



Is the Metaverse a Giant 'Native Advertisement'?

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A bigger question may be: how do companies prominently disclose ad content in a limitless space?

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The metaverse virtual world is a shiny new sandbox for brands to play in. Just as sponsored content dominates social media, so too will advertising blanket the metaverse. Platform terms and features for branded content on social media is quite developed, but that is not yet the case for the metaverse. As affirmed at the 2022 National Advertising Division (NAD) Annual Conference, the traditional laws and regulations apply in the metaverse.

For example, advertising must be identified as such, and must not be disguised as some other type of content. Per the [FTC's "native advertising" guidance](#), it is deceptive to present advertising as something else, "[b]ecause knowing that something is an ad likely will affect whether consumers choose to interact with it and the weight or credibility consumers give the information it conveys." Native advertising issues generally come down to disclosures. For example, an "ADVERTISEMENT" disclosure at the top of a sponsored magazine article, or "#sponsored" in an influencer's social media post. While the traditional disclosure requirements apply in the metaverse, the [FTC announced its plans](#) to update its ".com Disclosures" guidance with respect to games and virtual reality.

Native advertising is a central issue in the metaverse. Because of the vast interactive nature of a virtual world, it can be difficult for users to distinguish ad content from other content. Users of virtual reality hardware, such as the Oculus headset, can move and look wherever they want, which affects strategic placement for legal disclosures. This leads to a paradox: the traditional issue with disclosures is squeezing them into limited space, while in the metaverse the issue is making disclosures unavoidable in limitless space. Further, the metaverse audience can skew younger, and it may be more difficult for younger users to distinguish ads or influencer endorsements from other content.

Influencers in the metaverse may look just like other avatars. Branded content could be one small item in a vast virtual world, like a single virtual product. An entire virtual world may be a brand activation, such as Axe body spray's ["Mistaverse" campaign on Fortnite](#). The metaverse activation featured a capture-the-flag game on the Fortnite gaming platform, promoted by a popular gaming influencer. Players could obtain "Med Mist" healing spray dispensed from a spray can. The ["Mistaverse" included](#) a virtual billboard-style disclaimer stating, "The greatest advertisement you will ever play. Our legal team told us to write this."

Ultimately, the legal question is how to disclose advertising content in an interactive virtual space so that users recognize it as advertising. The intertwined marketing issue is how to do so without ruining the effectiveness and authenticity of the content. Legal and marketing teams will need to get creative.

To read the full newsletter, please [click here](#).

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