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Intellectual Property Rights in the Metaverse: Legal Challenges, Emerging Opportunities, and the Future of Digital Ownership

Md. Rehman Shafik
[1] Department of Law at Buckinghamshire New University (UK)
Email: rehmanshafik@gmail.com

Abstract
Rapid advancements in the Metaverse are reshaping how people communicate, do business, produce content and trade digital assets. The Metaverse offers innovative and new possibilities for digital innovation and business, using virtual reality (VR), augmented reality (AR), blockchain technology, and artificial intelligence (AI) and non-fungible tokens (NFTs). But, these developments also bring with them considerable issues on the protection and enforcement of intellectual property rights (IPR). While traditional intellectual property rights structures have been developed for physical and conventional digital worlds, the Metaverse functions within a network of virtual worlds that can be interconnected and difficult to tell whose, or whose not, what is, and how is it reproduced or monetized. Copyright, trademarks, patents, industrial designs and digital ownership are analyzed in this paper, which critically examines the relationship between IPR and the Metaverse. It in particular explores issues like NFT related assets, unauthorized reproduction, virtual brand infringement, jurisdictional uncertainty, and user-generated content. The paper adopts a qualitative doctrinal research approach and secondary sources such as international publications on IP, legal research and policy documents to assess the adequacy of current legal regimes to tackle new realities of digital media. It asserts that while existing IP principles continue to be valid, new regulatory measures, international collaboration, clear licensing agreements, and more responsibility on platforms are needed to make them work. In conclusion, the paper suggests that IP protection in the Metaverse should be a balance between creators' rights, technological innovation, commercial freedom and users' access to the digital environments.

The keywords are: Intellectual Property Rights, Metaverse, Copyright, Trademarks, Non-Fungible Tokens.

1. Introduction

The evolution of the Metaverse is a significant shift in the current digital landscape. It is an umbrella term for the virtual spaces that are connected, and immersive, in which people can interact, communicate, engage in economic activities, and participate in digital environments with technologies like virtual reality, augmented reality and blockchain. Unlike traditional social media platforms, the Metaverse is opening the door to new ways for people to interact, buy digital goods, set up businesses, and engage in virtual economies.

These advancements have led to fresh opportunities for artists, designers, software programmers, enterprises, and content manufacturers. A few examples include a fashion brand creating a virtual store, an artist selling digital artwork using NFTs, or a software developer creating interactive virtual environments. These activities, however, also pose questions concerning who owns what and how to deal with the unauthorized use, and finally, which legal system is to be applied to issues involving users and businesses on different nation states.

IPR covers works of the mind such as literary and artistic works, inventions, trademarks and industrial designs. Important foundations for international protection of intellectual property are provided by major international instruments such as the Berne Convention, Paris Convention and Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

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However, the Metaverse poses new questions about how to protect traditional IP rights. It is possible for a digital object to be reproduced, modified, distributed, and commercially used on multiple virtual platforms. Likewise, a trademark attached to a tangible product can be used on virtual clothing, accessories and/or virtual advertisements without the permission of the owner.

The World Intellectual Property Organization (WIPO, 2024) acknowledges the significant role of intellectual property in the evolution of the Metaverse, especially in the realm of digital content, virtual reality technologies, and new business models.

This paper thus explores the extent to which current IP systems are effective in safeguarding creators and businesses in the Metaverse and possible future legal and regulatory developments.

2. Research Objectives

The main research aims of this work are:

To analyse the relationship between the IPR and development of the Metaverse.
2. To recognize copyright, trademark and patent and industrial design issues in virtual environments.
3. To examine critically the connection between NFTs, blockchain technology and digital ownership.

3. Research Methodology

The methodology used in this research is a qualitative doctrinal and analytical research using secondary sources. It considers the general principles of IP, international conventions, academic literature, and institutional reports and policy statements.

The main points examined are the international intellectual property frameworks, such as the TRIPS Agreement, Berne Convention and Paris Convention. It also reviews WIPO's publications, the European Union Intellectual Property Office (EUIPO)'s publications and the United Kingdom Intellectual Property Office's publications.

Thematic analysis is employed to uncover certain recurring legal issues regarding digital ownership, unauthorized reproduction, trademark infringement, NFTs and jurisdictional uncertainty. No primary interviews, surveys or statistical analysis are used. Thus, its conclusions are legal and conceptual in nature and do not make any empirical generalities.

4. Defining IP rights in the metaverse.Understanding IP rights in the metaverse.

4.1 Copyright Protection

One of the most crucial forms of protecting intellectual property in the Metaverse is copyright. It is to safeguard original literary, artistic, musical, audiovisual and other eligible creative works.

Digital paintings, music, buildings designs, animation, software, and virtual characters are all copyrightable and are found in the virtual Environments. For example, if an artist produces an original virtual sculpture, he might have copyright protection over that sculptural creation, under the relevant national law.

There are times, however, when users might be copying, distributing, modifying, or commercially displaying protected works without proper authorization, which constitutes copyright infringement.

Suppose a person uploads a painting on the Internet to a virtual gallery and sells digital copies of it without the artist's authorisation. The work cannot be seen in the real world, but its illegal use could still be deemed as an infringement of copyright.

The other challenge is related to user-generated content. Users can often create and share virtual objects with other users at metaverse platforms. Depending on the applicable copyright legislation, contractual provisions and the nature of the creative contribution, the ownership of the work can belong to the individual creator, to the platform or to another contributor.

According to the European Commission (2025), a work created in a virtual environment may be protected by

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copyright, and the use of content protected by third parties is normally subject to authorization unless there is an exception.

Thus, any copyright protection of digital works should be flexible enough to not only accommodate new creative expression in digital media, but also allow for legitimate user participation.

The protection of trademarks and virtual brands.

Trademarks help to differentiate the products/services of one business from another. Trademarks are becoming more crucial in the Metaverse as businesses are creating virtual stores, launching digital products, and marketing their brands through virtual spaces.

For instance, if the company sells physical shoes, they can create the virtual shoes for users' avatars. It could become a valuable commercial asset in virtual markets with its brand and logo.

Other people, however, may use established logos, brand names, or product designs to sell fake virtual goods and/or set up deceptive business connections.

This raises questions of whether the existing trademark registrations adequately encompass virtual goods/services. In digital space, companies may want to cover their business names with more trademark particulars.

While trademark protection in the Metaverse is still possible, the enforcement strategies and the extent of protection will need to be explored further, as argued by Charmeil (2024).

Therefore, the subject of trademark law needs to be both a classical consumer confusion and a new type of a digital brand exploitation.

4.3 Patents and Technological Innovation

Patents are granted for eligible inventions that meet all legal criteria, typically these being novelty, inventive step, and 'industrial applicability'.

To realize the Metaverse, there are many technologies that need to be developed, such as VR devices, AR systems, haptic devices, motion-tracking technologies, blockchain applications, and all kinds of software creations.

Businesses that are interested in these technologies could pursue patent protection to safeguard their innovations and keep their competitive edge.

However, patent challenges emerge when there are several overlapping innovations as part of technological developments. An immersive virtual environment, for instance, can be integrated with patented hardware, communication technologies and technical systems from various companies.

This raises issues of patent ownership, licensing, infringement and technology transfer.

Additionally, the treatment of software inventions varies from jurisdiction to jurisdiction. Thus, companies conducting business internationally need to take into account national patentability requirements and not assume that one patent will suffice on a global basis.

4.4 Industrial Design Protection

Industrial design protection is related to the visual appearance of a product of an industrial design, such as its shape, configuration, pattern or ornamentation.

Virtual furniture, clothing, accessories, cars and buildings can be quite valuable in the Metaverse.

For instance, a designer can create a novel virtual purse which is popular with individuals. A third party might recreate its unique look and provide a very similar virtual item in a rival platform.

This leads to issues on protecting virtual product designs and the interplay between physical and virtual product representation.

Eligibility for and the nature of protection of commercial creativity in virtual environments can be

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supplemented by protection for industrial design; however, the eligibility criteria and registration procedures vary across the different national legal systems.

5. The concept of NFTs, Blockchain and Digital Ownership.

The debate over intellectual property has taken an interesting new turn with the advent of non-fungible tokens. NFTs are special blockchain tokens with the potential to represent or reference digital or physical assets.

These are often used in digital art, collectibles, virtual property, and other digital content.

An important legal distinction however needs to be made: It is not an automatic implication that the NFT owner is the copyright owner to the original work of art.

For instance, a person that buys an NFT for a digital painting could buy the token and the rights to the painting that are explicitly sold. Subject to copyright not being separately assigned or licensed, the copyright may belong to the original creator.

This separation can lead to confusion between buyers, artists and digital marketplaces.

Blockchain technology can offer a record of token transactions, as well as verify certain ownership claims. But it doesn't actually have the power to prove that the NFT creator owns the right to the original piece of art.

It is possible to tokenize someone else's copyrighted photograph without permission. The fact that it is recorded on a blockchain does not render the action legal.

Therefore, the NFT marketplace must have efficient processes to validate token ownership, deal with claims of infringement, and define the rights that come from digital transactions.

6. Major Legal Challenges

6.1 Jurisdictional Uncertainty

The territoriality of IP rights is one of the biggest issues to be addressed.

The ability to interact in a virtual environment with people in other countries is one of the key features of the Metaverse. The creator may be in Bangladesh, the platform may be based in the United States, and the infringing user could be in another jurisdiction.

This presents problems as to which country's law should apply, which courts have jurisdiction, and where enforcement should be sought.

There is a legal paradox between the borderless world of virtual environments and the territorially bound world of IP laws, which Saw and Chan (2024) point out.

Unauthorized reproduction and counterfeiting are prohibited. Unauthorized reproduction or counterfeiting is not allowed.

Reproduction and distribution of protected content is relatively easy with the use of digital technologies. Digital clothing, artwork, logos, music and virtual products can be passed around quickly in virtual marketplaces for which they are not authorized.

Digital infringement can include multiple copies being made available at the same time via multiple platforms, as opposed to physical counterfeiting.

This makes it more challenging to detect infringers, gather evidence and to get rid of any unauthorized materials.

6.3 Ownership of User-Generated Content

An additional issue is who owns the content produced by users.

Platforms of the metaverse often have terms of service that regulate the use, distribution, and commercial use of user-generated content.

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These may offer platforms with wide licenses to access uploaded content. As a result, users may not completely differentiate between keeping ownership and contractual permissions.

Clear licensing is thus key to safeguard creators and minimize conflicts.

The science of artificial intelligence is progressing at a rapid pace.Artificial Intelligence is a rapidly developing science.

The advent of AI also raises new questions regarding authorship and IP ownership.

Users can create virtual buildings, avatars, paintings, music and other virtual artifacts with the help of AI.

The question of whether an AI-generated work is eligible for copyright protection hinges on the country's legal framework and what part human creativity played in the creation of the work.

Things get trickier when AI-generated content includes third-party protected content without permission.

Hence, the regulation of IP protection in the era of AI also needs to tackle creation via AI, authorship issues, training-related issues, and liability for infringement.

7. So, how well do the current IP laws meet the challenge?

The main legal issue being debated is whether the current IP systems are suitable for the challenges presented by the Metaverse.

Existing legislation offers a valuable framework, according to analysis. When protected works and commercial activities move to virtual environments, copyright, trademark, patent and industrial design principles do not become irrelevant.

The practical application of these rights is complicated, however, due to technological complexity, platform structure, cross-border transactions and uncertain digital ownership arrangements.

The European Union Intellectual Property Office (2024) suggests a number of potential mechanisms through which virtual environments and technologies can enable IP infringement and IP crimes.

Likewise, WIPO (2024) highlights the role of IP protection in fostering technological innovation and new digital business models.

One of the major shortcomings of the present environment is the lack of a well-established international solution to some issues concerning the Metaverse. Variations in the laws between different countries could create legal confusion for digital platforms, businesses, and creators.

But too heavy-handed a regulation runs the risk of stifling innovation, expression and even legitimate commercial experimentation.

Replacing current IP law, then, is not the right way to go. Rather, principles of the law ought to be reinforced by more transparent digital licensing rules, more robust enforcement, international collaboration, and appropriate platform accountability.

8. Recommendations

On the basis of the above analysis, the following suggestions are put forward:

2. Update IP laws and definitions: Governments need to revise the laws and definitions of intellectual property to consider virtual goods, digital assets, NFT transactions, and immersive commercial spaces.

Improve cooperation among WIPO and national intellectual property authorities, to encourage uniformity in responses to cross-border infringement, jurisdiction and enforcement.

4. Promote transparency in platform accountability: There should be clear reports, processes to verify ownership claims, and procedures for responding to complaints on platforms that are metaverse operators and NFT marketplaces.

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4. Make clear digital ownership: Digital platforms need to differentiate between ownership of digital tokens, ownership of the underlying creative works and contractual licenses.

5. Respect user-created content: Providers need to be able to provide creators with clear license terms and adequate credit for their original work.

6. Resolve copyright issues with AI: Policymakers need to define the legal status of AI-generated and AI-assisted writing, including who is the author and whether it is illegal to use protected content.

The public should be informed about digital copyright, digital trademark protection, licensing and responsible transactions with NFTs at the educational institutions, the creators and businesses.

9. Conclusion

The Metaverse is a new space in which creativity, commerce, and innovation is beginning to converge. While it offers a great deal of promise for artists, business, software developers and digital entrepreneurs, it also presents complicated intellectual property issues.

The framework of conventional enforcement practices is severely restricted by copyright issues, unauthorized use of trademarks, patent disputes, imitation of industrial designs, misunderstandings regarding NFT ownership, and jurisdictional uncertainty.

The current IP principles are still applicable and relevant in the Metaverse, but they need to be further developed in practice. The distinction between intellectual property rights and digital token ownership of an underlying asset needs to be more clearly defined. Also, platform operators, governments and international institutions should work together to develop clear and efficient protection systems.

Finally, the future of IP rights in the Metaverse should be shaped by a balanced framework that allows creators to exercise their IP rights, fosters technological innovation, legitimate commercial use, and maintains users' rights to participate. The development of a sustainable digital environment will require technological progress and, in addition, proper legal protection, accountability, and international collaboration.

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