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Legal Challenges

Related to the Registration

of Trademarks and Designs

Connected with the NFTs and the Metaverse

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Introduction

Over the past two years both the business and legal sectors have shown a substantially heightened interest in matters related to NFT and Metaverse. Along with the rise in new projects relating to this phenomenon, we may also observe a growth in attention paid to the legal protection. One might say that such a turn of events is, of course, natural. Since business is investing in such projects, it was only a matter of time before the relevant entities began expressing a desire in securing their rights in this regard. This interest has also been reflected in the registers of intellectual property offices, which have seen a significant increase over the past year in trademark applications relating to NFT and Metaverse. More attention is also being paid to the protection of virtual designs in this context.

Consequently, in this thesis, I would like to focus primarily on the topic of NFT and Metaverse strictly related to trademark and design law. To date, in the legal literature, one has mainly come across works treating about NFT and Metaverse issues, but from the perspective of the general protection of intellectual property rights related to them, e.g. copyright. The very phenomenon of registering trademarks or designs related to NFT or Metaverse appeared relatively recently. It was only last year (2022) that the European Union Intellectual Property Office spoke out on the subject and presented its approach, even if it did not address all the issues at stake. Indeed, last year's remarks by the European Office provided much of the inspiration and motivation for this work.

Throughout this thesis, the main focus will be put on issues relating to the registrability of trademarks and designs associated with the NFTs and Metaverse. Therefore, this paper will not deal with the further subject matter of the enforcement of rights obtained through the registration of such marks or designs. These aspects will simply be brought up to highlight the comprehensive nature of the discussed topic. Additionally, a number of studies on this subject are currently available in the relevant literature. Especially in the light of the numerous active trademark and NFT-related legal proceedings mainly in the US. Given this, it was not my intention to elaborate on that issue at this point. I wanted to focus on the very problem of the registrability of these types of trademarks or designs, which seems to be an issue that has not been overly addressed so far.

First and foremost, this thesis seeks to answer the question of what legal challenges related to the issue of registrability arise under the European trademark and design protection regimes. Furthermore, through an analysis of current trademark and design regulations, this thesis answers the question of whether they need to be amended given the emergence of the

phenomenon in question. If so, what changes should be included and to what extent so that the registration of such marks or designs leads to the most effective protection possible?

Initially, this paper will focus on the problems of defining the NFT itself and the Metaverse, as I believe that a better understanding of both will allow for a more effective assessment of trademark and design law in this context. This will be followed by a description of the most significant legal challenges to trademark registrability relating to NFTs and Metaverse that have arisen under the European trademark regime. At the same time, there is a need to assess the extent to which the relevant European legislation might need to be amended. Lastly, the issue of the registrability of virtual designs associated with the Metaverse is one to which this paper would like to turn its attention. In doing so, it also focuses on the recently planned changes to the European design regime.

Chapter 1 - Setting the Scene - the Rise of NFT and Metaverse

1.1 - The Growing Significance of NFT and Metaverse

NFT and the Metaverse has seen a sharp rise in attention during the past years. Something that not so long ago seemed to be, at least in the realm of science-fiction, has recently become part of our everyday life. And as such technology develops at an extremely fast pace with each passing day, we can observe its growing relevance in the lives of many people. For this reason, several legal problems have arisen that cannot go unanswered by both legislators and legal doctrine. In recent years, various legal issues have arisen, particularly in the area of intellectual property law, which is heavily influenced by new technologies. It is precisely because of the rapidly changing world of new technologies that the field of this law faces problems that test the quality of its legislation.

In particular over the past two years, the NFT and Metaverse are beginning to substantially influence matters related not only to copyright law but also to industrial property law. They are becoming influential in the context of patent as well as trademark and design regimes. However, this thesis will only focus on issues related to the registrability of trademarks and virtual designs associated with the world of NFT and Metaverse.

While discussing this phenomenon, I believe we should first focus on understanding its origins. The very concept of both NFT and Metaverse has been resolving in our world for several years now. However, when looking at their history, one may come across views which indicate that the first NFT created was a project of the Israeli entrepreneur Yoni Assia, who in 2012 introduced to the world Colored Coins¹. In his paper explaining the project, Mrs Assia stated that Colored Coins are bitcoins, which are part of the “Genesis transaction”. Thanks to that, they are unique and identifiable, and that distinguishes them from regular bitcoin transactions. This project's potential was later exploited and further developed over the years.

One can observe the biggest increase in the popularity of NFT and the Metaverse with the advent of the global COVID-19 pandemic, which somehow forced many people to move most parts of their lives to the Internet. Accordingly, also during the same period, increased interest in technology related to NFT and Metaverse of many companies can be observed. It was in 2021 when Facebook announced its rebranding to Meta and emphasised that the

¹ Assia Y., bitcoin 2.X (aka Colored Bitcoin) – initial specs, 2012, Yoni Assia Blog, <https://yoniassia.com/coloredbitcoin/> (access: 26 November 2022)

company intends to focus considerably on creating its own Metaverse platform². Although given the recent news about the company's financial troubles which were caused by allocating too many funds to its Metaverse platform project, its cost-effectiveness can be debated³. Nevertheless, it is safe to say that, since then, the interest in NFTs and the Metaverse among many companies has been growing significantly.

In 2021, we could hear about the emergence of many NFT-related projects. By way of example, in December 2021, Mason Rothschild launched the now-famous MetaBirkins project, which introduced a unique collection of 100 NFTs honouring Hermes' iconic Birkin bags⁴. Also in November 2021, the director and writer Quentin Tarantino announced the auctioning off seven uncut scenes from the 1994 film "Pulp Fiction", the originally hand-written script of the film and exclusive audio commentary from the famous director himself in the form of non-fungible tokens⁵.

Moreover, in 2022, one could also hear about the emergence of many Metaverse projects related to the fashion and gaming industries. In March 2022, Decentraland's Metaverse Fashion Week was announced, where attendees could buy wearable NFTs in the form of 3D clothing in which they could dress their avatars⁶. Also, in February 2022, the fast-fashion e-tailer PrettyLittleThing announced the launching of its first virtual model⁷. According to the reports, since then, the customers of the online shop can find the virtual model showcasing products on the brand's website⁸. Furthermore, due to the growing interest in Metaverse-based projects, especially among young people, many companies related to the apparel industry have decided to start such projects, and so recently, e.g. Nike decided to launch the "Nikeland" project. It was developed in collaboration with Roblox, which is an online platform allowing its users not only to play a variety of games and interact with others but also to create the elements of this platform. The "Nikeland" project is a part of the online platform that Roblox

² Meta, Introducing Meta: A Social Technology Company, 2021, Meta Blog

<https://about.fb.com/news/2021/10/facebook-company-is-now-meta/> (access: 26 November 2022)

³ Meta, Mark Zuckerberg's Message to Meta Employees, 2022, Meta Blog

<https://about.fb.com/news/2022/11/mark-zuckerberg-layoff-message-to-employees/> (access: 26 November 2022)

⁴ Theo, Mason Rothschild Launches 100 MetaBirkins NFTs Honoring Hermes' Iconic Bag, NFT Evening, 2022, <https://nftevening.com/mason-rothschild-launches-100-metabirkins-nfts-honoring-hermes-iconic-bag/> (access: 26 November 2022)

⁵ Costa C., Quentin Tarantino to offer seven uncut scenes from 'Pulp Fiction' as NFTs, CNBC, 2021, <https://www.cnbc.com/2021/11/02/quentin-tarantino-to-offer-seven-uncut-scenes-from-pulp-fiction-as-nfts.html> (access: 26 November 2022)

⁶ Decentraland, Metaverse Fashion Week is here!, 2022,

<https://decentraland.org/blog/announcements/metaverse-fashion-week-is-here/> (access: 26 November 2022)

⁷ Pretty Little Thing, Introducing our first virtual model, YouTube, 2022,

https://www.youtube.com/watch?v=PcfRn-qF0Ow&ab_channel=PrettyLittleThing (access: 26 November 2022)

⁸ Wightman-Stone D., PrettyLittleThing introduces its first virtual model, FashionUnited, 2022,

<https://fashionunited.ie/news/fashion/prettylittlething-introduces-its-first-virtual-model-1643964369/20220204433779> (access: 26 November 2022)

is, simply providing users with an immersive sports space in which they can play by participating in the so-called “Nike Cup Clash”⁹. Metaverse, due to its complexity, has a major impact not only on the aforementioned fashion and gaming industries but also inter alia on the broader entertainment industry. For example, virtual concerts held in online games, such as the concert performed by American rapper Travis Scott¹⁰ in Fortnite or South Korean band Blackpink¹¹ in Pubg Mobile, have recently become widely popular.

With the growing number of various companies investing in NFT- and Metaverse-based projects comes a desire on their part to protect their rights related to trademarks and designs. This trend is evidenced by statistics from various IP offices, which recorded an increase in trademark applications relating to NFT and virtual goods used in the Metaverse over the past two years. In its latest announcement dated 7 September 2022, published on its official website, the European Intellectual Property Office (hereinafter: EUIPO) indicated that in 2021, it registered 1,277 applications related to NFT. So far, in 2022, it has noted 1,577 applications connected to NFT and 205 applications associated to the Metaverse¹². In addition, statistics on analogous trademark applications at the United States Patent and Trademark Office (hereinafter: USPTO) shows that in 2021, this American Office registered 2,142 applications related to NFT and 1,890 applications related to the virtual goods connected with the Metaverse. While in 2020 it received merely 18 applications related to NFT and just 155 applications in connection with the virtual goods relating to the Metaverse. Moreover, so far this year, the USPTO has received over 4600 trademark applications, including both those related to NFT and the virtual goods linked to the Metaverse¹³.

Given the above, one can speculate as to whether the apparent increase in trademark applications relating to NFT and the Metaverse is connected with the increasing amount of litigation over trademark infringement. An example of this would be the MetaBirkins v. Hermès case that began in January 2022, when the French high-fashion house filed a lawsuit against the creator of the MetaBirkins in New York District Court alleging, among other things,

⁹ See official Nike website - <https://www.nike.com/kids/nikeland-roblox> (access: 26 November 2022)

¹⁰ Travis Scott, Travis Scott and Fortnite Present: Astronomical (Full Event Video), YouTube, 2020, https://www.youtube.com/watch?v=wYeFAIVC8qU&ab_channel=TravisScott (access: 27 November 2022)

¹¹ Pubg Mobile, BLACKPINK X PUBG MOBILE 2022 IN-GAME CONCERT : [THE VIRTUAL], YouTube, 2022, https://www.youtube.com/watch?v=9WEf-KDts8w&ab_channel=PUBGMOBILE (access: 27 November 2022)

¹² European Union Intellectual Property Office, Webinar: Non-Fungible Tokens and the metaverse on 13 September, 2022, <https://euiipo.europa.eu/ohimportal/en/web/guest/-/webinar-non-fungible-tokens-and-the-metaverse-on-13-september> (access: 21 November 2022)

¹³ Kondoudis M., NFT + Crypto + Metaverse Trademark Filing Tote Board, The Law Office of Michael E. Kondoudis Blog, 2022, <https://www.mekiplaw.com/nft-trademark-filing-information/> (access: 27 November 2022)

trademark infringement¹⁴. Ultimately, the case resulted in a judgment that recognised Mr. Rothschild as liable for this infringement. Such settlement of the case shows that trademark protection can also be enforced in the virtual world. Although the ruling was made under U.S. law, it is expected to influence relevant case law around the world¹⁵. This case demonstrates that the enforcement of rights resulting from the protection of trademarks and designs extends even into the world of NFT and Metaverse, which is a completely new and uncharted region.

At this point, it is worth adding that also in the territory of the European Union one can find a growing number of legal disputes on trademark infringements concerning NFT, such as the recent ruling of the Rome Court of First Instance in the case of Juventus F.C. in which it stated that NFT could infringe one's own trademarks¹⁶. Moreover, the scale of potential infringement of brands' protection rights granted for their trademarks in the market related to the sale of NFTs is huge. At this point, it should be mentioned that following the recent reports on the most popular platform through which it is possible to acquire non-exchangeable tokens - Open Sea, dozens of accounts existing are focused on conducting sales of NFTs which contain known signs. As it was reported, users offering for sale over 100 names or over 5,000 logos of major brands can be found on this platform¹⁷.

The first attempts to defend against trademark infringements on the Open Sea platform have been made only recently. These actions were mainly based on removing infringing digital assets or blocking user accounts. This is already a fairly well-known solution in the world of the Internet, commonly used, e.g. on the YouTube platform, and as we already know, in practice, this type of action is not always the most effective. Applying this solution to such platforms as Open Sea may prove to be ineffective. This may be due to the huge number of existing accounts that commit such violations and secondly, to the fact that both the minting and selling of tokens do not require a relatively large amount of time. These two elements make the task of monitoring and blocking of such accounts on the platform almost impossible in practice. According to prof. Katarzyna Grzybczyk, the decision of platforms to act only in the manner indicated above is dictated precisely by the lack of clear regulations and court rulings

¹⁴ *Hermes International et al v. Rothschild*, US District Court for the Southern District of New York, Case No. 1:2022cv00384, 2022, <https://dockets.justia.com/docket/new-york/nysdce/1:2022cv00384/573363> (access: 27 November 2022)

¹⁵ Tribouillet I., Borucka M., Tenkhoff C., MetaBirkin: Hermes successful in first NFT trade mark trial, Marques, 2023, <https://www.marques.org/blogs/class46/#5158> (access: 14 February 2023)

¹⁶ Rosati E., Can an NFT infringe one's own trade mark rights? Yes, says Rome Court of First Instance, The IPKat Blog, 2022, <https://ipkitten.blogspot.com/2022/11/can-nft-infringe-ones-own-trade-mark.html> (access: 27 November 2022)

¹⁷ Plato, OpenSea: how trademark infringement is rampant on the biggest NFT marketplace, Zephyrnet Website, 2022, <https://zephyrnet.com/opensea-how-trademark-infringement-is-rampant-on-the-biggest-nft-marketplace/> (access: 27 November 2022)

related to the infringement of intellectual property rights, including, inter alia those arising from the registration of trademarks¹⁸.

Thus, based on the above-mentioned cases, one can observe that in recent years it has become crucial for major brands to secure their rights connected to trademarks and designs in the context of the NFT and Metaverse. As we can see from the increased number of trademark applications related to them in key IP offices, companies are recognizing the necessity of protecting their marks also at the level of virtual reality. Since, by obtaining a trademark protection right, its owners gain the right to own and exclusively control the use of a signifier of goods or services in commerce, and respectively, by obtaining rights through registration of designs, one can gain the right to protect the external appearance of their products. In addition, in light of the lack of specific regulations and court rulings on trademark and design infringements connected with NFTs and Metaverse, we may also see a significant increase in attempts by owners of trademark or design rights to enforce them.

As previously underlined, the scope of this thesis will not focus on the enforcement of trademark or design rights in relation to NFT or the Metaverse. However, I believe that it is indeed important to point out this issue in order to outline the bigger picture of the current legal challenges that arise in connection to this subject matter.

Consistently with the increase in the aforementioned awareness of brands and the growing number of open questions and legal challenges, many IP offices are also taking note of this problem. Recently one can observe many of their efforts to address them. Here, I think it is worth highlighting the progressiveness of the Intellectual Property Office of Singapore (hereinafter: IPOS), which has already in 2017 expanded the protection of the registered design to include another form of virtual design that is applied to non-physical products¹⁹. On the other hand, the EUIPO, only in June 2022, issued its practical approach focusing on trademarks relating to virtual goods and NFTs²⁰. In addition, the European Office stressed that its 2023 edition of Guidelines would set out its practical approach in a broader manner. At the moment of writing this paper, the EUIPO's 2023 Guidelines further are in the draft phase. Nevertheless,

¹⁸ Grzybczyk K., Prawo własności intelektualnej a niewymienne tokeny (NFT), p. 11, PPH 2022/6/5-12, Lex, 2022, <https://sip.lex.pl/#/publication/151415883/grzybczyk-katarzyna-prawo-wlasnosci-intelektualnej-a-niewymienne-tokeny-nft> (access: 27 November 2022)

¹⁹ Intellectual Property Office of Singapore, Registered Designs A Guide on Non-Physical Products, 2020, <https://www.ipos.gov.sg/docs/default-source/resources-library/design/guidelines-and-useful-information/registered-designs---guidelines-for-non-physical-products.pdf> (access: 27 November 2022)

²⁰ European Union Intellectual Property Office, Virtual goods, non-fungible tokens and the metaverse, 2022 https://euiipo.europa.eu/ohimportal/en/news-newsflash/-/asset_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse (access: 27 November 2022)

they are already an immensely valuable source showing what path the EUIPO is likely to take²¹. Thus, in the later part of this thesis, I would like to take a more in-depth look at these recommendations, which respond to the legal challenges of registering trademarks and designs in relation to NFT and the Metaverse.

1.2 - Defining Non-Fungible Tokens (NFT)

Focusing initially on Non-Fungible Tokens, it should be highlighted that due to how diverse their applications might be, particularly in the virtual world, their precise definition is not the simplest of chores. However, to make their presentation as straightforward as possible they should be described as digital assets that can be used to represent unique, one-of-a-kind assets which are usually virtual but, in some cases, can also be connected to the real-world²². The term non-fungible implies that something is not interchangeable, and at the same time, it means that it is one-of-a-kind, individual and not replaceable.

When focusing on the concept of tokens themselves, it should be pointed out that in the context of the blockchain, tokens are “abstract entities that can have an owner and represent resources, currency or property rights”²³. Therefore, right now, in connection with Metaverse, NFTs can be used as collectables, access keys, investments, deeds of ownership, voting and governance tokens for decentralized autonomous organizations and facilitators of services or experiences²⁴. Nonetheless, perhaps the most popular and first function associated with NFTs is their ability to represent other resources, such as a specific copy or version of a digital graphic, which can be stored on a blockchain or “off-chain”, such as a web page. In this case, it is said that usually, Non-Fungible Tokens are powered by so-called smart contracts, which are based on the Ethereum ERC-721 and ERC-1155 standards and contain metadata that makes each token unique²⁵.

Due to the growing importance of NFTs, attempts to define them have recently been made by, among others - the European Union Intellectual Property Office. Thus, in its 2023 Draft Guidelines, the EUIPO is proposing to define the NFTs as “unique digital certificates,

²¹ European Union Intellectual Property Office, Draft Guidelines (2023 edition) – consultation phase for organisations officially invited to provide feedback, p. 344, 2022, <https://euipo.europa.eu/ohimportal/nl/draft-guidelines-2023> (access: 27 November 2022)

²² Kondoudis M., NFTs and Trademarks: THE ULTIMATE GUIDE, The Law Office of Michael E. Kondoudis Blog, 2022, <https://www.mekiplaw.com/nfts-and-trademarks-the-ultimate-guide/> (access: 27 November 2022)

²³ Powroźnik D., Definicja kryptoaktywów. Czy prawodawstwo nadaża za postępowem technologicznym?, Prawo Nowych Technologii, 2021/2, p. 31, Legalis, 2021, <https://sip.legalis.pl/document-full.seam?documentId=mjxw62zogi3damzzgeztcoi&refSource=search> (access: 3 December 2022)

²⁴ Murray M., Trademarks, NFTs, and the Law of the Metaverse, SSRN, 2022, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4160233 (access: 3 December 2022)

²⁵ Grzybczyk K., Prawo własności intelektualnej a niewymienne tokeny (NFT), p. 5, Lex, 2022

registered in a blockchain, that are used as a means of recording ownership of an item such as a digital artwork or a collectible”. Additionally, the European Office highlighted that the term is not understood as the digital item itself but as the means of certification²⁶. A similar approach in defining NFTs can be observed in the practice of the United States Patent and Trademark Office, which states that “Non-fungible tokens (NFTs) are maintained on a blockchain and typically represent digital items and authenticate their ownership”²⁷. Both definitions proposed by the IP offices are quite short and simple.

On the one hand, it is understandable that the IP offices tried to find the definition that would present non-fungible tokens in the most simple and approachable way, but on the other hand, one can encounter comments in the doctrine that such simplifications might lead to certain inaccuracies. In the statement on the definition of NFTs proposed by the EUIPO, Mr Paolo Maria Gangi alleges that it is only focusing on the most common application of NFTs, which is the creation of NFTs incorporating digital art, at the same time abandoning the spectrum of other possible ways to use them²⁸.

As I have also pointed out above, the application of NFTs can be very broad. Non-fungible tokens can be used as part of property transfer transactions of real-world assets, such as, e.g. real estate²⁹, or in NFT games³⁰. Furthermore, NFTs also can be used to represent an association membership - particularly in the case of decentralized autonomous organisations³¹. Adapting this variety of applications of NFTs with the definition proposed by the EUIPO, we can see, first of all, that non-fungible tokens can apply not only to digital assets but also to real ones. Even if in some cases the issues of what exact real-world asset the buyer acquires appear. For example, in the case of transactions involving the transfer of ownership to real estate, buyers, by purchasing a token, do not acquire the real estate itself but rather shares in individual companies that are ultimate to buy the real estate in the future³².

²⁶ European Union Intellectual Property Office, Draft Guidelines (2023 edition), p. 344

²⁷ United States Patent and Trademark Office, Trademark ID Manual, <https://idm-tmng.uspto.gov/id-master-list-public.html> (access: 3 December 2022, search for “downloadable image files”)

²⁸ Gangi P., [Guest post] What is an NFT? A comment to the EUIPO Guidance on NFTs, The IPKat Blog, 2022, <https://ipkitten.blogspot.com/2022/07/guest-post-what-is-nft-comment-to-euipo.html> (access: 4 December 2022)

²⁹ Sobolewski M., Dom w stylu NFT, Legal Alert NFT - Aspekty Prawne, Traple Konarski Podrecki & Partners, 2022, <https://www.traple.pl/wp-content/uploads/2022/10/newsletter-nft-pazdziernik-2022-1.pdf> (access: 4 December 2022)

³⁰ Pinkalski Z., Inwestowanie w graczy w grach NFT - NFT scholarships i inne opcje zarabiania na grach NFT bez grania w nie oraz związane z nimi wątpliwości prawne, Legal Alert NFT - Aspekty Prawne, Traple Konarski Podrecki & Partners, 2022, <https://www.traple.pl/wp-content/uploads/2022/10/newsletter-nft-pazdziernik-2022-1.pdf> (access: 4 December 2022)

³¹ Gangi P., [Guest post] What is an NFT? A comment to the EUIPO Guidance on NFTs, The IPKat Blog, 2022

³² Sobolewski M., Dom w stylu NFT, Legal Alert NFT - Aspekty Prawne, Traple Konarski Podrecki & Partners, 2022

As illustrated by the example of using NFT as a confirmation of the right to be a member of an association, the digital asset itself is not always important. In this case, the digital file does not play a major role, whereas the NFT itself does. Concerning this issue, it is also worth noting that according to the judgment of the High Court of Justice of England and Wales of 10th March 2022, the non-fungible tokens themselves can constitute property under English law. In this judgment, the English High Court referred to the generated token itself and not to the digital asset associated with it³³. With these considerations in mind, it is true that the focus in the definition proposed by the EUIPO only on the concept of “certification” blandly belittles NFTs and suggests that they are only written declarations registered in the blockchain³⁴.

Yet as we can see from the examples of usage of the NFTs that I have mentioned hereinabove, this approach of the European Office is not necessarily accurate. I agree with the suggestion made by Mr Gangi that EUIPO, while creating the commented proposal, should have taken into account the definition of “crypto-assets” presented in the proposal for a regulation of the European Parliament and of the Council on markets in crypto-assets and amending Directive (EU) 2019/1937³⁵. Although it does not apply to tokens with non-financial purposes, it provides an accurate approach to capturing the complexity of such terms³⁶. Thus, according to the proposal, the “crypto-assets” are understood as “means of a digital representation of a value or a right that uses cryptography for security and is in the form of a coin or a token or any other digital medium which may be transferred and stored electronically, using distributed ledger technology or similar technology”. This definition not only quite broadly captures the present term but also, as Mr Gangi rightly points out, emphasises the aspect of the transferability of tokens³⁷.

It is gratifying to see that the IP offices are recognising the growing importance of NFTs in the context of trademark and design law and responding to the needs by taking on the task of defining them. However, the key is that the definitions provided by them should include the complexity of the application of non-fungible tokens. Their correct inclusion is extremely important since it will form the basis for the IP offices to create practices in this area. Indeed, an overly narrow view of NFTs may, in the long run, lead to further legal problems and

³³ *Osbourne v. Persons Unknown & Anor*, England and Wales High Court (Commercial Court), Case No. CL-2022-000110, par. 13, 2022, <https://www.bailii.org/ew/cases/EWHC/Comm/2022/1021.html> (access: 4 December 2022)

³⁴ Gangi P., [Guest post] What is an NFT? A comment to the EUIPO Guidance on NFTs, The IPKat Blog, 2022

³⁵ Proposal for a Regulation Of The European Parliament And Of The Council on Markets in Crypto-assets, and amending Directive (EU) 2019/1937, 2020, 2020/0265(COD), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020PC0593> (access: 4 December 2022)

³⁶ *Ibidem*

³⁷ Gangi P., [Guest post] What is an NFT? A comment to the EUIPO Guidance on NFTs, The IPKat Blog, 2022

uncertainties, e.g. the issue of classifying trademark and design applications related to the NFTs, on which I would like to focus in the next chapter of this thesis.

1.3 - Defining Metaverse

The term “Metaverse” itself was first presented in the 1992 novel called “Snow Crash” written by Neal Stephenson. In his work, Mr Stephenson describes Metaverse as a computer-generated world which can be accessed through goggles and earphones and enabled by accurate-to-life graphical and audio user interfaces³⁸. Even though this description was written 30 years ago and referred to something that was perceived as science-fiction by readers at the time, it has become our reality these days, and the description provided by Mr Stephenson can further serve as a basic indication of what the Metaverse is.

Defining the Metaverse is not a simple task. Similarly to the NFTs, the difficulty results from the multifaceted nature of the Metaverse which may cause misdescriptions of the term³⁹. One of the most common misdescriptions of Metaverse limits it to a virtual reality, virtual world platform or video game. Although maybe they are not entirely wrong, they are oversimplifications. For example, virtual reality in the context of Metaverse is merely a way to experience it, while virtual world platforms or video games are also only part of what the Metaverse is offering. Therefore, the best way to describe and understand the Metaverse is as a “quasi-successor state to the mobile internet”⁴⁰.

The main features that characterise the Metaverse mainly focus on the facts that: (i) it is persistent as it continues indefinitely, (ii) it is synchronous and live meaning that it can provide experiences that exist consistently for every user and in real-time, (iii) it is open for any number of users, meaning that everyone can be a part of Metaverse, while still it gives each user a unique sensation of “presence”, (iv) it is a fully operational economy, which allows for producing, investing, trading and profiting, (v) it is a cross-platform experience that connects not only the physical and digital worlds, but also private and public networks or open and closed platforms, (vi) it offers unprecedented interoperability in relation to data, digital items/assets and content, (vii) it can be filled with “material” and “experiences” produced and run by a remarkably diverse spectrum of contributors⁴¹. Thus, based on the features mentioned above, one can more accurately understand the complexity and uniqueness of the phenomenon

³⁸ Stephenson N., *Snow Crash*, publ. Penguin, New Ed., 1994

³⁹ See Ball M., *Framework for the Metaverse*, Matthew Ball Blog, 2021, <https://www.matthewball.vc/all/forwardtothemetaverseprimer> (access: 10 December 2022)

⁴⁰ *Ibidem*

⁴¹ Ball M., *The Metaverse: What It Is, Where to Find it, and Who Will Build It*, Matthew Ball Blog, 2020, <https://www.matthewball.vc/all/themetaverse> (access: 10 December 2022)

that is the Metaverse. Moreover, by learning about these features, it becomes more prominent how comparing the concept of the Metaverse to virtual reality or online games is indeed a simplification since they are blandly only certain elements that make up the whole of what Metaverse is.

Furthermore, while presenting the concept of the Metaverse, one should also note that we may indicate two types of Metaverse platforms. The first one is the private or centralized version of Metaverse, which means that such platforms are owned by certain companies. A good example of this type of Metaverse platform is Mesh owned by Microsoft⁴². On the other hand, the second type of the Metaverse is a so-called Crypto Metaverse. It is characterized by the fact that it is decentralized, meaning that it is not controlled or owned by any company or other entity. In addition, some or all components of these Metaverse games are built on blockchain technology. This concept of the Crypto Metaverse also means that the ownership of it is shared among its participants. NFTs are also a crucial part of this concept as they serve to present in-world items⁴³. Examples of this type of the Metaverse include inter alia Decentraland⁴⁴ and The Sandbox⁴⁵.

The correct definition of the Metaverse is important for future regulations and practices, which will certainly be affected by it, whether directly or indirectly. Some of the IP offices, including the EUIPO, among others, are currently trying to provide their perspective on this issue. Thus, the EUIPO on September 2022 held its official webinar under the title of “Trade marks and designs in the metaverse: legal aspects/EUIPO practice” in which representatives from the Legal Department of the EUIPO presented the office’s views concerning, among other things, the issue of correctly understanding what the Metaverse is⁴⁶.

In this presentation, the Metaverse was described as “an immersive and constant virtual 3D world where people may interact through an avatar”. Whereby the presenters also acknowledge both types of the Metaverse - centralised and decentralised⁴⁷. Also, it was emphasised that due to its features, namely the fact that it is a fully operational economy, many industries like, for example, fashion, gaming, entertainment and e-learning industries can

⁴² See official Mesh by Microsoft website - <https://www.microsoft.com/en-us/mesh> (access: 10 December 2022)

⁴³ Crtyptopedia, What Is a Crypto Metaverse?, 2022, <https://www.gemini.com/cryptopedia/what-is-metaverse-crypto-nft-game-blockchain> (access: 10 December 2022)

⁴⁴ See official Decentrland website - <https://decentraland.org/> (access: 11 December 2022)

⁴⁵ See official Sandbox website - <https://www.sandbox.game/en/> (access: 11 December 2022)

⁴⁶ European Union Intellectual Property Office, Webinar: Non-Fungible Tokens and the metaverse on 13 September, 2022

⁴⁷ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects / EUIPO practice, slide 12, EUIPO, 2022, https://euiipo.blumm.it/uploads/originals/webinar/20220913/Metaverse_Webinar.pdf (access: 11 December 2022)

greatly benefit from it⁴⁸. At the moment, there is no all-encompassing Metaverse⁴⁹. Taking into account generally accepted descriptions of the Metaverse identified by the experts in this field, in my opinion, the described European Office's approach is generally correct. The EUIPO's Legal Department representatives aptly presented the essence of the Metaverse while noting such characteristic features as its constant nature or the fact that anyone can access it and interact with it in some way. It is worth noting that the EUIPO's 2023 Draft Guidelines do not clearly define the Metaverse. Nevertheless, in my opinion, such an approach seems to be beneficial, given that it is widely agreed that the Metaverse is further along in its development. Given how quickly changes in this area have occurred, it seems impossible to predict at the moment what the exact outline of the Metaverse might be in a few years. Therefore, if the European Office decided to limit itself to one fixed definition, it could prove disadvantageous in the long run.

The concept of the Metaverse is also primarily associated with the term 'virtual goods', the definition of which can be found in the EUIPO's 2023 Draft Guidelines. Accordingly, they are referred to as non-physical commodities that can be purchased and used in online communities or online games⁵⁰. This term can, therefore, indicate many elements found in the Metaverse. For instance, the definition of virtual goods can cover various goods such as these related to the 3D clothing or digital art. Consequently, this issue is also addressed in the EUIPO's 2023 Draft Guidelines, where it is emphasised that the term used on its own lacks clarity and precision and must be further specified⁵¹. However, this problem might also ultimately bring us to the issue of the correct classification of virtual goods linked to the Metaverse or NFTs according to the Nice Classification used for trademarks or the Locarno Classification used for industrial designs. The next chapter of this thesis will be devoted to this issue.

⁴⁸ *Ibidem*, slide 18

⁴⁹ *Ibidem*, slide 12

⁵⁰ European Union Intellectual Property Office, Draft Guidelines (2023 edition), p. 344

⁵¹ *Ibidem*

Chapter 2 - Legal Challenges Concerning Trademarks Applications Connected with NFT and Metaverse

2.1 - Challenges Related to the Classification of Goods and Services Related to NFT and Metaverse

When considering trademark protection, it is important to note that its scope is primarily limited by the specific goods and services for which the trademark application was made. In European jurisdiction, this rule is connected with one of the essential functions of trademarks which are indicated in Article 4 of Regulation (EU) 2017/1001 on the European Union trade mark⁵² (hereinafter: EUTMR). According to this provision, the sign must be “capable of distinguishing goods or services of one undertaking from those of other undertakings”. The described above distinguishing function of the trademark is directly related to the issue of the goods and services for which the mark was applied.

Therefore, while filing a trademark application, the list of goods and services must be included. In most IP offices around the world, it is a standard requirement that such list must be grouped under the classes of the Nice Classification. The so-called Nice Classification is a system of classification which was established by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks⁵³ (hereinafter: Nice Agreement) and was concluded at the Nice Diplomatic Conference on 15th June 1957 and was later revised at Stockholm in 1967 and Geneva in 1977, and was amended in 1979⁵⁴. According to the Article 2(2) of the Nice Agreement, each country that is a party to the Nice Agreement is required to use the Nice Classification in connection with the registration of marks, either as principal classification or as subsidiary classification. Additionally, under the provision of Article 2(3) of the Nice Agreement, parties to the Agreement shall include the number of classes of the Classification to which the given goods and services belong in the official documents and publications relating to trademark registrations.

⁵² Regulation (EU) 2017/1001 Of The European Parliament And Of The Council of 14 June 2017 on the European Union trade mark, L 154/1, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32017R1001&from=EN#d1e583-1-1> (access: 17 December 2022)

⁵³ Nice Agreement Concerning The International Classification Of Goods And Services For The Purposes Of The Registration Of Marks [as amended on 28 September 1979] [Authentic text], <https://www.wipo.int/wipolex/en/text/287532> (access: 17 December 2022)

⁵⁴ World Intellectual Property Office, Summary of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1957), https://www.wipo.int/treaties/en/classification/nice/summary_nice.html (access: 17 December 2022)

The Nice Classification is used not only to national trademark registrations in many countries which are party to the Nice Agreement but also to international registration of marks carried out by e.g. the EUIPO, the International Bureau of WIPO, the Benelux Office of Intellectual Property or the African Intellectual Property Organization. Moreover, several nations that are not parties to the Nice Agreement still use the Nice Classification in relation to their national registrations of trademarks⁵⁵. Given the above, one can notice that a thorough understanding of the classification system indicating specific goods and services is of vital significance to trademark applications in most countries around the globe.

Considerable increase in trademark application related to NFTs and virtual goods associated with the Metaverse, (as was shown in numbers in the previous chapter of this thesis), resulted in the questions about its proper classification. For this reason, many IP offices had to come out to answer these inquiries.

In its 2023 Draft Guidelines and the guidance notes⁵⁶, the EUIPO presented its perspective on the issue. In addition to simply outlining their proposals for the definitions of NFT and virtual goods, the European Office indicated that since virtual goods are regarded as digital content or images, Class 9 of the Nice Classification is the appropriate category for them. The same view was expressed concerning the term “downloadable digital files authenticated by non-fungible tokens”.

Furthermore, the EUIPO stipulated that the 12th edition of Nice Classification prepared by WIPO that will enter into force on 1 January 2023 includes the term “downloadable digital files authenticated by non-fungible tokens [NFTs]” in class 9⁵⁷. The EUIPO further emphasised that virtual goods or NFT-related services would be classified in accordance with the general rules for the classification of all services⁵⁸. The same approach can be observed concerning the term of “virtual environment”⁵⁹.

Additionally, the European Office with respect to the both terms of non-fungible tokens and virtual goods, pointed out that they on their own lack clarity. It is recommended that, in trademark application, they should be further specified. In the case of virtual goods this should be done by stating the content to which they relate for example virtual clothing and in the case

⁵⁵ World Intellectual Property Organisation, About the Nice Classification, <https://www.wipo.int/classifications/nice/en/preface.html> (access: 17 December 2022)

⁵⁶ European Union Intellectual Property Office, Virtual goods, non-fungible tokens and the metaverse, 2022, https://euiipo.europa.eu/ohimportal/en/news-newsflash/-/asset_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse (access: 17 December 2022)

⁵⁷ World Intellectual Property Organisation, Nice Classification NCL (12-2023): Advance Publication Now Available, 2022, https://www.wipo.int/classifications/en/news/nice/2022/news_0003.html (access: 17 December 2022)

⁵⁸ European Union Intellectual Property Office, Draft Guidelines (2023 edition), p. 344

⁵⁹ *Ibidem*, p. 364

of non-fungible tokens by stating the type of digital item that is authenticated by them, e.g., digital art⁶⁰. It was also stipulated that the phrase “providing a virtual environment” is neither precise nor clear enough since it might refer to various activities and classes. Thus, it was indicated that the term should also be defined further⁶¹. Moreover, at the official webinar held by the representatives of the EUIPO, acceptable examples of such services were presented. For the services included in class 35 the following term was indicated - “Providing an online virtual environment for trading virtual art and virtual art tokens” and respectively for services concluded in class 41 - “Entertainment services, namely, providing virtual environments in which users can interact for recreational, leisure or entertainment purposes”⁶².

Such an approach of the EUIPO was expected as the accuracy needed to determine the scope of protection sought had to be taken into account. It is also consistent with the Court of Justice of the European Union’s (hereinafter: the CJEU or the Court) *Sieckmann* ruling from 2022⁶³. The judgment concerned the registration of an olfactory mark. It introduced specific criteria, which are now codified in the Article 4 EUTMR and are known as “Sieckmann Criteria”. According to their content, the representation of the sign must be (i) clear, (ii) precise, (iii) self-contained, (iv) easily accessible, (v) intelligible, (vi) durable, and (vii) objective⁶⁴.

However, the EUIPO’S discussed approach contains some inaccuracies. To highlight this, it is necessary to return to the aforementioned issue of defining the NFT. As indicated, the definition proposed by the European Office in its 2023 Draft Guidelines focuses mainly on one of the most popular applications of the NFT which is the creation of them incorporating digital art while missing other types of applications. Given the such an approach and the diversity of NFTs, this could lead to situations in which the not fully effective protection of the trademark related to the given NFT is provided. Such a point of view was expressed by Mr Gangi, who additionally aptly noted that services related to NFTs such as e.g. NFTs marketplaces are different from the utility which some other NFTs can provide. Bearing this in mind, one has to agree with the comment that closing the NFT term as narrowly as the European Office has done may prove detrimental in the future⁶⁵.

⁶⁰ *Ibidem*, p. 344

⁶¹ European Union Intellectual Property Office, Draft Guidelines (2023 edition), p. 364

⁶² Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slide 45,

⁶³ Kwong J., EUIPO sets out guidelines for trade marks relating to virtual goods and NFTs, The IPKat Blog, 2022, <https://ipkitten.blogspot.com/2022/07/euipo-sets-out-guidelines-for-trade.html> (access: 17 December 2022)

⁶⁴ Case C-273/00, *Ralf Sieckmann v Deutsches Patent- und Markenamt* [2002], para. 55, <https://curia.europa.eu/juris/showPdf.jsf?jsessionid=8DFF2DAD05305BF052109F2C98D44A8C?text=&docid=47585&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=30837> (access: 17 December 2022)

⁶⁵ Gangi P., [Guest post] What is an NFT? A comment to the EUIPO Guidance on NFTs, The IPKat Blog, 2022

The commentators point out that whether or not we will be dealing with a trademark infringement relies on the goods and services that the use will be conducted with⁶⁶. Thus, the method of classifying goods and services related to NFT and the Metaverse is crucial in the contest of trademark right infringement. Since on its basis it is possible to further consider under which circumstances the use of such a trademark by a third party may infringe the holder's rights.

Moreover, the issue of classification is also inextricably linked to the relative grounds for refusal of trademark protection and specifically the ground that is based on similarity to the earlier mark and the likelihood of confusion between trademarks, set out in Article 8 EUTMR. In order to assess it, the classification and the list of goods and services connected to the given trademarks are taken into account. In a case where a majority of NFT- and Metaverse- related goods are comprised by Class 9 of the Nice Classification, demonstrating the risk of confusion is much easier. Even though often these goods in practice may be associated with completely different NFTs functions or other types of virtual goods and if they were real-world goods, they would qualify for other classes as well. At this point, admittedly, the European Office has not addressed it adequately. However, given the increasing number of applications, it is likely that such a challenge may arise in the future. In such a situation, it will be important for the EUIPO to take an approach that, on the one hand, provides effective protection for trademarks connected to NFT and the Metaverse, but which, on the other hand, does not grant it in an overly broad manner.

It is also important to point out that if the European Office were to take the approach under which virtual goods could also fall under other classes of the Nice Classification, this could lead to even greater legal uncertainty since they would blandly begin to mix with real-world goods. Thus, the issue of the proper classification of trademark applications related to NFTs and virtual goods is an extremely crucial and complex problem. However, at this point, it would seem that a clear-cut solution to this issue can only come in the future.

As mentioned, the term “downloadable digital files authenticated by non-fungible tokens [NFTs]” will be incorporated in the 12th edition of Nice Classification, which means that once it comes into force, this phrase will be harmonised internationally, making it acceptable to most IP offices around the world. Nevertheless, at the same time, there is no harmonisation yet regarding the description of virtual goods and related services⁶⁷.

⁶⁶ Sokołowska-Ławniczak A., NFT w prawie znaków towarowych, Legal Alert NFT - Aspekty Prawne, Traple Konarski Podrecki & Partners, 2022, <https://www.traple.pl/wp-content/uploads/2022/10/newsletter-nft-pazdziernik-2022-1.pdf> (access: 17 December 2022)

⁶⁷ Argujio V., EUIPO on trade marks and designs in the metaverse, The IPKat Blog, 2022, <https://ipkitten.blogspot.com/2022/09/euipo-on-trade-marks-and-designs-in.html> (access: 18 December 2022)

This issue is illustrated by the aforementioned examples of acceptable terms presented by the EUIPO. However, also the United Kingdom’s Intellectual Property Office (hereinafter: UKIPO) and the USPTO presented their recommendations for terms related to virtual goods and relevant services. For instance, the UKIPO as an example of terms relating to virtual goods in class 9 presents the following “Virtual reality software” and “Downloadable software, namely virtual clothing”⁶⁸. Accordingly, the USPTO as an acceptable term in class 9 displays “Downloadable virtual goods, namely computer programs featuring {specify nature, type, e.g. articles of clothing} for use in virtual worlds”⁶⁹. Moreover, concerning services related to virtual goods, the UKIPO categorises them respectively in different classes and so one can find in class 41 services such as “Virtual reality game services provided online from a computer network”, in class 36 “Virtual currency services”, in class 42 “Design and development of computer game software and virtual reality software” and in class 35 “Conducting virtual trade show exhibitions online”⁷⁰. While on the other hand, the American Office as the acceptable term for services related to virtual reality presented “Retail store services featuring virtual goods, namely {specify type, e.g. clothing} for use in online virtual worlds” in class 35 and “Entertainment services, namely computer programs featuring {indicate goods, e.g. clothing, pets, furniture, etc.} for use in virtual environments created for entertainment purposes [This does not include providing on-line software as a fill-in]” in class 41⁷¹.

It can be observed that the UKIPO has presented a proposal for more classes while also presenting simpler and shorter terms. However, the terms provided by the USPTO include space for a more detailed description of the given goods and services. Also, it cannot go unnoticed that the USPTO specifically included online retail services in class 35, when at the same time, such service was not covered in the proposed terms in class 35 provided by the UKIPO.

The lack of harmonisation of terms related to virtual goods and services associated with virtual environments is, of course, relevant primarily from the perspective of potential international trademark applications. In practice, this can lead to situations where a trademark application covering the same goods and services but designated to various national IP offices in its list of goods and services will contain slightly different terms. With WIPO already

⁶⁸ United Kingdom’s Intellectual Property Office, Search UK trade mark classes, <https://www.search-uk-trade-mark-classes.service.gov.uk/searchclasses> (access: 18 December 2022, search for “virtual”)

⁶⁹ TM Class Tool, <https://tmclass.tmdn.org/ec2/search/find?language=en&text=virtual+goods&niceClass=&size=25&page=1&harmonised=true&searchMode=WORDSPREFIX&sortBy=relevance> (access: 18 December 2022, search for “virtual goods” and choose “United States (USPTO)”)

⁷⁰ United Kingdom’s Intellectual Property Office, Search UK trade mark classes (search for “virtual”)

⁷¹ TM Class Tool, (search for “virtual goods” and choose “United States (USPTO)”)

including a term related to NFT in the 12th edition of the Nice Classification, it seems only a matter of time before the office also harmonises phrases related to virtual goods.

2.2 - Challenges Connected to the Absolute Grounds for Refusal - Distinctive Character and Descriptiveness of Trademarks

When discussing the challenges related to the absolute grounds for refusal, I will focus on non-distinctiveness and descriptiveness of signs connected with NFT and virtual goods. In this regard, the main question is whether in the case of virtual goods, the idea of distinctive character and descriptiveness should be applied in the same way as it is to real goods.

The concept of the distinctiveness of trademarks is outlined in Article 7(1)(b) EUTMR. Within the meaning of this article, a trademark must be distinctive in order to distinguish the goods and/or services from those of other businesses⁷². Additionally, a mark to be considered distinctive must enable the relevant public to recognize the product for which registration is sought as coming from a certain undertaking and to set that product apart from those of other undertakings⁷³. Moreover, the CJEU, in the judgment in the case of *Smart Technologies*, indicated two major criteria that should be taken into account to determine the distinctiveness. They are as follows: - (i) the goods or services with respect to which registration is sought and (ii) the relevant public's perception of the given sign⁷⁴. Furthermore, in the *Medrobotics* case, it was indicated that even a minimum degree of distinctiveness is sufficient to meet the requirement set out in Article 7(1)(b) EUTMR⁷⁵. To meet the requirement of distinctiveness a sign does not need to be perceived solely as an indication of origin. In the case of marks that take the forms of goods, it may be sufficient, to show that it fulfils the function of indicating a commercial origin in addition to other functions⁷⁶.

Article 7(1)(c) EUTMR introduces the notion of the descriptiveness of trademarks. If the relevant public instantly interprets a sign's meaning as including information about the

⁷² European Union Intellectual Property Office, Trade mark Guidelines, Part B, Section 4, 3.1, <https://guidelines.euipo.europa.eu/1935303/1952503/trade-mark-guidelines/1-general-remarks> (access: 1 January 2023)

⁷³ Joined Cases C-456/01 P and C-457/01 P, *Hankel KGaA v OHIM* [2004] para. 34, <https://curia.europa.eu/juris/showPdf.jsf?text=&docid=49150&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=26814> (access: 1 January 2023)

⁷⁴ Case C-311/11 P, *Smart Technologies ULC v OHIM* [2012] para. 24, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=124990&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=33926> (access: 1 January 2023)

⁷⁵ Case T-555/18, *Medrobotics Corp. v EUIPO* [2019] para. 19, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=212621&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=33926> (access: 1 January 2023)

⁷⁶ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 107, file:///home/chronos/u-4e7579236d617676275a825685ccdc96bffe7628/MyFiles/Downloads/Kur_1.pdf, (access: 1 January 2023)

goods and services sought after - precisely information about their amount, quality, attributes, use, sort or size - then the sign is considered descriptive⁷⁷. For the purpose of applying the provision of Article 7(1)(c) EUTMR it is only necessary to consider, based on the relevant meaning of the word sign in question, whether, from the perspective of the relevant public, there is a sufficiently direct and specific relationship between the sign and the goods or services in respect to which registration is sought⁷⁸. Terms that imply or allude to certain qualities of the goods or services are not covered by the provisions of Article 7(1)(c) EUTMR. This is also known as making hazy or oblique references to the products or services⁷⁹.

Moreover, in its guidelines, the EUIPO stated that the plea of descriptiveness could not be disproved by demonstrating that the applicant is the only person who produces or is capable of creating the contested commodities⁸⁰. Such an approach of the EUIPO is connected to the interests of competitors that underlined the provisions of Article 7(1)(c) EUTMR. Even in case that descriptive mark would somehow be registered by the European Office, its use by others could not be opposed by the proprietor due to the limitation of the trademark right provided in Article 14(1)(b) EUTMR. According to which, the proprietor is not entitled to prohibit the use of descriptive or non-distinctive marks in the course of trade.

When considering these two absolute grounds for refusal, it is important to acknowledge the indisputable overlap between their scopes. In this respect, the CJEU stated in its judgment in the *The Sherwin-Williams* case that a word mark that is descriptive of goods or services within the meaning of Article 7(1)(c) EUTMR is inherently devoid of any unique character with regard to the same goods or services within the meaning of Article 7(1)(b) EUTMR⁸¹. However, the Court also indicated that in some cases, a mark might lack distinctiveness for reasons unrelated to its potential descriptiveness. Going further in its other judgment, the CJEU focused on the factors that should be taken into account when determining whether a mark has a distinctive character in regard to other products or services for the purposes of Article 7(1)(b) EUTMR. It was concluded that whether a mark is descriptive of the features of specific goods or services in understanding of Article 7(1)(c) EUTMR is irrelevant

⁷⁷ *Ibidem*, p. 108.

⁷⁸ Case T-311/02, *Vitaly Lissotschenko, Joachim Hentze v OHIM* [2004] para. 30, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=49432&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=9446> (access: 1 January 2023)

⁷⁹ Case T-135/99, *Taurus-Film GmbH & Co v OHIM* [2001] para. 29, <https://curia.europa.eu/juris/showPdf.jsf?text=&docid=46030&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=13645> (access: 1 January 2023)

⁸⁰ European Union Intellectual Property Office, Trade mark Guidelines, Part B, Section 4, 4.1.1, <https://guidelines.euipo.europa.eu/1935303/2047072/trade-mark-guidelines/1-1-the-notion-of-descriptiveness> (access: 1 January 2023)

⁸¹ Case T-190/05, *The Sherwin-Williams Company v OHIM* [2007] para. 39 <https://curia.europa.eu/juris/document/document.jsf?text=&docid=63430&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=55441> (access: 1 January 2023)

when assessing its distinctiveness⁸². Thus, the Court emphasised the generally existing principle in trademark law doctrine according to which, despite the fact that a broad overlap between these two absolute grounds for refusal exists, each of them stands alone from the other and needs to be examined separately.

Also, the EUIPO, in its official guidelines, maintained this rule by recognising that despite the possibility that a given term may not be clearly descriptive of the products and services in question as to the point that an objection under Article 7(1)(c) EUTMR would apply, it could nonetheless be considered as objectionable under Article 7(1)(b) EUTMR. This would be due to the fact that the relevant public would interpret the term as just conveying information on the nature of the goods and services in question and not designating their origin⁸³. The *Medi* case is presented as example of such situation. Here, the CJEU considered the term “medi” as a general reference to the medical field. It was also stipulated that to determine the lack of distinctiveness it is sufficient to apply the relevant test without having to justify it by producing any evidence⁸⁴.

While focusing on the relationship between these two grounds for refusal, it is also worth mentioning the most fundamental difference between them. The basis for the application of the provision in Article 7(1)(c) EUTMR is the interest of competitors in free access to certain signs. Meanwhile, Article 7(1)(b) EUTMR is oriented towards the interests of consumers⁸⁵. This fundamental difference between them is the basis for their use as separate and independent absolute grounds for refusal, notwithstanding the overlap between the scope of their protection that in some cases might also arise.

Nevertheless, when assessing both the obstacle of distinctiveness and descriptiveness of trademarks in European practice, one can notice that the same factors are taken into account. In many of its judgments, the CJEU stated that in order to assess both the distinctive character of the given sign as well as its descriptiveness, the goods and service in respect of which registration is sought but also the relevant public’s perception of that sign must be taken into account⁸⁶. Therefore, it is also necessary to put focus on the mentioned criterion of “relevant

⁸² Case C-363/99, *Koninklijke KPN Nederland NV v Benelux-Markenbureau* [2004] para. 79 <https://curia.europa.eu/juris/document/document.jsf?text=&docid=48920&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=212845> (access: 7 January 2023)

⁸³ European Union Intellectual Property Office, Trade mark Guidelines, Part B, Section 4, 3.1

⁸⁴ Case T-470/09, *Medi GmbH & Co. KG v OHIM* [2012] para. 22, 25 <https://curia.europa.eu/juris/document/document.jsf?text=&docid=125012&pageIndex=0&doclang=FR&mode=lst&dir=&occ=first&part=1&cid=210535> (access: 7 January 2023)

⁸⁵ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 111

⁸⁶ Case C-311/11 P, *Smart Technologies ULC v OHIM* [2012] para. 24 and case-law cited therein; Case T-588/14, *Research Engineering & Manufacturing Inc. v OHIM* [2015] para. 18 and case-law cited therein, https://euiipo.europa.eu/eSearchCLW/#basic/*18%2F11%2F2015/18%2F11%2F2015/number/558%2F14 (access: 7 January 2023)

public”. It is generally accepted that the “relevant public” is made up of average consumers of the goods and services in question⁸⁷. The notion of the “average consumer” was primarily explained on the basis of European case law related to the likelihood of confusion, as this factor is also relevant in such cases. Thus, in one such case, the CJEU defined the “average consumer” as a person who is reasonably well informed, observant and circumspect⁸⁸.

The level of attention of this group is determined by the kind of goods or services in the given case. Therefore, in every case, the Office or the Court must make a relevant assessment, and mostly in the case of everyday goods, the notion of relevant public covers all consumers⁸⁹. However, in case of goods or services that are addressed to specialists, the relevant public is defined as one with experience in the sector of goods and services in question⁹⁰. With regard to the relevant public that is a specialist one, it is important to note that the CJEU underlined that even while its level of attention is, by definition, higher than that of the general consumer, this does not mean that a sign’s weaker distinctiveness is sufficient in such case⁹¹. The other factor that might influence the perception of the relevant public is the manner in which the sign appears on its products. According to the case law, where a trademark does not deviate significantly from the prevailing norm for the goods in question, it will most likely lack distinctiveness⁹². Such an approach is also relevant with regards to three-dimensional marks in case of which if the given shape is common for the given type of product, it probably will lack of distinctive character⁹³.

The exercise of the above rules on absolute grounds for a refusal to trademark applications related to NFT and virtual goods leads us to many questions. Most of the questions on this subject focus on the above-mentioned factors crucial for determining the described grounds for absolute refusal. Nevertheless, the key question in this regard is whether the perception of goods and services in the virtual world should be perceived in a different way than in the case of the real world goods and services.

⁸⁷ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 117

⁸⁸ Case C-342/97, *Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV* [1999] para. 26 and case-law cited therein

<https://curia.europa.eu/juris/showPdf.jsf?text=&docid=44270&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=63771> (access: 7 January 2023)

⁸⁹ Joined cases C-456/01 P and C-457/01 P, *Hankel KGaA v OHIM* [2004] para. 37

⁹⁰ Case C-37/03 P, *BioID AG v OHIM* [2005] para. 68

<https://curia.europa.eu/juris/document/document.jsf?text=&docid=59734&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=51998> (access: 7 January 2023)

⁹¹ Case C-311/11 P, *Smart Technologies ULC v OHIM* [2012] para. 48

⁹² Case C-307/11 P, *Deichmann SE v OHIM* [2012] para. 53,

<https://curia.europa.eu/juris/document/document.jsf?text=&docid=124401&pageIndex=0&doclang=FR&mode=lst&dir=&occ=first&part=1&cid=54778> (access: 7 January 2023)

⁹³ Case C-136/02 P, *Mag Instrument Inc. v OHIM* [2004] para. 32,

<https://curia.europa.eu/juris/document/document.jsf?text=&docid=49158&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=78489> (access: 7 January 2023)

So far there are not many decisions based on absolute grounds for refusal relating to trademarks covering NFT and the Metaverse issued by the European Office. Consequently, it is not possible to determine the unambiguous practice of the office on the issue at the moment. Nevertheless, the EUIPO presented its approach to this matter during the said webinar on the Metaverse and NFT. Firstly, it was emphasised that the perception of the relevant public in such cases should be more or less the same as in the real world. Furthermore, the EUIPO's representative elaborated on this thought, adding that despite virtual goods should not be assessed in the same manner as corresponding real-world goods, these real-world goods and, more specifically the manner in which they are marketed play an extremely important role in the assessment of the discussed absolute grounds for refusal. The presented approach is based on the fact that a key aspect of virtual goods is to emulate the core concepts of real-world goods⁹⁴. In a similar vein, in the case of a sign related to virtual goods, which would be only a banal representation of real-world goods or of their packaging, the European Office would not consider it to be perceived by the relevant public as an indication of the commercial origin of the equivalent virtual goods. In view of this, the lack of distinctiveness or descriptiveness of such a mark may be raised⁹⁵.

Although at the moment the practice of the office may not yet be firmly established, one may come across individual decisions of the EUIPO confirming this approach. A good example of this is the application for a figurative trademark depicting the famous Empire State Building⁹⁶ in which the list of goods included mainly downloadable virtual goods, namely, non-fungible tokens in class 9 of the Nice Classification. As indicated on 2 December 2022, this application was rejected by the EUIPO based on Article 7(1)(b) EUTMR. In the grounds for its decision, the European Office primarily pointed out that the applied figurative sign, in this case, would be recognized by the relevant public as a non-distinctive image of the Empire State Building - a world-famous skyscraper. At the same time, the EUIPO noted that the non-fungible tokens indicated in the list of goods in class 9 are intended to authenticate a downloadable image of the Empire State Building and that these downloadable multimedia files authenticated by NFTs have for the subject matter the Empire State Building. As a result, it was concluded that, in this case, the relevant public is more likely to interpret the given sign

⁹⁴ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slides 47-50,

⁹⁵ *Ibidem*

⁹⁶ European Union Trade Mark file information no. 018652011, eSearch plus, The EUIPO's database, <https://euipo.europa.eu/eSearch/#details/trademarks/018652011> (access: 7 January 2023)

as information about the subject matter or intended purpose of the goods rather than as a commercial origin indicator⁹⁷.

It seems that the approach of the European Office as presented is justified. Indeed, even looking in the EUIPO's databases for trademark applications considering virtual goods or services, one can see that most of them refer to concepts of goods from the real world (for reference, see the below examples of trademarks applications registered in relation to virtual goods specified in class 9 from the EUIPO's database). For this reason, both the concept of the absolute grounds for refusal discussed and the perception of the relevant public should not be expected to be materially different with respect to virtual goods and/or services.



Figure 1 – EUTM Application No. 018657690



Figure 2 – EUTM Application No. 018775485

As mentioned, to the other relevant factor for assessing the distinctiveness or descriptiveness of a given mark is the level of consumer attention. In my opinion, in the case of signs covering virtual goods or services, this premise should be considered on an individual basis. As in the case of trademarks concerning real-world goods, the marks related to NFT or virtual goods/services might sometimes apply to all consumers and, in some cases, only to the specialist relevant public. Nevertheless, in this case, too, it seems that the criteria for this evaluation should not differ from the existing approach on this issue.

⁹⁷ European Union Intellectual Property Office, Operations Department, Notice of grounds for refusal of application for a European Union trade mark, application no 018652011, 2022, <file:///home/chronos/u-4e7579236d617676275a825685ccdc96bffe7628/MyFiles/Downloads/16065918.pdf> (access: 7 January 2023)

2.3 - Challenges Related to the Concept of Genuine Use

In contrast to the trademark law regime in the United States, the European Union trademark system allows for the acquisition of trademark rights based solely on registration, without imposing any requirement for actual use or a formal declaration of intention to use. Thus, in European doctrine, the obligation to use trademarks undoubtedly constitutes an important element for the market. It is precisely based on this requirement that it is possible, among other things, to counteract signs that, although registered, only exist “on paper” and are not actually used on the market⁹⁸. The legislator also sets out this intent in the recital 24 EUTMR where it is underlined that there is no justification for protecting EU trademarks that are not actually used. In addition, another basis for the necessity of the concept of genuine use of marks is that it allows the restriction of the number of conflicts that would arise between two trademarks in case there is no economic reasons for that resulting from an actual function of the mark on the market⁹⁹.

The notion of use is also an important factor when assessing acquired distinctiveness which is a concept presented on the basis of Article 7(3) EUTMR and is related to the absolute grounds of refusal. In accordance with this Article, even in case a trademark does not adhere to the inter alia requirements of distinctive character or non-descriptiveness, it may be registered as long as it has become distinctive through its use. However, the concept of use is also relevant to the assessment of enhanced distinctiveness, the well-known character and the reputation of the trademark in opposition proceedings which are elements related to relative grounds for refusal.

In the context of determining genuine use, it should be emphasised that it has been officially accepted that the European Office does not assess the genuine use *ex officio*¹⁰⁰. This means that this process is not performed automatically by the EUIPO but only at the request of the applicant for the European trademark.

Although the main scope of this thesis focuses on the challenges of trademark registrability, the issues related to the concept of use are so wide-ranging that they also require reference to cases that involve, inter alia, revocation of rights or opposition proceedings.

⁹⁸ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 455, [file:///media/fuse/drivefs-0178ba233ac6cf3642a59ae6a3ac5a10/root/Magisterja/354404857.pdf](https://media/fuse/drivefs-0178ba233ac6cf3642a59ae6a3ac5a10/root/Magisterja/354404857.pdf) (access: 15 January 2023)

⁹⁹ Case T-174/01, *Jean M. Goulbourn v. OHIM* [2003] para. 38, <https://curia.europa.eu/juris/showPdf.jsf?text=&docid=48129&pageIndex=0&doclang=EN&mode=lst&dir=&oc=c=first&part=1&cid=27268> (access: 15 January 2023)

¹⁰⁰ European Union Intellectual Property Office, *Trade mark Guidelines*, Part C, Section 7, 1.1, <https://guidelines.euipo.europa.eu/1935303/1984213/trade-mark-guidelines/1-1-function-of-proof-of-use> (access: 15 January 2023)

According to the CJEU’s judgement in the *Colloseum Holding* case the criteria for determining the genuine use of a mark, as defined by Article 18(1) EUTMR are comparable to those for determining whether a sign has acquired distinctiveness through use for the purpose of registration, as defined by Article 7(3) EUTMR¹⁰¹. Therefore, the reference to the criteria related to the determination of genuine use in the present paper is justified by the fact that they are equally applicable in assessment of the acquisition of distinctive character.

As the term “genuine use” is not defined in European legislation, in order to better understand it, it is necessary to refer to the relevant CJEU judgments, which set out the basic principles related to this concept. Thus, first of all, the Court found that genuine use means actual use of the mark. Secondly, it was underlined that this term should be interpreted to mean use that is not purely symbolic and intended only to protect the right conferred by the trademark¹⁰². When analysing the concept of genuine use under the European trademark law regime it should be also noted that the relative term “nature of use” refers to the use of the mark in accordance with its essential function. That is - in the course of trade, as registered or of a variation thereof and in connection with the goods and services for which it was registered¹⁰³.

In line with the basic principles associated with the concept of genuine use, it has been established that the term “essential function”, as used in this context, refers to the function of a mark to ensure that the customer or end user can distinguish a product or service from others with a different origin without any confusion, thereby ensuring the identity of the goods or services. Furthermore, it is explained that the essential function would be made in order to create or preserve an outlet for the goods and services in question¹⁰⁴. Also, it has been generally accepted in the doctrine that the use in accordance with the essential origin function constitutes a *conditio sine qua non*, which means that without the use of a sign for the primary function of identifying the commercial source of goods or services no genuine use of the mark can be said to exist. Meanwhile, other functions of trademarks such as quality, communication, investment and advertising may not in themselves establish the existence of genuine use, rather than, they may significantly enhance it¹⁰⁵.

¹⁰¹ Case C-12/12, *Colloseum Holding AG v. Levi Strauss & Co.* [2013] para. 34, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=136430&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=43707> (access: 15 January 2023)

¹⁰² Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV* [2003] para. 35-36, <https://curia.europa.eu/juris/showPdf.jsf?text=&docid=48120&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=24749> (access: 15 January 2023)

¹⁰³ European Union Intellectual Property Office, Trade mark Guidelines, Part C, Section 7, 6, <https://guidelines.euipo.europa.eu/1935303/1982003/trade-mark-guidelines/2-3-----6-nature-of-use> (access: 15 January 2023)

¹⁰⁴ Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV* [2003] para. 36, 43

¹⁰⁵ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 460

The CJEU has developed a broad definition of the criterion of use of the mark in the course of trade. The use of a trademark is considered to be in the course of the trade when it takes place “in the context of commercial activity with a view to economic advantage and not as a private matter”¹⁰⁶. Accordingly, the relevant literature emphasises that it is unlikely that using a trademark for academic research, political discussion or private study would qualify under the scope of use in the course of trade¹⁰⁷.

In the context of the public use of a mark, it has been emphasised in relevant case law that it does not necessarily have to be aimed at end consumers. In the *Recaro Holding* case, the Court stated that the fact that the proprietor of the trademark did not enter into transactions with end consumers but only with professionals in the trade did not constitute a lack of genuine use as long as the mark was actually used in commercial transactions¹⁰⁸.

In its judgement in the *Ansul* case, the CJEU elaborated that the use of the mark should “relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are under way, particularly in the form of advertising campaigns”¹⁰⁹. Thus, an obligation was established that the use should relate to the goods and services for which the mark was registered. This assessment therefore largely depends on the list of goods and services for which the given mark has been applied. In this context, it is necessary to agree with the view which indicates that, given the role played by the use requirement in the European trademark regime, this condition should be applied rigorously. It is only through such an application of this rule that we can ensure that in the case of a trademark with a broad list of goods or services, the use of which only applies to part of them does not unnecessarily block other marks¹¹⁰.

In the case of trademarks with a very broad list of goods and services, the use requirement must be demonstrated against the entirety of such a list. Otherwise, it is the practice of the European Office to limit the list of goods or services only to those for which the mark has actually been used. This approach was also expressed in the judgement in *Reckitt Benckiser* case in which the Court stated that if a trademark has been registered for a class of goods or services that is sufficiently broad to allow for the identification of several subcategories within it that can be viewed independently proof of genuine use applies only to those subcategories.

¹⁰⁶ Case C-206/01, *Arsenal Football Club plc v. Matthew Reed* [2002] para. 40, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=47877&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=825> (access: 15 January 2023)

¹⁰⁷ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 458

¹⁰⁸ Case T-523/12, *Recaro Holding GmbH v. OHIM* [2013] para. 26, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=144807&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=30699> (access: 15 January 2023)

¹⁰⁹ Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV* [2003] para. 37

¹¹⁰ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 459

Nonetheless, in this regard, the CJEU also highlighted that the term “part of the products or services” refers only to those goods and services that are sufficiently distinct to form coherent categories or subcategories and should not be interpreted to refer to all commercial variations of identical goods or services¹¹¹.

Nevertheless, in this regard, it should also be emphasised that according to relevant doctrine, there are other ways to demonstrate use in relation to goods or services besides indicating use on the products or their packaging. If there is an appropriate relationship between the mark and the goods, it suffices for the mark to be used on flyers, stickers or signs within stores etc¹¹². Moreover, the use of the mark may occasionally be legitimate under certain conditions for goods for which it is registered but no longer available. This holds true, among other things, when the owner of the trademark under which such goods were sold sells components that are essential to the composition or structure of the goods that were previously sold and for which he makes actual use of the same mark in accordance with the requirements of genuine use. The same might apply if the owner of the trademark really uses the mark under the same circumstances for goods and services that, while not directly related to the composition or structure of previously sold goods, are designed to satisfy the needs of those customers. That may be relevant to post-purchase services, such as the sale of accessories or companion parts or the provision of maintenance and repair services¹¹³.

In its judgement in the *Ansul* case, the Court also pointed out that in order to correctly determine genuine use, one must also take into account all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, specifically whether such use is considered justified in the economic sector concerned to preserve or expand a share in the market for the goods or services covered by the trademark. Furthermore, it was indicated that the nature of the goods or services in question, the characteristics of the target market, and the scope and frequency of mark usage could all be taken into account when evaluating the specifics of the case. Therefore, in order for the use of the mark to be considered genuine, it not always has to be quantitatively significant, as this depends on the qualities of the goods or services in question on the relevant market¹¹⁴.

¹¹¹ Case T-126/02, *Reckitt Benckiser (España) SL v. OHIM* [2005] para. 45-46, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=60417&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=36005> (access: 15 January 2023)

¹¹² European Union Intellectual Property Office, Trade mark Guidelines, Part C, Section 7, 6.1.2.3, <https://guidelines.euipo.europa.eu/1935303/1982050/trade-mark-guidelines/2-3-3-----6-1-2-3-use-in-relation-to-goods-or-services> (access: 15 January 2023)

¹¹³ Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV* [2003] para. 38-42

¹¹⁴ *Ibidem* para. 38-39

Due to such an approach, the CJEU further pointed out in another of its judgments that it is impossible to decide *a priori* or in the abstract what quantitative threshold should be used to assess whether the use is genuine or not. Consequently, it is not possible to establish a *de minimis* rule that would prevent the European Office or the Court of First Instance from considering all the relevant facts of the dispute at hand. In addition, it was indicated that even minor usage of the trademark could be sufficient to prove genuine use where it serves a real commercial purpose. In view of this need for case-by-case assessment, there may be situations in which even when instances of the usage produced identical sales numbers, judges making decisions in two different cases may assess the genuineness of the use brought before them differently¹¹⁵.

Under Article 18(1)(a) EUTMR a use of the EU trademark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered can also constitute genuine use. In one of its judgments, the CJEU explained that the mentioned provision aims to give the mark's owner the freedom to adjust the trademark's appearance during commercial use to suit better the needs of the relevant goods or services it used to advertise without losing any of its distinctiveness. Moreover, the Court even remarked that this goal would be compromised if there was an additional requirement based on which in order to prove the use of the registered trademark, namely that the different form in which the mark is used should not have been registered as a trademark. Furthermore, since the provision of the European legislation must be compatible with those of the Paris Convention¹¹⁶ (hereinafter: Convention), the Court also interpreted this case based on Article 5(C)(2) of the Convention. In doing so, it recognised that nothing in this provision implies that the use of a sign that has been registered as a trademark can no longer be used to prove the use of another registered mark which only differs in a way that does not change its distinctiveness¹¹⁷. Therefore, as long as the variants of the registered trademark do not alter its distinctive character from the form in which it was registered, genuine use of this registered trademark is sufficient to prove such use for all of the variations.

In the context of the use of acceptable variations of a trademark, it is worth quoting a judgement of the Court relating to the issue of the acquisition of distinctive character through

¹¹⁵ Case C-416/04 P, *The Sunrider Corp. v. OHIM* [2006] para. 72, 77, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=56812&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=166319> (access: 16 January 2023)

¹¹⁶ Paris Convention for the Protection of Industrial Property of March 20, 1883 [as amended on 28 September 1979], https://www.wipo.int/edocs/lexdocs/treaties/en/paris/trt_paris_001en.pdf (access: 16 January 2023)

¹¹⁷ Case C-553/11, *Bernhard Rintisch v. Klaus Eder* [2012] para. 21-23, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=128901&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=307> (access: 16 January 2023)

the use of the mark. In this judgement, it was held that the use of a component as part of a registered trademark or the use of a different mark in conjunction with a registered trademark could contribute to a distinctive character of the registered trademark. However, to meet this condition, it is essential that the relevant class of people should truly view the product or service in question as coming from a specific activity as a result of such use. On the basis of the above findings, the CJEU concluded that even in the case of the use of the wordless logo with the superimposed word sign that hides the part of this logo it still may be considered as its genuine use. As recognised, in this type of case, the premise of genuine use will be met as long as the relevant public perceives the mark as originating from the business in question¹¹⁸.

With regard to the use of so-called families of trademarks, it should be noted that according to the case law on this matter, the Court applies specific rules. Initially, however, it should be emphasised that the consensus view is that the earlier marks that are part of the given family must be available on the market in order for there to be a chance that the public may be confused about whether the given mark belongs to such a family. For that reason, the CJEU considered that in order to prove the use of such a family of trademarks the proof of use of the earlier mark as such is not required. Simply evidence that a sufficient number of them have been used to be able to form such family is enough for this purpose¹¹⁹. Given the discussed flexibility of the rules relating to the genuine use of different variations of marks and the CJEU's stated approach on families of marks, one must agree, that these rules should not allow trademark owners to prove the use of their entire family of marks on the basis of the use of only one mark¹²⁰.

Another factor often taken into account when assessing actual use is the territorial extent. At the outset it should be noted that, in accordance with the relevant case law on the matter, while this premise should undoubtedly be considered, the Court has emphasised that it is not a separate condition determining genuine use. Moreover, it is emphasised that the territorial scope of the use is only one of several factors that must be considered and examined at the same time in the overall analysis¹²¹. As already mentioned, such other factors are the nature of the goods or service at issue, the characteristics of the market concerned and the scale

¹¹⁸ Case C-252/12, *Specsavers et al. v. Asda Stores Ltd* [2013] para. 23-24, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=139753&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=2926> (access: 16 January 2023)

¹¹⁹ Case C-234/06 P, *Il Ponte Finanziaria SpA v. OHIM* [2007] para. 64-65, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=62798&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=9938> (access: 16 January 2023)

¹²⁰ Kur A., Senftleben M., *European Trade Mark Law A Commentary*, Oxford University Press, 2017, p. 465

¹²¹ Case C-149/11, *Leno Merken BV v. Hagelkruis Beheer BV* [2012] para. 36, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=131968&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=71047> (access: 16 January 2023)

and frequency of use of the mark¹²². On such a basis, we can conclude that the condition of the territorial scope of use of a mark must be used cumulatively with the other premises mentioned by the case law.

Nonetheless, it is worth adding that whether a national trademark or an EU trademark is subject to the assessment of the territorial scope is also relevant. In the context of the EUTMs, it should be emphasised that they have a unitary character. As a result, any action against it, such as, *inter alia*, registration, transfer or the issuing of a cancellation decision, will have a uniform effect in relation to the entire territory of the European Union. As stressed in the case law, the purpose of the European marks is to offer the same conditions in the EU internal market as in national markets. Consequently, it is not possible to give special importance to the territory of the Member States, as if this would conflict with the aforementioned objective and would undermine the unitary nature of those marks. On the basis of these considerations, the Court concluded that the borders of the Member States should not be considered when assessing genuine use against the EUTMs. However, as noted, this interpretation does not affect the generally accepted principle in the European regime that genuine use in the territory of one state constitutes genuine use in the territory of the union. In addition, in view of the aforementioned principle of case-by-case assessment of genuine use, the CJEU indicated that the examination of whether a given geographical scope is sufficient to demonstrate genuine use should be based on the characteristic of the product or service in question on the corresponding market¹²³.

Given the principles discussed in this subsection, it is worth noting that a number of questions arise as to how they should be applied to the Metaverse and NFT-related trademarks. First of all, with regard to marks involving virtual goods, the question of the territorial scope of genuine use seems to create the most problems. These problems primarily refer to the fact that the virtual environment in which such goods are usually used, by its definition, does not relate to the particular territory. In fact, it could be argued that these environments are characterised by a lack of boundaries. In this context, the question is posed as to usage of trademark in relation to which of the worlds should have relevance when assessing genuine use? Is the focus only be on the use in the virtual world or perhaps the real one? Possibly the most appropriate approach should take into account use in both worlds.

When considering these challenges under the European trademark regime, it should be emphasised that the EUIPO has not yet made its explicit recommendations on this issue. As indicated during the official presentation by representatives of the European Office, work on

¹²² Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV* [2003] para. 39

¹²³ Case C-149/11, *Leno Merken BV v. Hagelkruis Beheer BV* [2012] para. 40-42, 44, 54-55

its approach to this matter is still ongoing¹²⁴. For this reason, the questions presented above remain open. It is also an open question as to what elements comprising actual use should be taken into account by the office when examining it.

When assessing the conditions governing genuine use together with marks covering virtual goods or services, it is worth noting at the outset that, in its case law, the Court has repeatedly pointed out that their assessment should be made on a case-by-case basis. As I mentioned, all facts and circumstances relevant to determining whether commercial exploitation of a trademark was genuine are relevant in this assessment. Significantly in terms of the Metaverse or NFT-related trademarks discussed in this thesis, the nature of goods or services and the characteristic of the target market play a significant role. In the context of a quantitative threshold or territorial scope, the CJEU has indicated that it cannot set a single rule from above that would indicate in a definite manner whether there is a genuine use. Thus, as it can be seen, the assessment of genuine use certainly has some flexibility. Generally, this approach should be regarded positively. This seems to be the reason why many of the principles outlined for the evaluation of genuine use remain relevant even with the new challenges posed by trademarks related to the Metaverse or NFTs.

In response to the questions set out above as to what territorial scope should be considered when evaluating genuine use in the case of marks in the field of virtual goods or services, I would first note that the Court has already indicated in its case law that this premise is not a separate criterion. Moreover, it has even been emphasised that this is one of many considerations relevant to this examination and should be considered alongside them. Consequently, in determining the geographic scope, factors such as the characteristic of products or services in question on the corresponding market will be of significant importance. In view of the above, while I think that, of course, the development of a certain practice in the European trademark regime on this issue is important and can contribute to legal certainty, I also think that it could be detrimental to set hard rules on this matter. I think that especially if the EUIPO or the CJEU were to consider that in relation to marks connected to a virtual environment their use, for example, could only be demonstrated on the basis of use in the virtual world this could be detrimental. In this regard, I believe that the case-by-case assessment can be particularly important. This is because also signs related to NFT and virtual environments can differ in certain criteria from each other. In certain situations, the use of virtual goods only in the virtual world may be sufficient to consider it as genuine use. However, in other cases, the use should also take place in the real world in order to meet the requirements of actual. This

¹²⁴ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slides 53-54

will depend on the type of virtual goods and services for which the trademark has been applied for. Consequently, I think that we can definitely get more concrete answers on this issue in the future, thanks to the relevant CJEU case law or the practice of the EUIPO. Nevertheless, I think that still, such an assessment will indeed depend on the specifics of the given case.

Chapter 3 – Legal Challenges Arising in Relation to Virtual Designs

3.1 - Challenges of Protecting Virtual Designs in Metaverse

Although from the European perspective, the protection of so-called virtual designs may appear new in some national regimes, the phenomenon was already addressed several years ago. As mentioned in the first chapter of this thesis, already in 2017, the IPSO in its jurisdiction extended the protection for registered designs to cover yet another type of virtual design used on a non-physical goods. Accordingly, the Singapore Office has also provided its guidance on this issue. Despite the fact that this thesis is focused on European law, at this point, I would like to refer to the definition of virtual designs, which was provided in the Singapore Office's guidance and which, in my opinion, represents their essence very well. Virtual designs are the type of designs that lack a physical form and are typically created via immersive technologies¹²⁵.

However, this concept has also not been completely alien to European doctrine in recent years due to the existence of GUIs, which the EUIPO has repeatedly considered. GUI is the abbreviation for a Graphical User Interface. A GUI is a user interface that lets users interact with electronic devices like, for example, computers and smartphones by using menus, icons, and other visual cues (graphics). Unlike text-based interfaces, where data and commands are purely in text, GUIs graphically show information and related user controls. A pointing device, such as a mouse, trackball, stylus, or a finger on a touch screen, is used to manipulate GUI representations¹²⁶. Examples of GUIs include icons (static and dynamic), animated characters, displays, videogames, virtual interfaces and holograms¹²⁷.

Recently, in the European doctrine in the context of virtual designs, the EUIPO has looked at the important issue of whether such designs are eligible for protection under this regime. Answering this question is important since if the given design does not correspond to the definition set out in Article 3(a) of the Council Regulation (EC) No 6/2002 on Community

¹²⁵ Intellectual Property Office of Singapore, Registered Designs A Guide on Non-Physical Products, 2020

¹²⁶ Stoltzfus J., Graphical User Interface (GUI), Techopedia, 2021, <https://www.techopedia.com/definition/5435/graphical-user-interface-gui> (access: 26 January 2023)

¹²⁷ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slides 24-25

Designs¹²⁸ (hereinafter: CDR), the application for registration of a Community Design will be refused as this is one of grounds for non-registrability¹²⁹. In order to rightly attempt an assessment of the present issue, it is worthwhile at the outset to look at the most basic definition underpinning European industrial design doctrine.

Under Article 3(a) CDR the notion of “design” is described as the appearance of a product as a whole or in part as a result of its features, particularly its lines, contours, colours, shape, texture, and/or materials, as well as its ornamentation. Another important term is a “product”, which is defined in Article 3(b) CDR and that is directly connected to the concept of a “design”. According to the wording of the said article, this term covers all manufactured or handcrafted items, including inter alia parts designed to be integrated into a complex product, as well as packaging, get-up, graphic symbols and typographic typefaces, but except computer programmes. It is because of the definition of a “product” that questions arise in European doctrine as to whether it surely allows virtual designs and the like to be included in its scope since, in its wording it excludes computer programmes.

However, the EUIPO has responded to some of the concerns described above in its guidelines. It was found that it is possible to register designs for screen displays, icons, graphic user interfaces, and other types of visible components of computer programmes¹³⁰. This approach makes it possible, among other things, to protect the GUI. However, attention should be paid to the mentioned premise of visibility of software components. It is an expression of the well-established doctrinal principle that only visible features of products are relevant. With regard to the GUI, this means that only its visual aspects can create the object of the design, and, for example, the sound aspects are irrelevant¹³¹. Given the above we can conclude that the same rules also apply to virtual designs that are registered in conjunction with virtual environments, which makes it possible to register them. Moreover, the fact that they qualify for design protection under the European design regime was also stipulated by the EUIPO’s representative during the aforementioned webinar on the Office’s practice in relation to the Metaverse or NFT¹³².

¹²⁸ Council Regulation (EC) No 6/2002 of 12 December 2001 on Community Designs, L003, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32002R0006&from=EN> (access: 26 January 2023)

¹²⁹ European Union Intellectual Property Office, Design Guidelines, Examination of applications for registered Community designs, 2022, 4, <https://guidelines.euipo.europa.eu/1934976/1789538/designs-guidelines/4-examination-of-the-substantive-requirements> (access: 26 January 2023)

¹³⁰ European Union Intellectual Property Office, Design Guidelines, Examination of applications for registered Community designs, 2022, 4.1.3, <https://guidelines.euipo.europa.eu/1934976/1926295/designs-guidelines/4-1-3-icons--graphic-user-interfaces-and-the-like> (access: 26 January 2023)

¹³¹ Brancusi L., Graficzny interfejs użytkownika (GUI) jako wzór przemysłowy, *Przegląd Prawa Handlowego* 2018/8, p. 29-33, *Lex*, 2018, <https://sip.lex.pl/#/publication/151337955/brancusi-lavinia-graficzny-interfejs-uzytkownika-gui-jako-wzor-przemyslowy?keyword=Brancusi&cm=STOP> (access: 26 January 2023)

¹³² Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slide 35

Another argument behind the ability of virtual designs to be protected under the European law should be found in the very definition of design. Precisely the use of the word “in particular” in this definition should be noted, which indicates that the legislator did not intend to create a closed catalogue. This means that the definition set out in Article 3(a) CDR includes only examples of products that are suitable for protection as Community designs. With such construction, the law-maker has not closed the way for the possible protection of other parts of the products, thereby not specifically excluding virtual designs from protection¹³³.

However, it is important to take into account the recent draft legal amendments that have been announced by the European Commission (hereinafter: Commission). Namely, on 29 November 2022 the revised Regulation and Directive on industrial designs were published¹³⁴. It contains a number of important developments in European design law which are key to the subject matter of this thesis. The revised definitions of “design” and “product” have been proposed. The present definition of “design” is supplemented by – “including the movement transition or any other sort of animation of those features”¹³⁵. The new proposal for the definition of “product” takes on the following wording – “(...) any industrial or handicraft item other than computer programs, regardless of whether it is embodied in a physical object or materialises in a digital form”. The proposed definition then lists relevant examples. Among others, the graphical user interface is mentioned explicitly as such an example¹³⁶.

The new definition proposals are presented due to the emergence of new technical concepts that are not embodied in tangible things. Moreover, as the Commission itself points out, both definitions are updated, clarified and broadened in order to make them future-proof given the current development of technology. By revision of this definitions the Commission wanted to assure greater legal certainty and transparency as to the eligible subject matter of design protection. As mentioned first and foremost, the updated and broadened definition of “product” aims to more effectively cover and identify those products that are represented by a graphic embodied in a real object or apparent from the spatial arrangement of items to form an interior environment¹³⁷.

¹³³ *Ibidem*, slide 34

¹³⁴ European Commission, Intellectual property: New rules will make industrial designs quicker, cheaper and more predictable, 2022, https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7216 (access: 26 January 2023)

¹³⁵ Proposal for a Regulation of European Parliament and of the Council amending Council Regulation (EC) No 6/2002 on Community designs and repealing Commission Regulation (EC) No 2246/2002, COM(2022)666, p. 19, https://single-market-economy.ec.europa.eu/publications/proposal-regulation-community-designs_en (access: 26 January 2023)

¹³⁶ *Ibidem*

¹³⁷ *Ibidem*, p. 9

In my opinion the proposal to amend, inter alia, the CDR should be viewed positively, at least in part concerning the new definitions of “design” and “product”. The European lawmaker has recognised the pace of development of new technologies. Even though the present wording of Articles 3(a) and (b) CDR allow for the protection of virtual designs, I think that their proposed amendment is indeed beneficial. I find it actually helpful for legal certainty to mention graphical user interfaces explicitly in the definition. In addition, it is also a positive aspect of the said amendment that both definitions still maintain their open scope by merely listing relevant examples instead of creating a closed catalogue of them. Given the Commission’s objective of amending the CDR, i.e. to make it future-proof, it seems that only the use of a definition with an open scope of its protection can ensure that this is fulfilled.

Nevertheless, it should be emphasised that the changes in question have not yet entered into force at the time of writing of this paper and are not yet being taken into account by, among others, EUIPO in its practice. According to the information provided by the Commission, the proposal will be transmitted to the European Parliament and the Council for adoption under the ordinary legislative procedure. Then, as soon as it is adopted, the Community Design Regulation will become applicable three months after its entry into force. We will, therefore only be able to clearly assess how the new rules will affect European practice in the future.

3.2 - Challenges Connected to the Classification and Indication of Products

Article 36 CDR sets out the conditions with which applications for Community designs must comply in order to be accepted by the EUIPO. Article 36(2) CDR states that such an application must contain “an indication of the products in which the design is intended to be incorporated or to which it is intended to be applied”. Moreover, Article 3(3) of the Commission Regulation (EC) No 2245/2002 implementing Council Regulation (EC) No 6/2002 on Community designs¹³⁸ (hereinafter: CDIR) outlines the more detailed requirements for an indication of products in applications for a Community design. According to this provision, the indication of products must be written in a way that makes it apparent what they are and allows them to be grouped into only one class under the Locarno Classification, ideally using terminology from the list of products listed there. Furthermore, in line with the guidance

¹³⁸ Commission Regulation (EC) No 2245/2002 of 21 October 2002 implementing Council Regulation (EC) No 6/2002 on Community designs, L341, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32002R2245&from=EN> (access: 28 January 2023)

provided by the European Office in addition to being limited to a single class, the indication of products must be written enough clearly to be able to be classified in a single subclass¹³⁹.

However, it should be noted that as provided for in Article 36(6) CDR, the scope of protection for a Community design as such is unaffected by the indication of products or classification. In addition, it is stipulated in Article 3(2) CDIR that the classification of products itself serves exclusively administrative purposes, enabling access to the databases of registered Community designs for search purposes carried out by third parties¹⁴⁰. As highlighted in Article 26(3)(d) CDR it is not mandatory for the applicants themselves to classify the products in which the design is intended to be incorporated or to which it is intended to be applied. Therefore, in the event that the classification is not included in the application for Community design, no objection will be raised by the European Office, provided that no objection is raised in relation to the indication of products¹⁴¹. Nevertheless, in line with EUIPO's recommendations, including such a classification of products allows the registration procedure to be accelerated¹⁴². In case no objection in regard to the indication of products is raised by the EUIPO's examiner, the products provided in the application are then classified *ex officio* by the examiner according to the Locarno Classification. Furthermore, if the applicant specified in their application the incorrect classes, the examiner also assigns the correct ones *ex officio*¹⁴³.

According to the established rules of the European Office, the indication of the products is mandatory for the application to be accepted. Consequently, in some situations the examiner may appropriately change the indication *ex officio*. This is the case *inter alia* where an applicant uses terms that are not included in the Locarno Classification or where the product indication clearly does not match the product as disclosed in the representation of the design¹⁴⁴.

The aforementioned Locarno Classification is an international classification used for the purposes of the registration of designs. It was established by the Locarno Agreement Establishing an International Classification for Industrial Designs¹⁴⁵ (hereinafter: Locarno

¹³⁹ European Union Intellectual Property Office, Design Guidelines, Examination of applications for registered Community designs, 2022, 6.1.4.1, <https://guidelines.euipo.europa.eu/1934976/2043206/designs-guidelines/6-1-4-1-general-principles> (access: 28 January 2023)

¹⁴⁰ *Ibidem*

¹⁴¹ European Union Intellectual Property Office, Design Guidelines, Examination of applications for registered Community designs, 2022, 6.2.3.1, <https://guidelines.euipo.europa.eu/1934976/1949572/designs-guidelines/6-2-3-1-general-principles> (access: 28 January 2023)

¹⁴² European Union Intellectual Property Office, Design Guidelines, Examination of applications for registered Community designs, 2022, 6.1.4.1

¹⁴³ *Ibidem*

¹⁴⁴ European Union Intellectual Property Office, Design Guidelines, Examination of applications for registered Community designs, 2022, 6.1.4.4, <https://guidelines.euipo.europa.eu/1934976/1949556/designs-guidelines/6-1-4-4-ex-officio-change-of-indication> (access: 28 January 2023)

¹⁴⁵ Locarno Agreement Establishing an International Classification for Industrial Designs [as amended on 28 September 1979] [Authentic text], <https://www.wipo.int/wipolex/en/text/286253> (access: 28 January 2023)

Agreement), which was concluded at Locarno in 1968 and amended in 1979¹⁴⁶. As indicated in Article 2(1) of the Locarno Agreement the Locarno Classification has solely an administrative character and does not bind any of the contracting countries as regards to the nature and scope of the protection afforded to the design in those countries. Nevertheless, it is required under the provision of Article 2(3) of the Locarno Agreement that the intellectual property offices of the contracting countries should “include in the official documents for the deposit or registration of designs, and, if they are officially published, in the publications in question, the numbers of the classes and subclasses of the international classification into which the goods incorporating the designs belong”. Furthermore, similarly to the aforementioned Nice Classification, the Locarno Classification is also widely used in many national and regional intellectual property offices around the world.

As indicated, with the increased interest in virtual design associated with the Metaverse, a question of classifying designs intended for virtual environments has arisen. However, in contrast to the trademark regime, the use of a design in a particular class of products is not so relevant to the scope of the right. Consequently, the question posed is primarily relevant from an administrative point of view. In this regard, the European Office has suggested that the most appropriate class for this type of designs would be class 14-04 of the Locarno Classification, which covers, among others, screen displays and icons¹⁴⁷. It is also worth noting that the 14th edition of the Locarno Classification that entered into force on 1 January 2023 incorporates in class 14-04 the term of “Augmented reality graphical user interfaces [for screen display]”¹⁴⁸. Bearing in mind the EUIPO practice on classification in applications for Community designs described above, this means that when filing a Metaverse-related design application, this will be the term accepted by the office. If an attempt is made to use a different term, the European Office may amend it *ex officio* accordingly. It raises further questions as to whether such an approach will prove sufficient in the case of, for example, designs relating strictly to 3D clothing. Nevertheless, only the future can tell us what approach the European Office will show concerning the registration of Community designs of these types of virtual designs and whether it will prove necessary in future to add additional terms to the Locarno Classification relating to other types of designs used in connection with the Metaverse, such as the aforementioned 3D clothing.

¹⁴⁶ World Intellectual Property Office, Summary of the Locarno Agreement Establishing an International Classification for Industrial Designs (1968),

https://www.wipo.int/treaties/en/classification/locarno/summary_locarno.html (access: 28 January 2023)

¹⁴⁷ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slide 35

¹⁴⁸ World Intellectual Property Office, Locarno Classification – 14th Edition: Advance Publication Now Available, 2022, https://www.wipo.int/classifications/en/news/locarno/2022/news_0002.html (access: 28 January 2023)

In addition, the emergence of virtual designs applied to the Metaverse also highlighted problems with the indication of products. It can be said that this problem breaks down into the same matter, as the trademark use in the virtual world and real world, which was discussed in the second chapter of this thesis. Similarly, we may have to deal with designs that will only apply to products related to the virtual environments as well as those that apply both to the virtual and the real world. Nonetheless, it should be noted that in this regard, during the webinar hosted by the EUIPO's representatives, the office's recommendations on this issue were presented. Thus, in the case of designs which are only intended for use in virtual environments, the office recommends providing both physical and virtual product indications. This means that, for example, when attempting to register a virtual design that is a backpack, both the backpack and virtual graphic symbols should be indicated. This recommendation is linked to the statement, already mentioned in the context of trademarks, that a key aspect of virtual goods is to emulate the core concepts of real-world goods. The same approach goes for the designs intended for use in both real and virtual environments. However, in the case of the 3D designs that are incorporated in physical products, the office stated that indicating the physical products only will be sufficient¹⁴⁹. Therefore, based on these recommendations of the European Office, it can be seen that in practice, most of the Metaverse-related design applications will need to include an indication of both real and virtual world products in order to be successfully accepted for the registration as Community designs. Nevertheless, it should be emphasised that a possible wrong indication of products does not have the same consequences as in the case of trademark regime. Furthermore, as indicated, in the event of obvious errors in the indication of products, the EUIPO may make the appropriate corrections *ex officio*.

3.3 - Challenges Connected with the Design Representation Requirements

Other mandatory requirement for applications for Community designs that is specified in Article 36(1)(c) CDR refers to a representation of the design suitable for reproduction. The graphic representation's main function is to make the design's sought-after features clear. To define the subject matter of the protection provided by the registered Community design to its holder with clarity and precision, the graphic representation must be self-contained. Due to the need for legal certainty, this regulation must be followed¹⁵⁰.

¹⁴⁹ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slides 38-40

¹⁵⁰ European Union Intellectual Property Office, Examination of applications for registered Community designs, 2022, 5, <https://guidelines.euipo.europa.eu/1934976/1949512/designs-guidelines/5-additional-requirements-regarding-the-representation-of-the-design> (access: 29 January 2023)

The Common Practice¹⁵¹ (hereinafter: CP6) is a document which was prepared by the IP Offices of the European Trade Mark and Design Network and provided guidance with regard to the design representation requirements. This document recommends that, in order to obtain the clearest, fullest and most detailed protection possible for a design, the applicant should file appropriate types of views¹⁵². In most simple terms, a view is a picture of how the design will look. It may replicate the design from numerous perspectives (angles), at various times, or in varied states¹⁵³.

Furthermore, Article 4(1) CDIR specifies more detailed requirements that the representation of a design should fulfil. Above all, however, this article presents the basic means of representation. Accordingly, the design must be represented by a graphic or photographic reproduction of it in either colour or black and white.

In contrast to the aforementioned classification requirement, compliance with these requirements is crucial as they affect the scope of the protection granted to the designs in question. Therefore, if the requirements of Article 4 or Article 5 of the CDIR are not fulfilled, the European Office will ask the applicant in question to amend his/her design application accordingly. However, if the required corrections are not made, the office may reject the design application on the ground set out in Article 46(2) of the CDR.

On the other hand, it should also be noted that in accordance with Article 36(3)(a) CDR, the applicant can add to his/her application a description explaining the representation of the design. Nevertheless, in the case of descriptions, it should be borne in mind that, according to Article 36(6) CDR they do not affect the scope of protection of the design as such. Moreover, as Article 14(2)(d) CDIR states, when a design is published in the Community Designs Bulletin, only a mention that a description has been filed is indicated, but the entire description is not available for inspection. Given this standardisation, it is the representation of the design that is one of the essential requirements for design applications. Meeting the requirements associated with it is also crucial for the registration of virtual designs.

The European design regime distinguishes several types of means of visual representation i.e. aspect views, views magnifying part of the design, alternate positions, exploded views, partial views, sectional views, sequence of snapshots, and also combination of several means of visual representation¹⁵⁴. All of these types of views are more or less suitable

¹⁵¹ European Trade Mark and Design Network, Convergence on graphic representations of designs – Common Communication, 2018, https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/about_euipo/who_we_are/common_communication/common_communication_7/common_communication7_en.pdf (access: 29 January 2023)

¹⁵² *Ibidem*, para. 3.2.

¹⁵³ *Ibidem*, para. 3.2.1

¹⁵⁴ *Ibidem*, para. 3.2.4

for representing different types of designs. As I do not wish to focus on each of these types in my paper, I would like to devote my attention primarily to the type of view, which is most crucial from the point of view of virtual designs.

For the representation of this type of designs, above all, the important requirements seem to be those concerning the representation of animated designs. In this regard in the CP6 it is recommended to use a sequence of snapshots. Snapshots are a condensed series of static views that display a single animated design at certain points in time in a linear progression. Furthermore, an animated icon's various views must, in theory, all be aesthetically related, which necessitates that they share certain characteristics. In addition, it is stressed that it is the applicant's responsibility to arrange the views numerically in a way that makes the movement or progression obvious¹⁵⁵. For this type of means of representation of the design, the applicant should also bear in mind that, according to Article 4(2) CDIR a maximum of seven views can be provided in the representation of a given design. This requirement significantly reduces the number of snapshots that can be filed in one application for Community design.

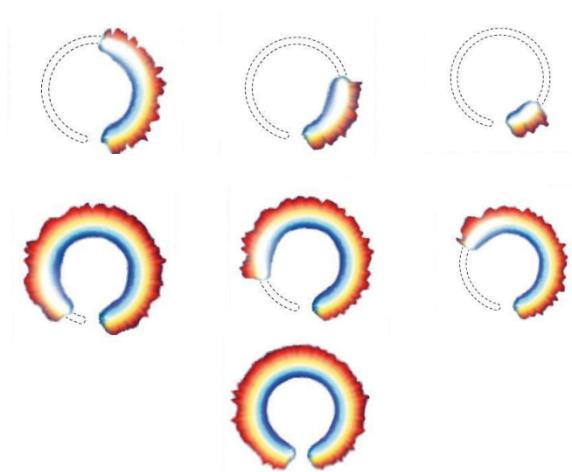


Figure 3 – RCD No. 002085894-0014 (an example of usage of a sequence of snapshots)

An equally important aspect of ensuring that a given design will be adequately represented are visual disclaimers. Their role is to make it clear that certain aspects of the design shown in its representation are neither protected nor registered. In simpler terms, visual disclaimers make it clear what is not protected based on rights derived from the registration of a design. There are also a few types of visual disclaimers, which can be subdivided into those which exclude particular parts from protection, i.e. broken lines, blurring or colour shading, or into those which include parts for which the protection is sought, i.e. boundary of the given

¹⁵⁵ *Ibidem*, para. 3.2.4(g)

feature of the design¹⁵⁶. Basic requirements for the use of visual disclaimers state that they must be clear and obvious so as to clearly show what features of the design are claimed and which are not. Moreover, they should be self-explanatory when appreciated in the context of the whole design. In addition, in the case of using more than one view in design's representation, the visual disclaimers should be used consistently in all the views where the disclaimer appears¹⁵⁷.

Again, when juxtaposing the rules described above with the virtual designs associated with the Metaverse, the European Office questioned whether they are still appropriate, especially given the rules regarding the representation of animated designs. Even during the webinar conducted on, inter alia, this issue, concern was expressed as to whether they certainly allow for efficient design protection in the case of such designs¹⁵⁸? Particularly in the case of animated designs, their merely static representation may significantly limit the scope of their protection, bearing in mind also that, as stated in case law, the essential feature of the design protection is the fact that its characteristic is visible¹⁵⁹.

Even the CP6 notes that a video clip is a potential way of representing animated designs while pointing out that it allows the sequence of the movement to be seen and visually appreciated, which would ensure more effective protection. Nevertheless, at the moment, such a mean of representation is not available due to technical deficiencies¹⁶⁰. It should certainly be pleasing that this problem is being recognised by both the European Office and the European legislator. In this context, it is worth adding that the proposal for revised CDR provides for a new Article 36a aimed at empowering the Commission to specify the details to be contained in the application for a registered EU design. According to the Commission's commentary on this proposition, this also intends to update current standards for design representation in order form to be fit for the digital age. As the proposed regulation itself is only awaiting adoption, we can expect new standards on this issue, possibly only next year. Of course, this is also why it is difficult to comment more precisely on the matter at this point. As I mentioned, it is certainly gratifying that this problem is recognised and changes are planned that should facilitate the effective representation of animated designs in the application, which will also be extremely crucial from the point of view of potential future virtual designs associated with the Metaverse.

¹⁵⁶ *Ibidem*, para. 3.1.1

¹⁵⁷ *Ibidem*, para. 3.1.2

¹⁵⁸ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slide 36

¹⁵⁹ Joined Cases C-361/15 P and C-405/15 P, *Easy Sanitary Solutions BV et al. v Group Nivelles NV* [2017] para. 63,

<https://curia.europa.eu/juris/document/document.jsf?text=&docid=194789&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=2716> (access: 29 January 2023)

¹⁶⁰ European Trade Mark and Design Network, Convergence on graphic representations of designs – Common Communication, 2018, para. 3.2.4(g)

3.4 - Challenges Connected with the Scope of Rights Conferred by Community Designs

Article 19(1) CDR determines the rights that are conferred by the Community design to its holder. Accordingly, the Community design confers to its holder the exclusive right to use it and to prevent third parties from using it without his/her consent. The notion of “use” is an important element in this context. As set out in this Article, the term of “use” covers “in particular, the making, offering, putting on the market, importing, exporting or using of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes”. Thus, as can be seen, the legislator has left an open catalogue in this regard. In their official webinar, the EUIPO officials raised the question of whether the use of virtual designs in virtual environments could constitute “use” in the understanding of this Article¹⁶¹.

Therefore, in order to understand more precisely the scope of the term of “use” and of the very right conferred on the holders of the Community designs, it is worthwhile to look at the relevant case law. In the judgment of the CJEU in the *Easy Sanitary Solutions* case, it was highlighted that on the basis of, inter alia, Article 19(1) CDR the scope of the rights conferred to the holder of Community design is such that allows for the exclusive use of the design in question in all types of products, and not only ones that are indicated in the application for registration. Going further, the Court argues its approach on the grounds that the reference to “a product” in Article 19(1) CDR does not permit for the conclusion that the scope of the rights conferred can be limited to the product in which the design is incorporated or to which it is applied¹⁶². Thus, as one can observe, the idea of usage connected with the scope of the rights conferred by the Community designs is quite broad. The CJEU’s approach outlined is also based on the aforementioned fact that the mere classification of design does not affect their scope.

Given the question posed in the above paragraph in the context of the use of virtual designs, an important point is how the jurisprudence to date has dealt with the use of designs, not only in the real world. In this regard, the judgment of the CJEU in the *Nintendo* case may be helpful. In the present case, the Court ruled, inter alia, on the question of whether use of images of goods via website corresponding to the registered designs when lawfully offering for sale goods intended to be used as accessories to the goods protected by a Community design falls within the scope of the term of “use” under the Article 19(1) CDR. In this regard, the

¹⁶¹ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slide 27

¹⁶² Joined Cases C-361/15 P and C-405/15 P, *Easy Sanitary Solutions BV et al. v Group Nivelles NV* [2017] para. 93, 95

CJEU considered that in the event that an operator offers for sale on its website infringing goods and also makes it possible to view them on screen and order them via that site, such acts constitute an offer for sale of those goods. As a consequence, the Court held that the action described above constitutes offering and putting on the market infringing goods and therefore falls within the concept of “use” within the meaning of Article 19(1) CDR¹⁶³. In my view, the Court’s judgment in the present case may also be used in the future to consider the use of virtual designs in the Metaverse, particularly in cases involving the infringement of rights granted by a Community design. However, this judgment is also relevant for considering the question of whether the use of the design in a virtual environment falls within the scope of Article 19(1) CDR. Since this judgment recognises that offering products for sale in Internet and also making it possible to view them on screen and order them via Internet falls within the scope of “use” pursuant to Article 19(1) CDR, it allows the conclusion that similar activities but performed in the Metaverse could also fall under this scope.

Finally, it is also worth noting the arguments put forward by the EUIPO representatives arguing the assessment that the use of a design in a virtual environment may constitute “use” under the Article in question. Firstly, attention was drawn to the use of the word “in particular” in Article 19(1) CDR. It was concluded, therefore, that the legislature did not intend to limit the definition of “use”. Rather its aim was to demonstrate the examples of conduct that falls within the scope of this notion¹⁶⁴. In this connection, it was pointed out that also the very text of the concerned article does not exclude the possibility of recognising the use of a design in Metaverse as falling within the scope of Article 19(1) CDR. It also appears this reasoning may have been behind the approach taken by the CJEU in the *Nintendo* case mentioned above.

With these considerations in mind, one must agree with the statement that the use of virtual designs in Metaverse can constitute “use” within the meaning of Article 19(1) CDR. This approach was also confirmed by the EUIPO’s representatives during their described webinar¹⁶⁵. It also stands in line with existing case law on this issue. Such a statement primarily confirms the scope of rights that can be granted to virtual designs in the event of successful registration; that is, more precisely that they can also be protected in virtual environments. It will also underpin possible future enforcement cases against possible infringers, increasing the attractiveness and desirability of registering this type of designs among entrepreneurs.

¹⁶³ Joined Cases C-24/16 and C-25/16, *Nintendo Co. Ltd v BigBen Interactive GmbH et al.* [2017] para. 107, <https://curia.europa.eu/juris/document/document.jsf?text=&docid=195045&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=1517> (access: 29 January 2023)

¹⁶⁴ Bennett K., Clark T., TMs and Designs in the metaverse: legal aspects/EUIPO practice, slide 32

¹⁶⁵ *Ibidem*

Final Remarks

With the considerations outlined above in mind, it should be noted that the NFT and Metaverse-related phenomenon discussed in this thesis has certainly pushed European doctrine to reassess the existing regulations in the trademark and design regime, which is certainly positive.

The purpose of this paper was to answer the question of whether changes to the rules of registrability of marks or designs in European trademark and design law are needed in view of the phenomenon under discussion and to what extent and scope such changes would be necessary, if at all.

Firstly, my focus was on the legal challenges to registrability that have arisen under EU trademark law. Based on the analysis presented in the second chapter of this thesis I assume that, at the moment, European legal regulations on the registrability of trademarks should not be radically altered by the emergence of marks related to NFTs and the Metaverse.

However, the problem of the classification of marks, which is particularly important in establishing the scope of protection afforded to such signs or the possible enforcement of rights, should indeed be further developed in the future. As I have mentioned in this thesis, an important issue to be regulated is the unification of terms in Nice Classification related to goods or services used in the Metaverse. On the other hand, a specification of the terms in Nice Classification related to NFTs may also be necessary, due to the doctrinally indicated problem of NFTs being too simply included in a single term in class 9. As pointed out earlier in this paper, it is worth bearing in mind the complexity of the possible uses of NFTs, so such a specification may be necessary to ensure that the signs associated with them provide the most effective protection possible.

When interpreting prerequisites such as distinctive character, descriptiveness or genuine use of a mark related to the NFTs or Metaverse, it seems that the existing principles found in the doctrine are sufficient. Their analysis has shown that they can still be used even in the case of such types of marks and have not lost their relevance. Nevertheless, it is worth noting that certainly, a more thorough and detailed approach to these issues will clarify over future years when the EUIPO or the CJEU will have the opportunity to lean into specific cases in this regard.

Summarising as I mentioned, drastic changes are not necessary. The basic principles related to the trademark regime are “open” enough and capture the most important essence of the given principle that it is also possible to apply them in case of new phenomena. That said,

there are bound to be cases in the future that may force both the European Office and the Court to present their more detailed approach to a given problem on a case-by-case basis.

With regard to the assessment of European design protection regulations in view of virtual designs related to the Metaverse, I believe that the main insights here will be similar to those in the case of trademarks. For this reason, I shall take the liberty of going straight to more specific remarks.

It can be concluded that the provisions of present EU design law allow for the effective protection of virtual designs used in the Metaverse. Although some doubts may have arisen, both Articles 3(a) and (b) and Article 19(1) CDR allow the virtual designs associated with virtual environments to be adequately covered by them.

However, the planned changes to the law relating to the protection of Community designs, which the Commission has recently announced, should be assessed positively. The fact that the legislation, in particular, the new wording of the definitions of “design” and “product”, more clearly emphasises the inclusion of virtual designs within its scope will certainly have a positive impact on the level of legal certainty.

Conversely, an issue that certainly requires significant changes in the future concerns the outdated requirements for the representation of designs in applications in relation to animated designs. Modernising these requirements and moving away from the requirement to provide only static views of animated designs can certainly contribute to their better protection. In the case of these types of designs their movement can play an important role in capturing their full substance. Consequently, providing a fuller scope of protection will certainly also have a positive effect on the more attractive perception of the protection afforded by a Community design registration.

Finally, in assessing the mentioned Commission’s proposals for revised European design legal acts, I consider it positive mainly because the legislator is paying attention to the need for the law to catch up with new technologies. Even the explanatory memorandum for the proposed new regulation states that the aim is to create future-proof provisions¹⁶⁶. I also believe that this objective can be achieved as long as the legislator remains with a more open construction of certain provisions related to design law. The analysis of the provisions has shown that, especially for the provisions relating to the most fundamental principles constituting design protection, their formulation should be made in such a way as to capture the essence of a given principle. Such an approach is beneficial as it allows for appropriate application of this principles even in the case of new occurrences. Overemphasising details can

¹⁶⁶ Proposal for a Regulation of European Parliament and of the Council amending Council Regulation (EC) No 6/2002 on Community designs and repealing Commission Regulation (EC) No 2246/2002, COM(2022)666, p. 1

be detrimental, especially in today's fast-moving reality, due to the fact that they could quickly become irrelevant. In my view, this approach is also positive, as ultimately, the details of the application of the rules in question can be normalised on the basis of case law and practice, respectively, whether by EUIPO or CJEU, as has been the case to date.

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