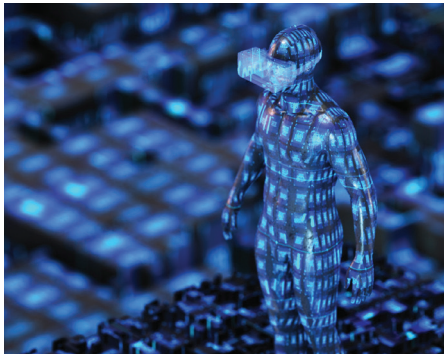


# Intellectual property and the metaverse

Companies and creators of all sizes, in all industries, should consider building a metaverse presence and a strong IP strategy to go with it



**HUMANKIND'S NEXT** giant leap will be into the metaverse or, more precisely, into many parallel metaverses. The Internet is evolving into a collection of immersive worlds that provide increasingly sophisticated business, gaming and social experiences in which users interact with one another in virtual environments as avatars of themselves. This transformation has already begun, with the gaming industry and some of the world's largest brands leading the way.

The metaverse presents significant intellectual property opportunities and challenges for creators, innovators, and companies that are building or joining a metaverse or using it to deliver their products and promote their brands.

The metaverse represents a new economic frontier, with infinite digital real estate and without the physical and practical limitations of the real world. At the same time, many virtual business opportunities in the metaverse will practically coexist with and enhance their real-world counterparts. The fashion industry is quickly embracing the possibilities of the metaverse; for example, Nike has created its

own platform where users can buy and wear virtual apparel, compete in contests, and meet celebrity avatars. In some cases, physical goods, like clothing and accessories, are being sold with digital counterparts, so users can wear the same 'outfit' in the physical and digital worlds.

These experiences, among many others yet to be imagined, will be realized through technologies that facilitate new forms of virtual experiences and enhance integration of metaverses with the real world. Innovative companies developing wearable devices – such as next-generation virtual and augmented reality glasses, biometric sensors and haptic devices – that can translate real-world activities to virtual actions (and vice versa) will rely heavily on patents to protect their investments and prevent competitors from copying products.

For established companies, the metaverse presents a new avenue for boosting brand awareness and value. In addition to selling digital versions of physical goods, brands are exploring how the metaverse can be harnessed to offer low-cost, personalized and effective engagement with customers through digital products and associated experiences; for example, with digital clothes that change colour, shape and function, and through offering customers exclusive deals and experiences within branded metaverse 'spaces.' As brand owners identify new opportunities, they would be well advised to seek trademark registration for their metaverse-related goods and services.

Similarly, recent Web3 developments in blockchain technologies and smart contracts facilitate new revenue streams for creators

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and brands within and outside the metaverse. Such technologies support the creation, exchange and operation of non-fungible tokens (NFTs) that can be associated with creative works or branded items to create ownership scarcity for otherwise infinitely reproducible virtual assets, and verifiably track chain of title. Smart contracts also allow creators and brands to potentially set limits on how, where and when a particular copy of a work or branded item may be used. For example, NFTs may be used to limit the number of avatars able to 'wear' a particular outfit or how long those avatars can do so. Blockchain-based ledgers can also help identify infringing or counterfeit products and use smart contracts to take enforcement action.

The rapid growth of the metaverse is changing the environment in which business is done. Its market size was estimated at over C\$80 billion in 2021 and is expected to exceed \$2 trillion by 2029. Companies and creators of all sizes in all industries should consider building a metaverse presence and, with it, a strong intellectual property strategy to protect their technologies, brands and creative assets in these new virtual spaces. **CL**



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