

SMART & BIGGAR

Brands in the Metaverse and NFTs.

Protecting Trademark and Copyrights Online, in Digital Media & Beyond

Speakers: Mark Biernacki and Daniel Anthony

September 15, 2022

1

2

Speakers



Mark Biernacki

Partner
Barrister & Solicitor
Trademark & Patent Agent



Daniel Anthony

Counsel
Barrister & Solicitor
Trademark & Patent Agent

SMART & BIGGAR

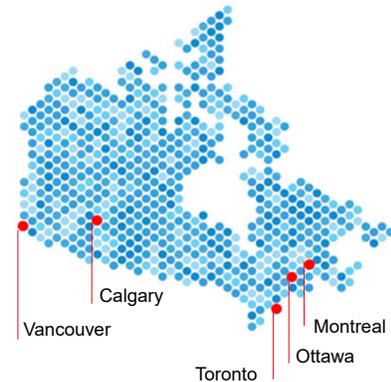
2

3

Who We Are

Canada's **leading IP law firm**
with expertise at the interface of
technology and **business law**

- Expertise in all areas of IP
- 130+ years serving clients
- 100+ lawyers, agents and technical consultants
- 8,000+ patents & trademarks filed annually
- Litigation bench strength and record of success



SMART & BIGGAR

3

4

Today's Agenda

1. What is the Metaverse
2. Branding in the Metaverse
3. What is an NFT?
4. NFT Ownership Considerations
5. NFT Copyright Issues
6. Questions and Answers

SMART & BIGGAR

4

1. What is the Metaverse?

SMART & BIGGAR

5

6

Metaverse: Definition

- Author Neal Stevenson coined the term "Metaverse" in his 1992 science fiction novel "Snow Crash" to describe a virtual reality-based successor to the internet
- The Metaverse is a persistent virtual world existing parallel to the physical world.
- It may incorporate augmented reality (AR), virtual reality (VR), 3D holographic avatars, video and other media to create a digital realm where people can meet, work and interact in real time.



SMART & BIGGAR

6

7

Metaverse: Persistent Digital Worlds

- Each **persistent digital world** is an example of a metaverse
- Many examples exist in popular video games such as **Minecraft**, **Roblox** and **Fortnight**
- More recent examples include **Earth 2**, in which real-world geolocations on a sectioned map may be bought and sold and altered with user generated digital virtual environments



SMART & BIGGAR

7

8

Metaverse: Augmented Reality (AR)

- Augmented reality (AR) - adds graphics and videos or otherwise alters a person's view of the real world via a heads-up display, a mobile device like a smartphone, or a VR headset.
- Current examples of AR include heads up displays in your car, games like Pokemon Go, interior designing apps, and filters on social media and teleconferencing apps ("I'm not a cat" lawyer)



SMART & BIGGAR

8

9

Metaverse: Virtual Reality (VR)

- Virtual Reality (VR) immerses the user within a virtual environment using a VR headset
- Early examples of VR environments with limited immersion include Microsoft's Flight Simulator and MineCraft.
- More recent examples using VR headsets, like Oculus, include Google Earth VR, Beat Saber, and Meta's Horizon Workrooms
- VR is still in its infancy



SMART & BIGGAR

9

10

Metaverse: The Future

- Lower Prices
- Improved Technology
 - Lighter. Faster. Smoother.
- More and Better Apps
 - For work, play and commerce.
- More Users
- Interoperability



SMART & BIGGAR

10

2. Branding in the Metaverse?

SMART & BIGGAR

11

12

Branding in the Metaverse: Current Examples

- Branded Environments
 - **Minecraft, Fortnite, Earth2**
- Branded Virtual Content
 - **Skins, VR clothes and accessories**
- NFTs + Real World Goods
- VR Marketplaces



SMART & BIGGAR

12

13

Branding in the Metaverse: The Future

- No Crystal Ball
- Virtual Malls and Stores
- AR Overlays
- Only Limit is Imagination



SMART & BIGGAR

13

14

Protecting Brands in the Metaverse - Audit



How is brand being used?

Now and in future?



What is the brand used with?

Physical or digital? Product or service?



Where is the brand being used?

Canada and/or abroad?

SMART & BIGGAR

14

Protecting Brands in the Metaverse: Secure Rights



Identify Gaps



Budget



Prioritize



Fill Gaps



Best Practices

SMART & BIGGAR

15

3. What is an NFT?

SMART & BIGGAR

16

17

Definition of NFTs (Non-Fungible Tokens)



- Digital tokens that can be used to **represent ownership of assets** on a blockchain
- NFTs are “**non-fungible**” in that they are **not interchangeable for other items** because of their unique properties (eg: the Vehicle Identification Number on a car)
- Ownership is managed through **unique metadata** associated with the NFT

SMART & BIGGAR

17

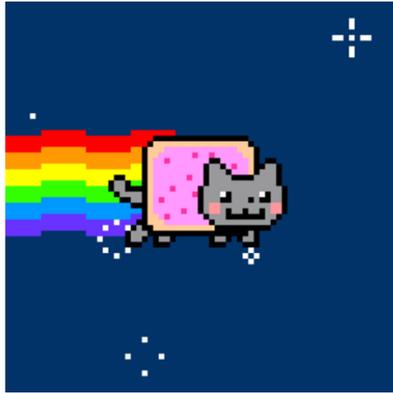
How are NFTs Created?

SMART & BIGGAR

18

19

(1) Choose your Asset



- An NFT is usually for a digital work, but may also represent non-digital assets
- Digital art: GIFs, collectibles, music, videos
- Non-digital assets: event tickets, legal documents, luxury goods

SMART & BIGGAR

19

20

(2) Choose your Platform



- NFT development projects occur on various blockchains using various cryptocurrency, e.g. Ethereum
- Deploying assets on the blockchain requires a transaction fee (“gas cost”) (e.g. \$100)

SMART & BIGGAR

20

21

(3) Choose your Contract



- Piece of code that manages rights and transferability of the digital token
- May store information related to owner address, artwork creator, URL of asset, scarcity, royalties
- May program capabilities such as transferring ownership, adding creators, burning

SMART & BIGGAR

21

22

(4) Mint your NFT



- Minting involves executing the code within the Smart Contract, which creates the NFT and records it on the blockchain (risk: unauthorized minting)
- Ownership of the NFT can be easily verified
- URL of underlying asset can be accessed by anyone

SMART & BIGGAR

22

4. NFT Ownership Considerations

SMART & BIGGAR

23

24

Rights Underlying an NFT

- Rights obtained through purchasing an NFT may be included in the Smart Contract
- More commonly, the transfer of rights abide by the conditions of the seller
- Buyer beware

- **Example: Christie's auction house conditions of sale**

"...you do not have the right to distribute, or otherwise commercialize the **digital asset**, or to represent or imply any sort of sponsorship, endorsement, affiliation, or other relationship with the seller and/or the creator of the digital asset without the prior authorization of the **seller** or the party(ies) that hold such rights."

SMART & BIGGAR

24

25

Lack of Control over Distribution of Digital Asset

- The blockchain transaction proves ownership of a digital token
- However, the underlying digital asset may be viewed, downloaded, and enjoyed by anyone
- Owning an NFT = owning a signed print of a piece of art, while multiple unsigned prints may be owned by others

```

23. tokenURI
  _tokenId (uint256)
  40913
  Query
  ↳ string
  [ tokenURI(uint256) method Response ]
  >> string : ipfs://ipfs/QmPAg1mjxcEQPPTqslLoEcauVedaeMH81WXDPvPx3VC5zUz
  
```



SMART & BIGGAR

25

5. NFT Copyright Issues

SMART & BIGGAR

26

27

Purchasing an NFT

- In Canada, express written assignment is required for the transfer of copyright
- Purchasing an NFT does not, by itself, transfer copyright in the underlying digital work

- **Example:** Christie's auction house conditions of sale include limitations to the rights transferred upon purchasing an NFT

"Your purchase of the **lot** does not provide any rights, express or implied, in (including, without limitation, any copyrights or other intellectual property rights in and to) the **digital asset** underlying the **NFT**..."

SMART & BIGGAR

27

28

Minting an NFT



- When an NFT is minted, the underlying digital work can be accessed online and is thus publicly distributed
- Distribution of the work may constitute copyright infringement
- Individuals creating an NFT must ensure they possess the underlying copyright or right to mint (substantial illegal minting is occurring)

SMART & BIGGAR

28

29

Tips for Dealing with NFTs

Purchasing an NFT

- Conduct due diligence on Marketplace T&C and Smart Contract
- Ensure the rights the purchaser wishes to obtain are included

Minting an NFT

- Ensure that permission on copyright in the underlying digital work is obtained
- Assess Smart Contract to examine transferability, scarcity, inclusion of future royalties, correct ownership information

SMART & BIGGAR

29

30

Risks and Legal Concepts

The Risk

- Risk of losing the token and recovery phrases – becomes non-transferrable
- Risk of de-valuation through re-sale
- Risk of theft, cybercrime
- Risk of unsupported rights

Legal Concepts

- Tax implications
 - (who is owner, what is jurisdiction of transfer, capital gains, nature of asset)
- Money laundering
- Insurance

SMART & BIGGAR

30



6. Q & A

Questions are often more important than the answers

SMART & BIGGAR

31



Thank you.

SMART & BIGGAR

32