



IP Protection in the Metaverse in Japan

Since 2021, there have been active policy discussions in Japan regarding the protection of content in the metaverse, a virtual three-dimensional space on the Internet where many people can participate simultaneously, control their avatars, act freely, and interact with other participants. These policy discussions assume that the metaverse will expand over time, and that it is essential for content holders to consider IP protection in the metaverse.

In addition, the Unfair Competition Prevention Act (the “Act”), which was partially amended on June 7, 2023, allows for the regulation of product form imitation in the metaverse.

1. Necessity of IP Protection in the Metaverse

The development of the metaverse has resulted in the transfer of consumption activities in real space to virtual space. In the metaverse, both businesses and users can create virtual items and sell them, and some companies have opened virtual stores in the metaverse to develop their business by offering products in both the real world and the metaverse. Under these circumstances, product designs that existed in real space can now be provided in virtual space, so we will examine whether IP protection implemented in real space can be maintained in the metaverse, based on the following hypothetical case study.

Virtual Case Study

A business (Company X) sold virtual bags in the Metaverse that were branded with the product brand of a luxury bag brand owner (Company A) and that imitated its distinctive exterior design without permission. Company A is considering what possible measures can be taken to protect its IP rights.

(Note: In the U.S., a business operator is selling "Meta Birkins" - digital imitations of the Hermes "Birkin" bag - in the digital space, so this is a real problem.)

2. Trademark Protection

Can a trademark right be asserted against Company X? In principle, trademark infringement is established when (1) a trademark identical or similar to a registered trademark is used, (2) in connection with goods or services identical or similar to the designated goods or services related to that trademark without permission, and (3) in the course of business. In the hypothetical case, it is clear that requirements (1) and (3) are satisfied, but the problem is requirement (2).

The similarity of goods under requirement (2) is judged based on "whether there is a relationship (i.e., between the goods and the trademark) such that the same or similar trademarks, when used on those goods, may be misidentified as goods manufactured or sold by the same proprietor due to the fact that those goods are usually manufactured or sold by the same proprietor".

Currently, there are only a limited number of cases where a business that manufactures and sells goods in real space (e.g., clothes and bags) also provides virtual versions of those goods (e.g., avatar clothes and other virtual space goods reproduced by computer programs). Therefore, even if Company A had obtained a trademark registration for its own brand for the designated goods as “bags” (Class 18), there would be no similarity with Company X's products in the virtual space, and therefore, so there would be no trademark infringement.

To obtain trademark protection in the metaverse, Company A may file a trademark registration application with a new product designation for goods in virtual space (e.g., in Class 9: computer programs, etc.), so that it can obtain protection for these goods. For example, Nike, a global sports shoe manufacturer, has filed an application for trademark registration in Japan for the sale of products in the metaverse (in Classes 9, 35, and 41, the designated goods and services listed including elements such as being virtual goods and used in virtual space).¹ This trademark application strategy has attracted the attention of trademark practitioners.

However, if a trademark owner uses the trademark only for goods in the real space and has not continuously used the trademark for goods in the virtual space for three years, the right may be revoked by a trial for cancellation of non-use (Article 50(1) of the Trademark Act).

3. Protection under the Unfair Competition Prevention Act

(1) Protection by Product Labelling Regulations

Under the Act, (1) acts causing confusion with another person's goods and services by using an indication of goods and services identical or similar to a well-known goods and services indication² and (2) the act of using in respect of one's own goods and services an indication identical or similar to another person's well-known indication for similar goods and services constitutes "unfair competition"³ and may subject to an injunction⁴ and damages⁵.

Protection under these regulations is limited to "well-known" or "famous" trade or other indications, but the requirement for infringement is not the similarity of the goods or services as is the case for trademark infringement, and infringement can be established if the trade or other indications used are in a similar fashion. Therefore, in the case study if the trade or other indications are "well-known" or "famous" as Company A's brand, Company X's act will be treated as an act causing confusion with a well-known indication or an act of misappropriation of a well-known indication, and Company X may be subject to an injunction to prevent its use of the brand in question and liable to pay damages to Company A.

(2) Relationship with regulations on product form imitation

Under the current Act, the act of sale a product that imitates the form of another's product (form counterfeit product) constitutes "unfair competition"⁶, and the transferor may be subject to an injunction and liable for damages. However, the current Act does not cover the provision of intangible form counterfeits on a network as it was originally only intended to cover the provision of tangible goods. Therefore, it is likely that Company X's acts will not be covered by the product form counterfeiting regulations.

However, under the law to partially amend the Act, the act of "offering through an electric telecommunication line" will be added to the acts subject to the regulation of product form imitation once the law is in effect.

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¹ Japanese trademark application 2021-132597, partially amended on November 30, 2022.

² Article 2, Paragraph 1, Item 1; the term of protection is three years from the date of first sale in Japan.

³ Article 2, Paragraph 1, Item 2

⁴ Article 3

⁵ Article 4

⁶ Article 2, Paragraph 1, Item 3 of the Act

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