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Franchising and the Metaverse

# Franchising and the Metaverse

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# What is the Metaverse?

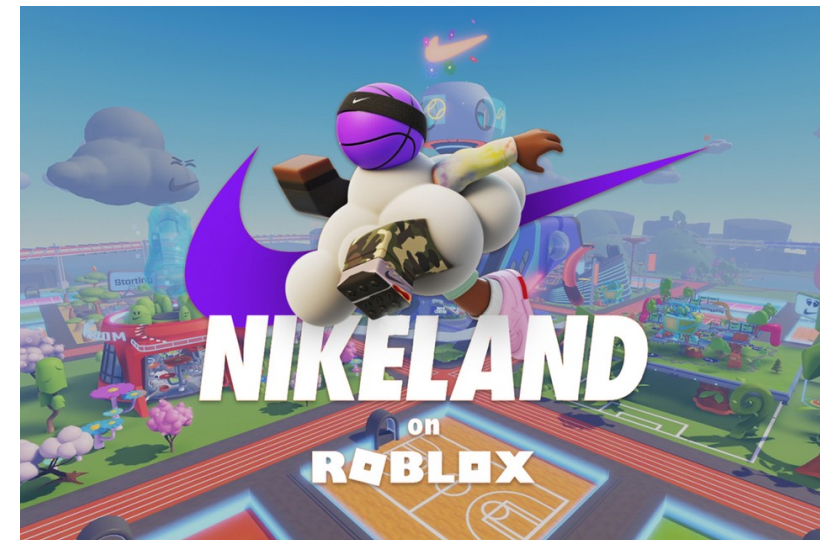


# What is the Metaverse?

- An evolving concept under constant construction
- Interoperable, 3D immersive world that enables users to:
  - Interact with each other;
  - Buy and sell digital and physical assets (via cryptocurrency); and
  - Jump from one virtual world to another, in real-time
- Accessible through virtual reality (“VR”) or augmented reality (“AR”) hardware
- Alters the way users interact with the Internet, with each other, and with brands



# Brands Entering the Metaverse



# Important Components of the Metaverse

- Web 3.0 or Web3
- Blockchain Technology
- Cryptocurrency
- Non-Fungible Tokens (NFTs)



# What is Web 3.0 or Web3?

- A more evolved and open version of the Internet
- Expands user autonomy and further customized online experience
- Enables blockchain technology
- Decentralized structure
- Artificial intelligence capabilities
- Primary version of the Internet to support metaverse operations



# What is Blockchain Technology?

- Decentralized and immutable ledger
- Maintained and verified by peer-to-peer network
- Increased transparency
- Stored in a chain of linked “blocks”
- “Blocks” are permanent and defensive against bad actors



# What is Cryptocurrency?

- Digital tokens used for blockchain transactions
- Virtual platforms often have their own unique digital tokens
- Examples: Bitcoin, Ethereum, and Litecoin



Credit: Yasir Design - stock.adobe.com



# What are Non-Fungible Tokens (NFTs)?

- Digital certificate of authenticity or proof of ownership—a digital receipt—stored on a blockchain ledger
- Key-note: NFT is linked to an asset, but is not the asset itself
- Each NFT has a unique value and is not interchangeable
- Assets can be digital, such as photos, videos, audio, and artwork, or physical, from shoes to cars, or a combination
- Enabled by blockchain technology and smart contracts



# Intellectual Property Implications



# Different Types of Intellectual Property

- Trademarks
- Trade Dress
- Patents
- Copyrights
- Trade Secrets
- Other Related IP (e.g., domain names)



# Closer Look at Trademarks: What Is a Trademark?

- A source-identifier
- A trademark is a word, phrase, symbol, design, or a combination thereof, whose main function is to identify the *source* of products or services of a party from another's
- A trademark does not identify the product or service itself
- Trademarks are often confused with trade names



# Closer Look at Trademarks

## Typed Drawing

**Word Mark** DOVE  
**Goods and Services** IC 030. US 046. G & S: **chocolate**. FIRST USE: 19390000. FIRST USE IN COMMERCE: 19830000  
**Mark Drawing Code** (1) TYPED DRAWING  
**Serial Number** 75032611  
**Filing Date** December 14, 1995  
**Current Basis** 1A  
**Original Filing Basis** 1A  
**Published for Opposition** August 6, 1996  
**Registration Number** 2012056  
**Registration Date** October 29, 1996  
**Owner** (REGISTRANT) Mars, Incorporated CORPORATION DELAWARE 6885 Elm Street McLean VIRGINIA 221013883



## Typed Drawing

**Word Mark** DOVE  
**Goods and Services** IC 003. US 001 004 006 050 051 052. G & S: Toilet bar **soap**. FIRST USE: 19451227. FIRST USE IN COMMERCE: 19451227  
**Mark Drawing Code** (1) TYPED DRAWING  
**Serial Number** 75114671  
**Filing Date** June 5, 1996  
**Current Basis** 1A  
**Original Filing Basis** 1A  
**Published for Opposition** January 21, 1997  
**Registration Number** 2052770  
**Registration Date** April 15, 1997  
**Owner** (REGISTRANT) Lever Investments Corporation CORPORATION DELAWARE 501 Silverside Road Wilmington DELAWARE 19809  
(LAST LISTED OWNER) CONOPCO, INC. CORPORATION NEW YORK 700 SYLVAN AVENUE ENGLEWOOD CLIFFS NEW JERSEY 07632

# Trademarks and the Metaverse

- The U.S. Patent and Trademark Office and other IP Offices around the world are facing a rising number of trademark application filings related to virtual goods and services
- The main challenges include:
  - Accurately identifying the goods and services
  - Proving use of the mark
  - Likelihood of confusion based on analogous goods or services



# Franchisor Trademark Applications for the Metaverse

- Examples:
  - McDonald's
  - Wendy's
  - Sonic
  - Taco Bell
  - Firehouse Subs
  - KFC
  - Jersey Mike's
- All filed on an intent-to-use basis
- Approximately four-year time horizon to prove use with current USPTO delays (36 months after notice of allowance issues)



# Closer Look at Trademarks

Class	Description of Goods/Services
Class 9	Virtual food and beverage products; downloadable virtual goods, namely, food items and beverages for use in virtual worlds; downloadable multimedia files containing artwork, text, audio, and video files and non-fungible tokens (NFTs); downloadable loyalty and reward cards which can be redeemed for menu items; downloadable computer software, namely, non-fungible tokens (NFTs) for facilitating commercial transactions; downloadable software that allows users to access restaurant menus, locate restaurants, place food and beverage orders, pay for orders, and collect rewards; downloadable multimedia file containing video and audio relating to {indicate field or subject matter of file} authenticated by non-fungible tokens (NFTs)



# Closer Look at Trademarks

Class	Description of Goods/Services
Class 35	Online retail services featuring virtual goods, food, and beverages; digital retail store services featuring downloadable and non-downloadable virtual goods in the nature of food items and beverages; retail store services featuring virtual goods, namely, access tokens for use in online virtual worlds; conducting an incentive program whereby individuals can earn real world and virtual rewards; administration of a rewards program featuring virtual rewards that can be redeemed in the real or virtual world



# Closer Look at Trademarks

Class	Description of Goods/Services
Class 41	Entertainment services, namely, providing online virtual restaurants in virtual environments; entertainment services, namely, providing online, non-downloadable virtual food items and beverages for use in virtual environments; entertainment services, namely, providing an online virtual restaurant wherein users can earn reward points and virtual currency which may be used to purchase food and beverages; entertainment services, namely, providing online, non-downloadable virtual gifts and rewards for use in virtual environments created for entertainment purposes; entertainment services, namely, providing online actual and virtual concerts and other virtual events



# Closer Look at Trademarks

Class	Description of Goods/Services
Class 42	Providing temporary use of non-downloadable software that gives users the ability to upload, modify and share virtual reality content, augmented reality content, mixed reality content, information, experiences and data; providing temporary use of non-downloadable software offering virtual food and beverage products; non-downloadable multimedia files containing artwork, text, audio, and video files and non-fungible tokens (NFTs); non-downloadable computer software, namely, non-fungible tokens (NFTs) for facilitating commercial transactions; providing temporary use of non-downloadable software that allows users to access restaurant menus, locate restaurants, place food and beverage orders, pay for orders, and collect rewards



# Closer Look at Trademarks

Class	Description of Goods/Services
<b>Class 43</b>	Preparation and provision of food and beverages; food preparation services for delivery or pick-up; restaurants featuring home delivery; virtual restaurant offering delivery of food and beverage products; operating a virtual restaurant featuring actual and virtual goods; operating a virtual restaurant featuring virtual goods



# Leading Cases



# Hermès v. Rothschild

The Birkin Bag



MetaBirkin



# Nike v. StockX

## StockX Vault NFT Nike Dunk Low Retro White Black - US M 10

A StockX token representing ownership of a physical pair.



● NFT StockX Verified Edition of 100



Place Bid

Buy for \$216

Buy Now Starting at \$21/mo with [affirm](#). [Prequalify Now](#)

Sell for \$184 or Ask for More →

Last Sale:

**\$184**

▼ -\$32 (-15%)

View Asks

View Bids

View Sales

Sources: <https://stockx.com/retro-black-and-white-dunk-vault-nft>

# Franchising in the Metaverse?



# Franchising in the Metaverse?

- (1) Metaverse Franchises
- (2) Metaverse Application to Existing Franchise Network



# Legal Considerations

- Territorial Protections / Bounds
- Cryptocurrencies and Methods of Payment
- Data Privacy and Security
- System Standards
- Using the Metaverse to Sell Franchises
- FDD Considerations



# Is the Metaverse Right for All Franchised Brands?

- Probably, no
- Unknown space under constant construction
- However, consumers around the globe are spending considerable time and money interacting in virtual environments



# Pros / Cons of Metaverse Opportunity

## Advantages

- Brand awareness
- Digital assets
- Consumer interaction
- Increased channels of trade
- Additional business segments
- Supplemental revenue

## Disadvantages

- Data privacy/security concerns
- Content moderation
- Developing technology
- Jurisdictional issues
- Lack of regulation
- Difficult entry barrier
- Uncertain ROI with costs



# Should Franchise Brands File Additional Trademark Applications?

- Evaluate strength and scope of existing TM portfolio and consumer awareness
- Due to reasonable costs/fees, may be helpful to file additional applications if resources are available
- If not, compare *Hermès v. Rothschild* facts to own franchised brand to determine if applicable



# How to Consider Metaverse Opportunity

1. Determine Business Mission and Needs
2. Evaluate Current IP Portfolio and Business Segments
3. Identify Target Consumer Base
4. Develop Marketing and Advertising Goals
5. Select Type of Metaverse Presence and Proximity to Consumers
6. Assess Legal Protections for Brand



# Questions?

