

INTELLECTUAL PROPERTY  
Course Handbook Series  
Number G-1002

# Advanced Seminar on Trademark Law 2010

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BRANDS ON THE SILVER SCREEN, THE  
TELEVISION SCREEN AND THE  
COMPUTER SCREEN

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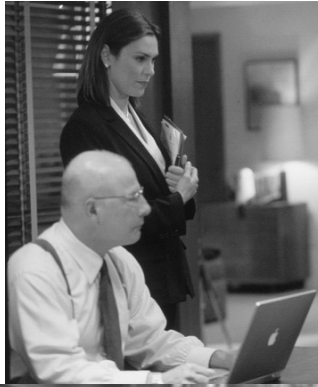
## **INTRODUCTION**<sup>1</sup>

This article examines how trademarks are used and misused in entertainment media, including television, movies, video games, and the virtual world of Second Life,<sup>2</sup> and the legal implications of the same. This article discusses the history of trademark use in these areas, the technological innovations that have changed the legal landscape, and the case law as it is developing in each of the areas. Finally, looking to the future, this article tries to anticipate how the courts will address certain legal issues that have been raised but not yet answered in this fast changing field.

## **PRODUCT PLACEMENT IN TELEVISION AND MOVIES**

Today's viewers are certainly aware of product placement in movies and on television. One of the best known examples is the placement of Hershey's REESE'S PIECES brand candy in the 1982 movie, "E.T.: The Extra-Terrestrial". In the months following the release of the movie, sales of REESE'S PIECES brand candy reportedly increased 66%.<sup>3</sup> More recently, the characters in the popular television show "24" have been using APPLE brand computers and the popular television program "American Idol" prominently displays, on the judges' table, drinking glasses bearing the COCA-COLA logo (see images below).

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  2. Second Life was selected as the example of virtual world gaming because of all the massively multiplayer online role-playing games ("MMORPG") Second Life most closely resembles the real world in that it has a cash economy and, by its terms of service, allows content-creating users to retain intellectual property rights in their respective creations. While there is some debate as to whether Second Life is or is not a MMORPG, because Second Life shares certain characteristics with MMORPGs, we are categorizing it as such for the purpose of this article.
  3. Mary Gabriel, April 10, 2000, "Product Placement Jumps Off Movie Screens" <http://www.aef.com/industry/news/data/perspective/1206> (last visited Jan. 25, 2010).



These are examples of traditional, low tech, product placement. This type of product placement needs to be arranged in pre-production; the space is sold to advertisers in advance of filming, which requires relatively long lead planning and, as a result, leaves little to no flexibility in post-production and thereafter.<sup>4</sup>

Advances in technology permit for more dynamic product placement in television and movies. This dynamic technology, which has existed for more than a decade, was applied initially in sports programs, where an object, such as a first down marker, was superimposed on the field of play, or an advertisement was superimposed on an in-stadium billboard. As the technology has evolved, the digitally-placed object can appear to be real and fixed even when the camera angle changes. Further advances have allowed for different advertisements to be inserted into different

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4. See, Sam Lubell, N.Y. Times, Jan. 2, 2006, "Advertising's Twilight Zone: That Signpost Up Ahead May Be a Virtual Product" (<http://www.nytimes.com/2006/01/02/business/media/02digital.html>) (last visited Jan. 21, 2010).

feeds of the same programming going to different markets. Moreover, this technology allows for the placement of alternative advertising in the distribution process: a theatrical release of a movie can have a product placement that differs from the on-demand, premium cable, DVD, broadcast, and online versions of the same movie. In 2005, CBS digitally inserted a box of Kellogg's CLUB brand crackers on a table in the television program, "Yes, Dear" using a new technology created by Marathon Ventures.<sup>5</sup> When it airs in syndication, the technology would allow for placement of a different box of crackers on that same table in the same episode.

While using properly licensed technology to mark a first down line or to follow the path a hockey puck raises no commercial issues (though sports purists might complain), other applications of the technology have proven less benign. One early non-sports example foreshadowed an infringement law suit that would arise not long thereafter. On December 30 and 31, 1999, the CBS Evening News program anchored by Dan Rather was broadcast live from Times Square in New York City.<sup>6</sup> Courting controversy, CBS used a digital insertion technique to replace the real-world billboard advertisements for NBC's Astrovision and Budweiser beer with an image of what appeared to be a billboard for CBS behind Rather.<sup>7</sup> While CBS merely drew some negative attention for this manipulation of reality,<sup>8</sup> similar actions a few years later by a movie studio in the same neighborhood drew a law suit.

In 2002, a group of Times Square property owners sued Sony Pictures Releasing Corp. ("Sony") in the Southern District of New York for, *inter alia*, trade dress infringement after a scene in defendant's motion picture, "Spider-Man," set in Times Square, showed the plaintiffs' buildings with advertisements superimposed on them where other advertisements had been.<sup>9</sup> For example, a real world billboard advertisement for Samsung was replaced by a digitally inserted billboard

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5. Julia Hall, "Advanced Technology - Digital Brand Integration" <http://ezinearticles.com/?Advanced-Technology---Digital-Brand-Integration&id=481678> (last visited Jan. 25, 2010).
  6. Alex Kuczynski, N.Y. Times, Jan. 13, 2000, "On CBS News, Some of What You See Isn't There" (last visited Jan. 21, 2010).
  7. *Id.*
  8. *Id.*
  9. *Sherwood 48 Assoc. v. Sony Pictures Releasing Corp.*, 76 F. App'x 389 (2d Cir. 2003).

advertisement for USA Today.<sup>10</sup> Sony reportedly sold the advertising space within the movie to raise revenue.<sup>11</sup> The plaintiffs alleged that they owned trade dress rights in their respective buildings and in the advertising and signage displayed on each.<sup>12</sup> On a motion for judgment on the pleadings, the district court dismissed the Lanham Act claims on the merits. The court questioned whether purchase decisions were affected and puzzled over the parameters of the plaintiffs' trade dress since the advertisements themselves changed regularly.<sup>13</sup> The court also dismissed on First Amendment grounds.<sup>14</sup>

On appeal, the Second Circuit affirmed, reasoning that to plead a trade dress infringement claim a plaintiff must not only allege that the trade dress is non-functional, has secondary meaning, and that there is a likelihood of confusion,<sup>15</sup> but it must also provide "a precise expression of the character and scope of the claimed trade dress."<sup>16</sup> Here, the Second Circuit found that the plaintiffs failed to identify each building's protectable trade dress with precision.<sup>17</sup> By claiming the configuration of the buildings along with the advertising and signage display, the Second Circuit reasoned, the plaintiffs were trying to protect the overall look of the buildings without claiming the specific elements that comprise each building's identifiable trade dress and the plaintiffs could not cure this "basic defect" in the pleadings.<sup>18</sup> The Second Circuit did not address the merits of the district court's alternative First Amendment grounds for dismissal.<sup>19</sup>

*Sherwood* has been cited several times in the Second Circuit for the proposition that trade dress must be expressed with precision to maintain

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10. *Sherwood 48 Assoc. v. Sony Corp. of America*, 213 F. Supp. 2d 376 (S.D.N.Y. 2002), *aff'd* 76 F. App'x 389 (2d Cir. 2003)

11. *Sherwood 48 Assoc.* 76 F. App'x at 390.

12. *Id.* at 391. ("In the Amended Complaint, the trade dress is described as 'the unique configuration and ornamentation of One Times Square, Two Times Square and 1600 Broadway and the advertising and signage display on One Times Square, Two Times Square and 1600 Broadway.'")

13. *Sherwood 48 Assoc.* 213 F. Supp. 2d at 377

14. *Id.* at 376.

15. *Sherwood 48 Assoc.* 76 F. App'x at 391 (citing *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 115-116 (2d Cir. 2001)).

16. *Id.* (quoting *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 381 (2d Cir. 1997)).

17. *Id.* at 390.

18. *Id.*

19. *Id.* at 390-391.

a claim for infringement.<sup>20</sup> Since the Second Circuit did not address the First Amendment ground for dismissal, how the court would have decided this case if the plaintiff had expressed its trade dress with precision, whether an infringement could potentially be found on the merits or whether the First Amendment defense would have precluded application of the Lanham Act, remain open questions. Other cases including *Wham-O, Inc. v. Paramount Pictures Corp.* in the Ninth Circuit and *Gottlieb Dev. LLC v. Paramount Pictures Corp.* in the Second Circuit (both discussed herein) suggest that the plaintiffs in *Sherwood* might have failed even if they had sufficiently detailed the parameters of their trade dress in the Complaint.

Fast forward to 2010. Search-leader Google, proprietor of Google Maps, which includes a “Street View” feature, has been granted a patent in technology that will allow it to superimpose advertising on images of buildings, posters, signs and billboards.<sup>21</sup> We could soon see the issues raised in *Sherwood* revisited if Google is sued for use of this technology.

In 2003, Wham-O Inc. (“Wham-O”) sued Paramount Pictures Corp. (“Paramount”) in the Northern District of California alleging, *inter alia*, trademark infringement and dilution of its marks, including the SLIP ‘N SLIDE<sup>22</sup> trademark, based on Paramount’s prominent depiction of Wham-O’s SLIP ‘N SLIDE water slide in the motion picture “Dickie Roberts: Former Child Star” as well as in the advertising and promotional materials for the movie.<sup>23</sup> The SLIP ‘N SLIDE water slide was featured prominently in a scene of the movie where the toy is blatantly misused by the title character causing him personal injury for comical effect.

It is relevant to note the history of Wham-O’s SLIP ‘N SLIDE water slide. First introduced in 1961, the SLIP ‘N SLIDE water slide disappeared from the market for a period of time as a result of product

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20. See, *Heller Inc. v. Design Within Reach, Inc.*, 2009 U.S. Dist. LEXIS 71991 (S.D.N.Y. Aug. 14, 2009); *R.F.M.A.S., Inc. v. So*, 619 F. Supp. 2d 39 (S.D.N.Y. 2009); and *Nat’l Lighting Co. v. Bridge Metal Indus.*, 601 F. Supp. 2d 556 (S.D.N.Y. 2009).
  21. Media Buyer Planner, Jan. 13, 2010, “Google Patent Suggests Ad Placements in Maps,” <http://www.mediabuyerplanner.com/entry/48057/google-patent-suggests-ad-placements-in-maps/> (last visited Jan. 21, 2010).
  22. Wham-O, Inc. is the owner of registrations for SLIP N SLIDE including U.S. Reg. No.761,883 for “flexible plastic water slide” claiming a first use date of April 13, 1961.
  23. *Wham-O, Inc. v. Paramount Pictures Corp.*, 68 U.S.P.Q.2d 1841 (N.D. Cal. 2003).



liability litigation involving injuries sustained by a user of the product.<sup>24</sup> When the SLIP ‘N SLIDE water slide was reintroduced into the market in 1998, it was redesigned with a bumper at one end, and packaging displaying age, height and weight limitations and containing instructions for proper inflation and lubrication of the slide.<sup>25</sup> The title character obviously exceeded the age limit (twelve) and, as was noted by another character in the movie, did not properly inflate or lubricate the slide.<sup>26</sup> Wham-O contacted Paramount the day before the film’s release and sought trademark attribution and a disclaimer regarding proper use of the slide. Paramount declined and Wham-O sued seeking a temporary restraining order.<sup>27</sup>

Wham-O alleged dilution by both tarnishment and blurring and the court found that Wham-O was not likely to succeed on either claim. With respect to tarnishment, the plaintiff was required to show that the defendant’s use presented a danger that consumers would form unfavorable associations with the mark.<sup>28</sup> Reasoning that the misuse of the slide in the movie was “obvious and unmistakable,” “recognizable by even the youngest or most credulous viewer, and one described as a misuse by the film itself,” the court found that the plaintiff was not likely to succeed on the claim of tarnishment.<sup>29</sup> With respect to blurring, the plaintiff was required to show that the defendant’s use created a possibility that the plaintiff’s mark would lose its ability to serve as unique identifier of the goods.<sup>30</sup> The court found the plaintiff’s theory of blurring — that the dangerous misuse in the film would associate the mark in a negative manner too much with the plaintiff — to be antithetical to the blurring claim and found that the plaintiff was not likely to succeed on the claim of dilution by blurring.<sup>31</sup>

With respect to the claim of trademark infringement, the *Wham-O* court applied the three-part test for nominative fair use established in *New Kids on the Block v. News America Publishing, Inc.*,<sup>32</sup> a case in

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24. *Id.* at 1842.

25. *Id.* at 1842, 1843.

26. *Id.* at 1843.

27. *Id.* at 1844.

28. *Id.* at 1846 (citing *Avery Dennison*, 189 F.3d at 881).

29. *Id.* at 1846.

30. *Id.* at 1847.

31. *Id.*

32. “First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the

which the Ninth Circuit found that the defendant publishers, which had used the name of the pop group to identify the pop group itself within published polls measuring the popularity of the individual group members, not liable for infringement based on nominative fair use grounds. The *Wham-O* court found that the defendant's use satisfied each prong of the *New Kids* test. Because the defendant intended to refer to the specific product, it was required to use the name of the product.<sup>33</sup> Further, by naming the SLIP 'N SLIDE water slide only twice in the movie, the defendant used no more of the plaintiff's mark than was reasonably necessary to identify the product.<sup>34</sup> Finally, the court found that the defendant's use did not suggest sponsorship or endorsement reasoning that the plaintiff's mark was used by the defendant as a mere part of the jumble of imagery in the film, not highlighted to exploit the value of the mark itself, but to evoke associations to an iconic child's toy.<sup>35</sup> Because the court found the defendant's use of the plaintiff's mark to be a nominative fair use, it found that the plaintiff was not likely to succeed on the merits of its trademark infringement claims and denied the plaintiff's motion for preliminary injunction.<sup>36</sup>

A few years later, in 2008, Gottlieb Development LLC ("Gottlieb") sued Paramount Pictures Corp. ("Paramount") in the Southern District of New York for, *inter alia*, infringement of Gottlieb's trademark arising from the depiction of the GOTTLIEB<sup>37</sup> mark on a pinball machine in the movie "What Women Want," starring actor Mel Gibson, which was released in 2000.<sup>38</sup> Gottlieb's pinball machine, which displayed the allegedly infringed mark GOTTLIEB in several places, is pictured here:

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user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder." *New Kids on the Block v. News America Publishing, Inc.*, 21 U.S.P.Q. 2d 1534, 1538 (9th Cir. 1992).

33. *Wham-O* at 1848.

34. *Id.* at 1848.

35. *Id.* at 1848.

36. *Id.* at 1848 - 1849.

37. Gottlieb Development LLC is the owner of U.S. Reg. No. 3,288,024 for GOTTLIEB (standard characters) covering "non-gambling, coin-operated amusement-type pinball machines; replacement parts for non-gambling, coin-operated amusement-type pinball machines; arcade-type electronic video games" claiming a first use date of Feb. 8, 1985.

38. *Gottlieb Dev. LLC v. Paramount Pictures Corp.*, 89 U.S.P.Q.2d 1862 (S.D.N.Y. 2008).



The pinball machine appeared three times, for approximately three seconds each time, in one scene of the movie.<sup>39</sup> Each time that Gottlieb's pinball machine was displayed in that scene, it took up only a small fraction of the screen and was always in the background and partially obscured amongst other objects. Gottlieb's pinball machine was not part of the plot of the movie, nor was it ever even referenced by any character in the movie.<sup>40</sup>

The plaintiff's theory of harm came from the association of its trademark with the movie's lead actor who, prior to the suit, had been arrested for driving under the influence of alcohol and was alleged to have made anti-Semitic statements during his arrest.<sup>41</sup> The court found that the Lanham act could not address the alleged dignity-related, non-commercial harm of such association.<sup>42</sup> Moreover, the court stated that "[c]ourts are not concerned with 'mere theoretical possibilities of confusion' or 'de minimis situations in trademark cases.'"<sup>43</sup> Citing *Wham-O* from the Ninth Circuit, the court stated that other courts have routinely refused to find a likelihood of confusion in cases where third-party trademarks appear in motion pictures.<sup>44</sup> Noting how difficult it would be for a consumer to even identify the GOTTLIEB trademark in

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39. *Id.* at 1864, 1868.

40. *Id.* at 1864.

41. *Id.* at 1868.

42. *Id.*

43. *Id.*

44. *Id.* (citing *Wham-O Inc. v. Paramount Pictures Corp.*, 286 F.Supp. 2d 1254 (N.D. Cal. 2003))

the scene, the district court dismissed the plaintiff's likelihood of confusion claim as "implausible."<sup>45</sup>

Many of the legal issues that arise in the context of movies and television also arise in the context of video games.

## **VIDEO GAMES**

It is a relatively short leap these days from television and movies to video games. Video games are a form of interactive electronic entertainment provided across a variety of platforms, including PC games, console games and handheld games. As in television and movies, trademarks can be used in many ways in video games. In the case of "advergames,"<sup>46</sup> a game can be built around a non-game brand. For example, "Mojo Master" (shown below), which was launched in 2005, is an advergame about seducing women that was developed for Unilever as a promotional vehicle for its AXE brand of fragrances for men.<sup>47</sup>



More typical is the video game that aims to entertain the player, not promote a product. But even in these games, there are an increasing

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45. *Id.* at 1867.

46. Advergame is defined "a downloadable or Web-based computer game which incorporates and features advertising for products and services" Dictionary.com's 21st Century Lexicon, Copyright © 2003-2009 Dictionary.com, LLC, <http://dictionary.reference.com/browse/advergame> (last visited Jan. 21, 2010).

47. Press Release, Unliever, *Mojo Master™, The First Virtual Fantasy Game of Seduction Goes Live For Free Online Gameplay*, Jun. 6, 2005, [http://www.unileverusa.com/mediacenter/pressreleases/2005\\_PressReleases/Axe\\_Mojo\\_Master.aspx](http://www.unileverusa.com/mediacenter/pressreleases/2005_PressReleases/Axe_Mojo_Master.aspx) (last visited Jan. 19, 2010) ("Mojo Master is the most ambitious development of branded entertainment that any marketer has ever undertaken..." "It's a real and virtual manifestation of the AXE lifestyle and brand promise, and delivers an entertaining experience for the AXE guy").

number of instances where the game services not only entertain the user, but also promote third-party brands. While non-gamers are likely aware of some of the more famous video game trademarks, such as the PLAYSTATION, XBOX and Wii trademarks for game consoles as well as the trademarks for games themselves, such as MARIO BROTHERS, GUITAR HERO and GRAND THEFT AUTO, they may not know that third-party marks are used with increasing frequency within video games. Often this will take the form of an in-game third-party trademark display, known as “in-game advertising.” Like product placement in movies, in-game advertisements not only make the games more realistic, but they also provide a potential source of revenue for the developer.<sup>48</sup>

The careful placement of real-world trademarks and trade dress in a real-world simulation game can add value by making the game seem more realistic. In the real world, trademarks and advertising are ubiquitous. They can be seen daily on billboards, bus shelters, cars and clothing. A game that simulates the real world, but has no trademarks or advertising can seem less realistic and detract from the game. The value of in-game advertising as a revenue source has become so great that the media ratings company, Nielsen, announced in 2006 that it was launching a video game ratings service.<sup>49</sup> In 2008, spending on in-game advertising for console, PC and web-based video games exceeded \$403 million.<sup>50</sup> That spending is projected to grow to more than \$675 million in 2013.<sup>51</sup> One reason for the growth of this phenomenon may be that in-game advertising helps advertisers reach the ever-elusive male 18-34 demographic, whose television viewing time has been decreasing.<sup>52</sup>

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48. Nancy Cohen, E-Commerce Times, “Virtual Product Placement Infiltrates TV, Film, Games” Feb. 23, 2006, <http://www.ecommercetimes.com/story/48956.html?wlc=1264019396> (last visited Jan. 20, 2010) (referencing a survey for which half of the respondents indicated that in-game advertising gave the game a more realistic feel).
  49. Carolyn McCarthy, CNET News, “Nielsen To Start Rating Video Games” Oct. 16, 2006, [http://news.cnet.com/Nielsen-to-start-rating-video-games/2100-1024\\_3-6127089.html](http://news.cnet.com/Nielsen-to-start-rating-video-games/2100-1024_3-6127089.html) (last visited Jan. 20, 2010) (announcing Nielsen’s GamePlay Metrics service).
  50. eMarketer Staff, Adweek, “In-Game Ads Seek ‘Next Level’” Jul. 29, 2009, [http://www.adweek.com/aw/content\\_display/news/agency/e3iccea11f70440c0b3eafc1214666bea91](http://www.adweek.com/aw/content_display/news/agency/e3iccea11f70440c0b3eafc1214666bea91) (last visited Jan. 26, 2010).
  51. *Id.*
  52. Matthew Yi, *Advertisers pay for video games; Product placement tradition no longer free ride for business*, S.F. Chron., Jul. 25, 2005 <http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2005/07/25/BUGVRDREUTI>.

Similar to product placement in movies and television, in-game advertising can be divided into two broad categories: static and dynamic.<sup>53</sup> The first type of in-game advertising that was developed is static in-game advertising. Static in-game advertising is fixed when it leaves the software developer and, thus, after the game is in the consumer's hands, the advertising content never changes. Typically, static in-game advertising takes the form of in-game product placement or billboards, similar to traditional product placement in television programs and movies.

In the last decade, technological advances have spawned the second type of in-game advertising, known as dynamic in-game advertising. Dynamic in-game advertising provides advertising content within a computer or video game that is connected to the internet, but allows the content to be remotely targeted in a time and geographic-specific manner and for collection of data.<sup>54</sup> For example, presidential candidate Barack Obama purchased a campaign advertisement that was displayed on an in-game billboard in "Burnout: Paradise City," an Xbox 360 car racing video game by Electronic Arts.<sup>55</sup> The game was released in early 2008 but, through use of dynamic in-game advertising, the Obama campaign's billboard was displayed only in selected battleground states and only from October 6, 2008 through November 3, 2008.<sup>56</sup>

It is interesting to hypothesize, based on the precedent of *Sherwood*, what the outcome would be if the maker of a video game, set in a virtual version of the same real world Times Square location as was portrayed in the "Spider-Man" movie, used its dynamic advertising technology to superimpose virtual billboards on the same buildings and to cover the advertising that exists there in the real world. Clearly, a plaintiff learning

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DTL (last visited Jan. 20, 2010) (citing 2003 study attributing 7% decline in television viewing among 18-34 year old males directly to video games).

53. In-Game Advertising, [http://en.wikipedia.org/wiki/In-game\\_advertising](http://en.wikipedia.org/wiki/In-game_advertising) (last visited Jan. 20, 2010).
54. Blaine Kylo, *Ads Get Piece Of The Action*, Straight.com, Sept. 1, 2005 <http://www.straight.com/print/9392> (last visited Jan. 29, 2010) ("The software knows, for example, which player ID was playing the game, what was on the screen at any time during their game session, for how long, and even from what angle and distance (determined by the size and orientation of the ad on the screen) the player viewed the ad.").
55. Walaika Haskins, *Obama Targets Battleground States With Video Game Ads*, Linux Insider, Oct. 14, 2008, <http://www.linuxinsider.com/story/64818.html> (last visited Jan. 19, 2010).
56. *Id.*

from *Sherwood*, would need to plead its trade dress with precision. Beyond that, the following line of cases may tell us about the viability of a First Amendment defense in such contexts.

As with movies (see *Wham-O* and *Gottlieb*), legal issues can arise when trademarks and trade dress are used in video games without the owner's permission. For example, in 2006, the owner of an East Los Angeles strip club sued a video game company over the depiction of a strip club in a video game. Specifically, E.S.S. Entertainment 2000, Inc. ("ESS") owner of the Play Pen Gentlemen's Club ("Play Pen") sued Rockstar Video Games, Inc. ("Rockstar") in the Central District of California claiming, *inter alia*, trade dress infringement and unfair competition under the Lanham Act in connection with Rockstar's in-game Pig Pen strip club that resembled the name, logo and look of the real world Play Pen strip club.<sup>57</sup> Rockstar moved for summary judgment pleading both that its use was a nominative fair use and that its use was protected by the First Amendment.<sup>58</sup>

Rockstar's video game, Grand Theft Auto: San Andreas (the "Game"), was set in part in an East Los Angeles, California - type location. Similarly, the real world Play Pen strip club is located in East Los Angeles. Rockstar admitted that its designers photographed the real world East Los Angeles neighborhood, including the Play Pen strip club, for use as inspiration in designing the setting for the Game. Both establishments are shown below side-by-side for comparison.



Without analyzing infringement, the district court rejected Rockstar's nominative fair use defense because the defendant did not use the plaintiff's mark to refer to the plaintiff's business, the Play Pen, but

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57. *E.S.S. Entm't. 2000, Inc. v. Rockstar Video Games, Inc.*, 444 F.Supp 2d 1012, 1014 (C.D. Cal. 2006), *aff'd* 88 U.S.P.Q.2d 1691 (9th Cir. 2008).

58. *Id.* at 1014.

instead used it to create a fictional strip club that fit the fictional neighborhood, modeled on the Play Pen's real world East Los Angeles neighborhood, as well as the theme and tone of the game.<sup>59</sup> Under the court's analysis, Rockstar might have been better situated with respect to a nominative fair use defense if it had actually intended to portray the Play Pen strip club itself, instead of a fictional strip club. Nevertheless, the district court granted summary judgment to Rockstar on First Amendment grounds.

In reaching its decision, the district court applied the First Amendment test established in *Rogers v. Grimaldi*,<sup>60</sup> a Second Circuit case resolving the question of the applicability of the Lanham Act when the defendant used the plaintiff celebrity's name in the title of a movie. The *Rogers* test was designed to balance the competing public interests of freedom of expression and avoiding consumer confusion. Under the *Rogers* test, the First Amendment bars application of the Lanham Act to artistic works except where the use of the mark in the defendant's work has no artistic relevance to the underlying work whatsoever or where use of the mark in the defendant's work has some artistic relevance but is explicitly misleading as to the source or the content of the work.<sup>61</sup> The district court found that the Game, a complex work with animated graphics, a narrative and music, was an artistic work. Next, the court found that Rockstar's use of the ESS's Play Pen trade dress had artistic relevance because the decision to use the Play Pen trade dress was closely connected to the artistic design of the Game's fictional neighborhood and to the Game itself. Finally, reasoning that Rockstar did not use an image of the Pig Pen in the advertising or promotional materials associated with the Game, or on the product packaging for the Game, and that a user of the Game can play and even win the Game without ever entering or passing the Pig Pen, the court found that the use was not explicitly misleading as to the source or content of the game. With the *Rogers* test satisfied, the district court found that the First Amendment barred the plaintiff's Lanham Act claims.

The district court acknowledged that applying the *Rogers* First Amendment test to the body, instead of the title, of an artistic work was

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59. *Id.* at 1036.

60. *Rogers v. Grimaldi*, 10 U.S.P.Q.2d 1825 (2d Cir. 1989).

61. *Id.* at 1829.



an expansion of the law in the Ninth Circuit.<sup>62</sup> The Ninth Circuit first adopted *Rogers* in *MCA Records*,<sup>63</sup> a case involving use of another's trademark in the title of an artistic work (the pop song, "Barbie Girl" by Aqua which includes Mattel's BARBIE trademark). A year later, in *Walking Mountain*, the Ninth Circuit entertained the possibility that *Rogers* would be applicable in a trade dress claim, but expressly avoided the constitutional question of expanding the doctrine to the body, as opposed to the title, of artistic works by affirming the district court's grant of summary judgment to the defendant on nominative fair use grounds.<sup>64</sup>

On appeal, the Ninth Circuit affirmed the *E.S.S.* court's decision with respect to both nominative fair use and First Amendment defenses.<sup>65</sup> Briefly reasoning that Rockstar did not use the plaintiff's Play Pen logo or trade dress to describe the Play Pen, the Ninth Circuit affirmed the district court's holding that the nominative fair use defense was inapplicable.<sup>66</sup> Then, setting precedent for the circuit by expanding *Rogers* beyond the titles artistic works, exactly what it had expressly declined to do in *Walking Mountain*, the Ninth Circuit, unable to rely on nominative fair use as it did in *Walking Mountain*, affirmed the district court's decision granting summary judgment to Rockstar on First Amendment grounds. Noting that the parties did not dispute this expansion, the Ninth Circuit found that there was no principled reason not to apply the doctrine of *Rogers* to cases where the trademark or trade dress is used in the body of an artistic work and then proceeded to apply the *Rogers* test to the facts of the case.<sup>67</sup>

Noting the low threshold for artistic relevance ("the level of relevance merely must be above zero"), the Ninth Circuit found artistic relevance in Rockstar's depiction of the Pig Pen within the Game, even

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62. By way of comparison, the Second Circuit, *Rogers* was expanded to cover non-titular works of artistic expression in *Cliff Notes, Inc. v. Bantam Doubleday Dell Publ'g Group*, 886 F.2d 490 (2d Cir. 1989).

63. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9<sup>th</sup> Cir. 2002).

64. *Mattel, Inc. v. Walking Mountain Productions*, 69 U.S.P.Q.2d 1257, 1268 (9<sup>th</sup> Cir. 2002) ("[I]f we were to apply the *Rogers* balancing test, we would have to grapple with First Amendment issues. By instead employing the nominative fair use test... we are following the time-honored tradition of avoiding constitutional questions where narrower grounds are available").

65. *E.S.S. Entm't. 2000, Inc. v. Rockstar Video Games, Inc.*, 88 U.S.P.Q.2d 1691 (9<sup>th</sup> Cir. 2008).

66. *Id.* at 1693.

67. *Id.* at 1694.

though the Game was not expressly about the strip club, because a reasonable if not necessary way to develop a cartoon-style parody of that particular East Los Angeles neighborhood was to “recreate a critical mass of the businesses and buildings” in the neighborhood, including a strip club with a look and feel similar to that of the Play Pen.<sup>68</sup> After finding artistic relevance, the court went on to consider the question of whether Rockstar’s depiction of Pig Pen within the Game was “misleading.” Without engaging in a traditional likelihood of confusion analysis,<sup>69</sup> the Ninth Circuit found that Rockstar’s use was not misleading.<sup>70</sup> Except for the fact that Rockstar’s Game and ESS’s Play Pen strip club both offer low-brow entertainment, the Ninth Circuit found that they had nothing in common.<sup>71</sup> The court reasoned that consumers are not likely to believe that ESS, the owner of a single strip club not well-known to public at large, makes and/or sponsors video games.<sup>72</sup> Further, the opportunity to attend a virtual strip club was not the main selling point of the Game.<sup>73</sup> The Ninth Circuit held that Rockstar’s use of the Play Pen trade dress was not misleading and, therefore, the First Amendment applied and the Lanham Act claim was barred.<sup>74</sup> The Ninth Circuit also affirmed the district court’s dismissal of the state law trademark infringement and unfair competition claims on First Amendment grounds.<sup>75</sup>

Soon thereafter, the law of *E.S.S.*, a video game case, was applied in a case involving a movie. Roxbury Entertainment (“Roxbury”), owned the trademark rights for the mark “ROUTE 66” in connection with “entertainment services, namely, entertainment in the nature of an

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68. *Id.*

69. Case law in the Second Circuit has evolved since *Rogers* to require a likelihood of confusion analysis. See *Twin Peaks Productions, Inc. v. Publications International, Ltd.*, 27 U.S.P.Q.2d 1001 (2d Cir. 1993) (remanding for likelihood of confusion analysis using *Polaroid* factors to evaluate the misleading prong of the *Rogers* test); David M. Kelly and Lynn M. Jordan, *Twenty Years of Rogers v. Grimaldi: Balancing the Lanham Act with the First Amendment Rights of Creators of Artistic Works*, 99 Trademark Rep. 1360, 1365-1373 (2009) (discussing the evolution of the *Rogers* line of cases in the Second Circuit and comparing to the evolution of similar *Mattel* line of cases in the Ninth Circuit).

70. *E.S.S. Entm’t. 2000, Inc.*, 88 U.S.P.Q.2d at 1695.

71. *Id.*

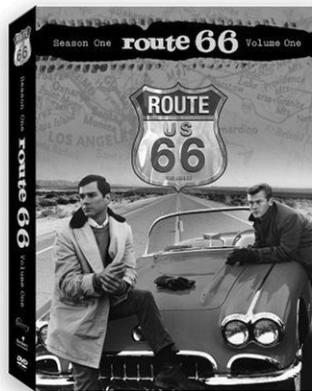
72. *Id.*

73. *Id.*

74. *Id.*

75. *Id.*

on-going television program in the field of drama, action and adventure; television production services.”<sup>76</sup> Penthouse Media Group Inc. (“Penthouse”) used “Route 66” as the title of and on the DVD packaging for one of its sexually explicit films.



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76. Cloudstreet Inc., DBA Roxbury Entertainment owns trademark registrations for ROUTE 66 including U.S. Reg. No. 3,194,255 claiming a first use date of September 30, 1960 and U.S. Reg. No. 3,189,543 for “Pre-recorded DVD’s and videocassettes featuring drama, action and adventure” claiming a first use date of Feb. 28, 1995.

In 2009, Roxbury sued Penthouse in the Central District of California claiming, *inter alia*, trademark infringement.<sup>77</sup> Penthouse moved for summary judgment claiming statutory fair use and protection under the First Amendment.<sup>78</sup> Granting summary judgment on First Amendment grounds, the court declined to evaluate the fair use defense.<sup>79</sup> Citing *MCA Records* and *E.S.S.*, the court applied the *Rogers* test and found that the plaintiff's infringement claim was barred by the First Amendment.<sup>80</sup> With respect to the first prong of the *Rogers* test (artistic relevance), the court reasoned that Penthouse's use of ROUTE 66 had sufficient artistic relevance to the work because ROUTE 66 is evocative of road trips and cross-country travel and there was "at least some relationship" between that mental imagery and the content of the defendant's movie.<sup>81</sup> With respect to the second prong of the *Rogers* test (explicitly misleading as to source or content), the court reasoned that "there is nothing to indicate that there is any risk of Defendants' use of the mark 'duping' consumers into thinking that they are buying a product sponsored by, or in any way affiliated with, Plaintiff or the 1960s television series in which it owns rights."<sup>82</sup> The district court found that Penthouse's use of ROUTE 66 as or within the title of the movie and as otherwise used in the body of the work was protected by the First Amendment. Based on the court's reasoning with respect to the artistic relevance prong of the *Rogers* test, it would appear that the plaintiff might have had a viable statutory fair use defense as well. As these First Amendment cases demonstrate, creators of artistic works including movies and video games, appear to have broad rights to use the trademarks of others in the titles of their works and in the works themselves, when the relatively low threshold of artistic relevance is met as long as the use is not explicitly misleading, though the manner in which the misleading factor is analyzed will vary depending on the law of the Circuit in which the action is brought.

Comparing these two distinct lines of cases arising in artistic works it would appear that whether the use is a straight forward display of

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77. *Roxbury Entm't. v. Penthouse Media Group Inc.*, 92 U.S.P.Q.2d 1760 (C.D. Cal. 2009) (the parties dispute whether the title of the defendant's work is ROUTE 66 or PENTHOUSE: ROUTE 66).

78. *Id.* at 1763.

79. *Id.*

80. *Id.* at 1763-1764.

81. *Id.* at 1763 (defendant's movie features a couple "on the run").

82. *Id.* at 1764.

another's mark as in *Wham-O* and *Gottlieb* or whether it has a more transformative purpose as in *E.S.S.* and *Roxbury*, the threshold for finding trademark infringement or dilution in the context of an artistic work such as a television program, movie or video game is relatively high. This is perhaps due to the low level of viewer/user creativity and participation in these media. When users of a video game are enabled to create content and interact with and convey their content to other users, entirely different trademark issues can arise.

## **SECOND LIFE**

Launched in 2003, Second Life is a 3D virtual world massively multiplayer online role playing game ("MMORPG") operated by Linden Research, Inc. ("Linden"). According to Linden, more than 1.25 million "residents"<sup>83</sup> have logged in during a recent 60-day period.<sup>84</sup> Each resident is represented by an avatar, the physical appearance of which the user controls.

While certain aspects of Second Life are similar to MMORPGs such as *World of Warcraft*, *Entropia Universe* and *City of Heroes*, other aspects serve to clearly distinguish it. The two primary distinctions lie in the existence of an economy with a real world cash value and the creation of content and ownership of intellectual property rights therein. Second Life, unlike *Entropia Universe* and *World of Warcraft* has both.<sup>85</sup>

The name of the currency of Second Life is Linden dollars ("L\$"). Linden dollars can be purchased for U.S. dollars, but the Second Life Terms of Service ("TOS") state that Linden dollars are not redeemable for monetary value from Linden.<sup>86</sup> Nevertheless, Linden operates a currency exchange named LindeX, which matches Linden dollar exchange requests with the best exchange rate available, for which it

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83. Users of Second Life can open one or more accounts. One "resident" is linked to each account. Because a user may have more than one account, 1.25 million residents likely represents fewer than 1.25 million users.

84. Statistics for logged-in users, Jan. 8, 2010, <http://secondlife.com/statistics/economy-data.php?d=2010-01-08> (last visited Jan. 19, 2010).

85. Virtual Economy, [http://en.wikipedia.org/wiki/Virtual\\_economy](http://en.wikipedia.org/wiki/Virtual_economy) (last visited Jan. 20, 2010).

86. Second Life Terms of Service, <http://secondlife.com/corporate/tos.php> (last visited Jan. 20, 2010).

charges a service fee.<sup>87</sup> Although rates fluctuate, the exchange rate is approximately 250 Linden dollars to one U.S. dollar.<sup>88</sup>

Users of Second Life can create content including clothing, accessories, furniture, buildings and animations, and can convey their content, with or without certain copy and transfer restrictions, to other users. Content can be traded or given away for free, but is often sold for the local currency. While most individual transactions are small, for example many virtual clothing items are sold often for L\$ amounts of less than one U.S. dollar, the cumulative value of these micro-transactions in Second Life is substantial. According to Linden, the U.S. dollar value of Second Life user-to-user transactions in 2009 exceeded \$550 million.<sup>89</sup>

In the virtual world of Second Life, many real world trademark owners use their marks and expand their brands. For example, Gibson (the famed guitar maker), launched its own guitar-shaped island in-world (a snapshot from which is shown here):



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87. Second Life Wiki – L\$ Marketplace, [http://wiki.secondlife.com/wiki/L\\$Marketplace](http://wiki.secondlife.com/wiki/L$Marketplace) (last visited Jan. 20, 2010).

88. Second Life Currency Exchange, <http://secondlife.com/whatis/currency.php> (last visited Jan. 20, 2010).

89. T. Linden, Second Life Blogs Features, Jan. 19, 2010, *2009 End of Year Second Life Economy Wrap Up (including Q4 Economy in Detail)* <https://blogs.secondlife.com/community/features/blog/2010/01/19/2009-end-of-year-second-life-economy-wrap-up-including-q4-economy-in-detail> (last visited Jan. 20, 2010).

where it offers virtual goods and services, including virtual guitars, amps, clothing, accessories and various entertainment services, such as providing concert facilities, under the GIBSON trademark.<sup>90</sup> Many other real world trademark owners including IBM, Smithsonian, CNN, Harvard Law School and Penn State also maintain a presence in Second Life.

It is common to find virtual knock-offs for sale in Second Life. Benjamin Tyson Duranske, author of *Virtual Law, Navigating the Legal Landscape of Virtual Worlds*, estimates that more than \$3.5 million is exchanged annually in transactions involving counterfeit virtual goods.<sup>91</sup> Mr. Duranske found that ROLEX and CHANEL brand virtual watches were for sale in at least forty virtual shops within Second Life, and none of these shops was run by the trademark owner.<sup>92</sup> In addition to knock-off virtual watches, Mr. Duranske's searches revealed apparent virtual knock-offs for many major car, clothing, accessory and footwear brands, including GUCCI, PRADA, NIKE and TIMBERLAND.<sup>93</sup>

According to Second Life's TOS, users "agree to respect the rights of the developer and other content creators."<sup>94</sup> Further, according to the Second Life TOS,

[y]ou retain copyright and other intellectual property rights with respect to Content you create in Second Life, to the extent that you have such rights under applicable law. However, you must make certain representations and warranties, and provide certain license rights, forbearances and indemnification, to Linden Lab and to other users of Second Life.<sup>95</sup>

Merchants who sell through Linden's Xstreet SL marketplace, must adhere to the branding guidelines, which state that branded items (a branded item is defined to include an item that "replicates or closely imitates the appearance of a real-world physical product of a brand owner") may be listed or sold only by the intellectual property rights

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90. Gibson Lifestyle, *Score Free Guitars on Gibson's Second Life Island!*, Jul. 16, 2008, <http://www.gibson.com/en-us/Lifestyle/Features/enter-a-virtual-3d-world-with/> (last visited Jan. 20, 2010).

91. Benjamin Tyson Duranske, *Virtual Law, Navigating the Legal Landscape of Virtual Worlds* 150-151 (ABA Publishing 2008).

92. *Id.*

93. *Id.*

94. Second Life Terms of Service, <http://secondlife.com/corporate/tos.php> (last visited Jan. 20, 2010).

95. *Id.*

owner or their licensed agent.<sup>96</sup> Further, in the branding guidelines, Linden reserves the right to remove listings and content when notified by brand owner and, in extreme cases, to revoke the offending user's Xstreet SL and Second Life privileges.<sup>97</sup>

As is evident from the Second Life TOS and branding guidelines, enforcement of trademarks in Second Life is less defined than enforcement of copyrights, for which Linden's policy is compliance with the DMCA. Though there is no established process for DMCA-like notice and take down of materials that allegedly infringe trademarks, trademark owners have several channels through which to enforce their rights. Trademark owners can either take action against the user creating and distributing the content, which is a bit of a whack-a-mole approach in this type of minimally-policed environment, or the trademark owner can take action against Linden.

Acting against the allegedly infringing Second Life user can be difficult for many reasons, not least of which is the fact that the identity of Second Life users is not readily available to other users. Nevertheless, a trademark owner has the option to deal directly with the consumers and the infringers. For example, furniture maker Herman Miller entered the Second Life market in 2007. Having found many virtual knock-offs of its goods, including the popular AERON brand chair, Herman Miller engaged in a campaign entitled "Get Real" in which it offered free authentic virtual chairs (shown below) to Second Life users in exchange for turning in virtual knock-offs of its goods.<sup>98</sup>

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96. Second Life Marketplace - Listing Guidelines, <https://www.xstreetsl.com/modules.php?name=Content&pa=showpage&pid=22> (last visited Jan. 20, 2010) (incorporated by reference into the Xstreet SL Terms of Service).

97. *Id.* ("If we receive a complaint from a brand or intellectual property owner, or if we believe in good faith that your listing violates these Branding Guidelines or intellectual property law, we reserve the right to remove your listing and content (including content in Second Life associated with the listing) and in severe or repeat cases revoke your Xstreet SL and Second Life privileges.")

98. Wagner James Au, New World Notes, Oct. 8, 2007 *Preferred Seating: Herman Miller Offers Aerons To Residents... Ultimatums To Infringers* <http://nwn.blogs.com/nwn/2007/10/preferred-seati.html> (last visited Feb. 1, 2010).





At the same time, Herman Miller sent cease and desist letters to infringers.<sup>99</sup>

Pursuing a different enforcement route, Eros, LLC owner of the SEXGEN<sup>100</sup> line of in-world sex toys, furniture and animation sequences<sup>101</sup> sued Thomas Simon (avatar name, “Rase Kenzo”) in the Eastern District of New York for, *inter alia*, violations of the Lanham Act for selling copies of Eros’ goods bearing Eros’ trademarks.<sup>102</sup> Judgment by Consent was quickly entered with Simon paying \$525 in restitution to the plaintiffs, destroying all unauthorized copies of goods bearing the plaintiff’s marks, and agreeing to cease and desist from such further infringing activity.<sup>103</sup> Not unlike real world hotbeds of infringement, such as New York City’s Canal Street, after one infringer is shut down in Second Life, other infringers can quickly appear in her place. For this reason, acting directly against the individual users can be inefficient for trademark owners.

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99. *Id.*

100. Eros, LLC owns U.S. Reg. No. 3,483,253 for SEXGEN (standard characters) for “Providing temporary use of non-downloadable software for animating three-dimensional virtual characters” in Class 42 Claiming a first use date of January 1, 2005.

101. When activated, animation sequences, which are sometimes attached to objects such as furniture, cause a user’s avatar to move in a series of pre-programmed motions.

102. Complaint, *Eros LLC v. Simon*, No. 07-CV-4447 (SLT)(JMA) (E.D.N.Y. Filed Oct. 24, 2007).

103. Judgment by Consent as to Defendant Thomas Simon, *Eros LLC v. Simon*, No. 07-CV-4447 (SLT)(JMA) (E.D.N.Y. Ordered Dec. 4, 2007).

Acting in concert with or against Linden can be more effective. As described in the branding guidelines, the trademark owner can contact Linden directly to seek removal of the infringing material if the infringement appears on Linden's Xstreet SL marketplace.<sup>104</sup> Another alternative that has been exercised several times is to sue Linden directly. Like most cases, the law suits against Linden are often settled but they are nevertheless worth addressing here for the issues they resolve and questions they raise.

The first case does not involve trademarks at all, but is still relevant to this article. Second Life user Marc Bragg circumvented the system established by Linden for acquiring virtual plots of land in order to acquire a certain parcel of virtual land for well below the established price. For this, Linden disabled Bragg's account. On November 7, 2006, Bragg sued Linden in the Eastern District of Pennsylvania for disabling his Second Life account, which disabling had the effect of depriving Bragg of all the virtual land he had acquired in-world, not just the contested parcel.<sup>105</sup> Linden moved to dismiss for lack of personal jurisdiction or, in the alternative, for enforcement of the arbitration provision of the Second Life TOS.<sup>106</sup> The district court denied the motions finding personal jurisdiction over the defendant and procedural as well as substantive unconscionability of the arbitration provision.<sup>107</sup> Although this suit was subsequently settled, it is relevant in the trademarks context since the parties and the court treated the confiscated virtual real estate as property owned by Bragg.

The next notable action against Linden was filed on July 29, 2008 by Second Life user Richard Minsky, who sued Linden in the Northern District of New York for trademark infringement of Minsky's SLART<sup>108</sup>

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104. Second Life Marketplace - Listing Guidelines, <https://www.xstreetsl.com/modules.php?name=Content&pa=showpage&pid=22> (last visited Jan. 20, 2010) (incorporated by reference into the Xstreet SL Terms of Service).

105. *Bragg v. Linden Research*, 487 F. Supp. 2d 593 (E.D. Penn. 2007).

106. *Id.* at 595.

107. *Id.* at 603, 611.

108. Richard P. Minsky was the owner of U.S. Reg. No. 3399258 for SLART (standard characters) for "Multimedia publishing of books, magazines, journals, software, games, music, and electronic publications; On-line publication of art; Publication of electronic magazines; Publication of electronic newspapers accessible via a global computer network; Publication of the editorial content of sites accessible via a global computer network; Publishing of electronic publications; Art exhibitions; Conducting workshops and seminars in art; Instruction in the field of art; Workshops and seminars in the field of art;

trademark by another user, known only to Minsky by his avatar's name, Victor Vezina.<sup>109</sup> As mentioned previously, users' identities are not readily available to other users. Before suing Linden, Minsky retained a foreign but U.S.-licensed attorney who, through her avatar named Juris Amat, operated a non-profit legal service in Second Life.<sup>110</sup> Amat attempted to send a cease and desist notice directly to the allegedly infringing user via Second Life's instant message function.<sup>111</sup> After receiving no response from Vezina, Minsky contacted Linden, first directly and then through his Second Life attorney, seeking relief.<sup>112</sup> In response, Linden offered Minsky a license to use the mark "SL" (an abbreviation for Second Life) allowing Minsky to use SL Art (but not SLART) and asked him to abandon the SLART registration.<sup>113</sup> Linden, however, refused to remove Victor Vezina's allegedly infringing content or otherwise provide the relief that Minsky sought.<sup>114</sup> Minsky then sued Linden and Victor Vezina, identified in the suit as John Doe. In his amended complaint, Minsky

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Publication and editing of printed matter; Publication of books; Publication of books, magazines, almanacs and journals; Publication of books, of magazines, of journals, of newspapers, of periodicals, of catalogs, of brochures; Publication of books, reviews; Publication of brochures; Publication of documents in the field of training, science, public law and social affairs; Publication of journals; Publication of leaflets; Publication of magazines; Publication of manuals; Publication of musical texts; Publication of printed matter; Publication of text books; Publication of texts, books, journals; Publication of texts, books, magazines and other printed matter; Education in the field of art rendered through correspondence courses; Education in the field of art rendered through video conference; Educational services in the nature of art schools; Organizing community festivals featuring a variety of activities, namely, sporting events, art exhibitions, flea markets, ethnic dances and the like" in Class 41. The registration was subsequently cancelled as a result of voluntary surrender by Minsky.

109. *Minsky v. Linden Research, Inc.*, No. 1:08-CV-819 (LEK/DRH) (N.D.N.Y. Filed Jul. 29, 2008).
110. Amended Complaint at 8, *Minsky v. Linden Research, Inc.*, No. 1:08-CV-819 (LEK/DRH) (N.D.N.Y. Filed Jul. 29, 2008).
111. Amended Complaint at 8, *Minsky v. Linden Research, Inc.*, No. 1:08-CV-819 (LEK/DRH) (N.D.N.Y. Filed Jul. 29, 2008). ("On March 16 Ms. Franklin sent Vezina a cease and desist (c&d) notice by Instant Message (IM). Vezina did not respond. IM's do not provide proof of delivery. They can fail to be delivered.") (In Second Life, residents through their avatars communicate with one another either via a local chat function when they are in sufficiently close proximity, or by one-to-one instant messages).
112. *Id.* at 8-12.
113. *Id.* at 9.
114. *Id.*

sought declaratory judgment of trademark infringement and dilution. In its answer, Linden asserted several counterclaims, including infringement and dilution and sought cancellation of Minsky's federal registration for SLART.<sup>115</sup> Perhaps with *Bragg* in mind, Linden also sought declaratory judgment from the court that Linden would be within its rights to terminate its contract with Minsky.

The case was ultimately dismissed as part of a settlement and Minsky voluntarily surrendered his federal registration for the SLART trademark.<sup>116</sup> This case, while complicated by the fact that the plaintiff's mark contained a mark of Linden, (the mark SL, which is now federally registered in International Classes 9, 38 and 42) highlights the fact that there is no DMCA-like notice and take down procedure for allegations of trademark infringement within the Second Life TOS and that under the TOS, Linden is not required to remove allegedly infringing materials, appearing on the Xstreet SL Marketplace or elsewhere, although it reserves the right to do so. Further, because there is no procedure established in the TOS for trademark infringement occurring in-world, outside of the Xstreet SL Marketplace, Second Life user trademark owners may need to look beyond their contractual relationship with Linden for relief.

In April 2009, Taser International sued Linden in the District of Arizona for trademark infringement based on sales in Second Life of unauthorized virtual versions of its weapons. Before Linden answered, Taser moved for voluntary dismissal and the action was dismissed without prejudice.<sup>117</sup> Presumably, the parties settled. Recent searches of the Xstreet SL marketplace and of Second Life classified ads revealed no TASER branded weapons being offered for sale. This suggests that Taser's approach was effective, at least with respect to the infringement of the TASER mark.

Potentially the most important case to date with regard to trademarks in Second Life was filed on September 18, 2009. Eros, LLC and other Second Life content creators filed a class action suit against Linden Labs in the Northern District of California for, *inter alia*, direct, contributory and vicarious trademark infringement of marks including Eros'

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115. Answer at 14, 15, 19 and 22, *Minsky v. Linden Research, Inc.*, No. 1:08-CV-819 (LEK/DRH) (N.D.N.Y. Filed Jul. 29, 2008).

116. *Minsky v. Linden Research, Inc.*, No. 1:08-CV-819 (LEK/DRH) (N.D.N.Y. Filed Jul. 29, 2008).

117. Complaint, *Taser Int'l. Inc. v. Linden Research, Inc.*, No. 2:09-cv-00811-ROS.

SEXGEN mark (for adult-themed animation sequences).<sup>118</sup> In the Complaint, Eros claimed that, like Herman Miller, it was forced to offer free genuine replacement items to purchasers of infringing virtual goods sold by Second Life users in order to protect its goodwill in the mark.<sup>119</sup> Linden's answer was filed on October 30, 2009. Linden alleged affirmative defenses including unenforceable trademark (due to naked licensing), innocent infringement and nominative fair use. As of the publication of this article, the case is pending. As previously noted, prior to suing Linden, Eros filed suit directly against an allegedly infringing user. By bringing this class action lawsuit against Linden, Eros and the other class action plaintiffs have clearly escalated the issue of trademark infringement in Second Life. If successful, the suit has potentially wide ranging implications for Second Life and for Linden.

### **ANTICIPATION**

One question suggested in the context of trademarks in Second Life is whether virtual goods transactions in Second Life even constitute use in commerce as a jurisdictional prerequisite for applicability of the Lanham Act? It is pretty clear that there is an established market for virtual goods and services and that they can be and are in fact sold bearing, or offered for sale in connection with, a trademark. Transactions in Second Life have a real economic value (as previously stated, there was more than \$550 million in Second Life user-to-user transactions in 2009) and these transactions often cross state and even international borders. While it certainly does not settle the point, the court in *Bragg* seemed to acknowledge the user's property rights in land (and by extension the goods) that he acquired. Moreover, the United States Patent and Trademark Office has granted trademark rights in marks, including SEXGEN by Eros (described previously) and DE DESIGNS<sup>120</sup> for "Computer graphics services; Graphic art design; Graphic design services; Graphic illustration services for others" by Michael Hester and thus have made at least a preliminary determination that the marks were used in commerce. Further, the United States Patent and Trademark

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118. *Eros, LLC v. Linden Research, Inc.*, No. CV 09 4269 PJH (N.D. Cal. Filed September 15, 2009).

119. *Id.* at 12.

120. Michael Hester owns U.S. Reg. No. 3,222,158 claiming a first use date of January 1, 2003. A review of <http://dedesigning.com/blog/> suggests that Hester sells virtual clothing and accessories among other virtual goods.

office's Trademark ID Manual contains definitions for these virtual goods such as "entertainment services, namely, providing on-line non-downloadable virtual (indicate goods) for use in virtual environments created for entertainment purposes" in International Class 41 and "programming virtual (indicate type, e.g., articles of clothing, food) for use in online virtual worlds" in International Class 42. Indications are that virtual goods transactions in Second Life are not, by their nature, excluded from use in commerce as a jurisdictional prerequisite.

But exactly what are the goods or services that pass between avatars in Second Life? If a user designs and sells virtual sunglasses (to be worn by the purchasing user's avatar) bearing or offered in connection with the DIOR logo, is the user selling an electronic image of sunglasses or something else entirely? To calculate the likelihood of confusion between the in-world and real world use of marks, it is essential to assess their proximity to the real world goods. In the context of a likelihood of confusion analysis, factors such as the proximity of the products and the likelihood that the plaintiff will bridge the gap must be considered.<sup>121</sup> While virtual goods cannot substitute for real world goods — a pair of virtual socks will not keep your feet warm — for purposes of confusion analysis, virtual goods could be considered related to their real world counterparts, much like food products and restaurant services or beauty products and beauty services can be considered related. So that in the foregoing example, virtual DIOR sunglasses could be considered to be related to actual DIOR sunglasses. Associating virtual goods with their real world counterparts might tend to minimize consumer confusion to the extent that confusion is likely by establishing more clearly the connection between the real world goods and virtual goods and allowing trademark owners to exploit their trademarks in this relatively new market. The flip side is that such association might also impose on trademark owners the burden to enforce their marks in this virtual world, even if they do not have plans to enter this particular market, lest their trademark rights (in-world and beyond) become weakened.

The essence of trademark law is protecting consumers from confusion as to the source of goods and services. Are consumers (again, Second Life users) likely to be confused by branded virtual products exchanged solely in-world that are not authorized by the trademark owner? At the inception of Second Life, before real world businesses had a presence in-world,

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121. *Polaroid Corp. v. Polarad Elect. Corp.*, 287 F.2d 492 (2d Cir. 1961) (establishing likelihood of confusion factors).

confusion was probably not likely. Before real world trademark owners established a presence and began exploiting their marks-in world, consumers (Second Life users), arguably a sophisticated group many of whom are content creators themselves, were not likely to have expected that an in-world virtual COCA-COLA vending machine had any connection with the Coca-Cola Company. But, as more and more real world trademark owners establish an in-world presence, that perception is prone to change. Now, when a user sees a pair of ADIDAS brand virtual sneakers for sale, there can be a question as to whether the product is authentic or a knock off considering that Adidas has previously sold its virtual sneakers in-world. Moreover, an inferior knock-off, when there is a perception that the real world brand owner could be associated with it, can create real consumer confusion and result in real economic harm to the trademark owner. As a result, real world trademark owners such as Herman Miller and Taser would not be overly cautious to police their marks in-world and to take action where infringements are found. Of course, the concern of defending against consumer confusion and protecting a brand owner's goodwill is not limited to real world brands. As Eros argues in its class action complaint against Linden, infringement of brands existing and exploited exclusively in-world can also create consumer confusion and be damaging to the in-world brand owner. Conceivably, the fair use and First Amendment defenses to infringement that are common with respect to trademark use in other artistic works would be less successful in the context of Second Life given the commercial nature and the potential for confusion, yet this question remains unanswered.

## **CONCLUSION**

Looking forward, there are many questions that are left unanswered in the field of trademarks in television, movies, video games and the virtual world of Second Life. Second Life, an outgrowth of the others, presents some of the most compelling questions in particular because the content is largely user-generated and because there is little established law in the area. Given the extent to which economic transactions take place within Second Life and its particular terms of service, Second Life is fertile ground for litigation, particularly in the field of intellectual property. In particular, those in the video game industry and trademark attorneys should be watching the *Eros v. Linden* closely because, if it is decided on the merits, it has the potential to be groundbreaking both in terms of how it reshapes Second Life and for its impact on trademark law as it applies to virtual worlds.