to an already registered trademark, its registration cannot be rejected if its designated products are not similar to those of the registered trademark, as misunderstanding or confusion as to the source of such products will not occur" (Supreme Court decision no. 92Hu1745 rendered on February 26, 1993).

Nikeland, a virtual world created by collaboration between Nike and Roblox

Remedy under the Unfair Competition Prevention Act

Trademark right holders may rely on the Unfair Competition Prevention and Trade Secret Protection Act (hereinafter the "Unfair Competition Prevention Act") for a remedy against trademark infringement. The Unfair Competition Prevention Act prohibits "an act of causing confusion with another person's goods by using marks identical or similar to, another person's name, trade name, trademark, or container or package of goods, or any other mark indicating another person's goods, which is widely known in the Republic of Korea; or by selling, distributing, importing, or exporting goods bearing such marks" (Article 2(1)(a)). The Unfair Competition Prevention Act does not strictly require an existence of similarity between the goods on which trademarks are used so long as an unfairness of competition can

be otherwise proven. But note that the Unfair Competition Prevention Act requires that one's trademark be "widely known", and so if your trademark does not have a strong local presence in Korea, it would be difficult to seek remedy under this Act.

New trademark protection strategies needed for the metaverse era

In short, a third party may use a trademark similar to yours in the metaverse while causing harm to your business but is not held liable under the existing laws. To prevent such situations, it would be safe to designate virtual products ("downloadable image files", etc.) for your trademark registration in addition to the real-world products. If you already have trademarks that are registered, you can file a request to add designated products. Some brands have made an early start to implement new strategies for their trademark portfolio. Recently, Ralph Lauren, Nike, and DKNY have filed new trademark applications in the U. S. or the EU designating "downloadable virtual goods". The metaverse era has arrived, and it's time to think about new trademark protection strategies.

Above was an article originally contributed by Attorney Won-Chun Lee of Dentons Lee to the March issue of the Hotel & Restaurant Magazine.

Won-Chun Lee
Attorney
D +82 2 2262 6066
wonchun.lee@dentons.com

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