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TRADEMARKS IN THE VELDT: DO VIRTUAL LAWYERS DREAM OF ELECTRIC TRADEMARKS?*

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I. INTRODUCTION

In Neal Stephenson's 1992 science fiction novel, *Snow Crash*, humans interact as avatars in the "Metaverse," the collective product of online shared three-dimensional space.¹ As imagined by Stephenson, this "Metaverse" has been created by all virtual worlds²—it is an augmented and enhanced physical reality, a physically persistent virtual space.³ The novel is set in Los Angeles during the early 21st Century. The federal government of the United States has relinquished its authority to private entrepreneurs and organizations. Franchising, individual sovereignty, and private automobiles reign supreme. Highway companies compete for traffic in the real world while the Metaverse is populated and travelled by user-controlled avatars and system daemons.

While Stephenson's vision of the Metaverse has not yet been fully realized, the novel *Snow Crash* foresaw how a fully

* The title is an homage to Philip K. Dick's 1968 science fiction masterpiece *Do Androids Dream of Electric Sheep?* Interestingly, family members of Dick last year alleged that the new Google "Nexus One" phone infringes on Dick's android creations known as 'Nexus Six models.'" See Nathan Koppel, *Nexus Name Irks Author's Estate*, Wall St. J. (Jan. 5, 2010).

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1. Neal Stephenson, *Snow Crash* (1992).

2. One of the first references to virtual reality appeared in Ray Bradbury's short story, "The Veldt." R. Bradbury, *The Veldt*, *a/k/a The World the Children Made*, *The Saturday Evening Post*, Sept. 23, 1950.

3. Stephenson, *supra* note 1, at 470. ("The words 'avatar' (in the sense used here) and 'Metaverse' are my invention, which I came up with when I decided that existing words (such as 'virtual reality') were simply too awkward to use. . . . [A]fter the first publication of *Snow Crash* I learned that the term 'avatar' has actually been in use for a number of years as part of a virtual reality system called Habitat. . . .").

immersive three-dimensional virtual world could develop from the Internet and how a pizza deliveryman in Los Angeles might duel a businessman in Tokyo with samurai swords.⁴ The “future,” as it stands today, nevertheless demonstrates how Stephenson’s view of commerce as a driving force in the Metaverse is becoming a reality:

The logo, overhead, marking out CSV-5 in twin contrails, is a body of electrical light made of innumerable cells, each cell designed in Manhattan by imagineers who make more for designing a single logo than a Deliverator will make in his entire lifetime. Despite their efforts to stand out, they all smear together, especially at a hundred and twenty kilometers per hour. Still, it is easy to see CosaNostra Pizza #3569 because of the billboard, which is wide and tall even by current inflated standards. In fact, the squat franchise itself looks like nothing more than a low-slung base for the great aramid fiber pillars that thrust the billboard up into the trademark firmament. Marca Registrada, baby.⁵

As Stephenson predicted, trademarks are an important feature of the virtual landscape.

Take the example of Stanley Livingston, a 5-foot 3-inch, 120-pound, 17-year-old teenager from Phoenix, Arizona. Stanley plays online video games⁶ and “lives” in *Second Life*⁷ as his avatar Genghis Con Stantheteen, a 6-foot 5-inch, 275-pound, long-bearded, red-haired, and green-eyed warrior, who carries a broad axe and a samurai sword.⁸ Genghis wears Rocawear and NCAA

4. This happens every day with *World of Warcraft*, a multiplayer online role-playing game (MMORPG) created by Blizzard Entertainment, a subsidiary of Activision Blizzard. *World of Warcraft* is currently the world’s most-subscribed-to MMORPG, and holds the Guinness World Record for the most popular MMORPG by subscribers. Craig Glenday, ed. Guinness World Records 2009 291 (2009) (“Most popular MMORPG game [sic] In terms of the number of online subscribers, *World of Warcraft* is the most popular Massively Multiplayer Online Role-Playing Game (MMORPG), with 10 million subscribers as of January 2008.”).

5. Stephenson, *supra* note 1, at 7-8.

6. Gamers from around the world can meet on websites such as Samurai Island on *Second Life*, *World of Warcraft* or *Battle.net* to compete in epic multiplayer games like *World of Warcraft* or to simply socialize with gamer friends.

7. *Second Life*[®] is a virtual world and online destination developed by Linden Research, Inc. (“Linden Lab”) and launched on June 23, 2003.

8. As the *Second Life* Introduction website states, “In a virtual world, an avatar is a digital persona that you can create and customize. It’s you—only in 3D. You can create an avatar that resembles your real life or create an alternate identity. The only limit is your imagination.” See <http://secondlife.com/whatis/avatar/?lang=en-US>.

For example, in *Second Life Marketplace*, one can purchase the Musashi Oxide Ichi V4.2 Katana for use on Samurai Island. See, e.g., <https://marketplace.secondlife.com/p/>

Football jerseys that Stanley purchased or acquired as “freemiums” online and is accompanied by his trusted in-game pet (his “battle-bot”), Jochi, acquired by Stanley through an online promotion.⁹ Jochi is fueled by Citrus Cherry Horde Red Mountain Dew, which is the same high-caffeine drink that Stanley drinks while playing as Genghis in his parents’ Phoenix home late into the evenings. In Second Life, Stan/Genghis owns and lives in a Mongolian yurt on a yurt-shaped island where he raises a herd of Mongolian horses and a large flock of sheep to sell in Second Life. He fights on a weekly basis at Samurai Island in Second Life.¹⁰ Stan/Genghis designs and sells yurts that avatars/people can install on their Second Life property.¹¹ Stan sells his single and multilevel yurts for as much as L\$1,000 or “Linden Dollars.”¹² Stan/Genghis has used these Linden Dollars to buy a virtual Ferrari,¹³ which he drives when not riding his virtual horses.¹⁴ Genghis recently married Börte, an avatar owned by a 50-year-old male car mechanic in Shanghai.¹⁵ Börte’s avatar looks suspiciously

Marketplace/151716?id=151716&slug+Marketplace (Musashi Oxide Ichi V4.2 Katana-Back/Hip Mounting, Right Handed Blade, Highly Detailed, 17 Animations, Removable Tsuba, 65 color choices, Auto Updating, Samurai Island Combat System Ready! 9 Attacks, 3 Kicks, 1 Special Attack, Blocking, Dashing, Double Jumping! Comes with Health/Stamina HUD attachment and Inventory panel HUD for collecting items in the Combat Samurai Island Battlegrounds!” sells for L\$800 (\$3.71 USD)). HUD means “Head-Up Display.”

9. See, e.g., John Bringardner, *Brave New World*, 5 *Intell. Prop. L. & Bus.* 30 (2007) (“Second Life’s vibrant economy has encouraged corporate America to get virtual. MTV Networks Company opened a club in Second Life. Then American Apparel, LLC, opened a T-shirt store, selling its digital, sweatshop-free clothing to avatars for about one U.S. dollar. Toyota Motor Corporation sells digital Scion cars, which it encourages residents to customize. International Business Machines Corporation moved in last December and bought 12 new virtual islands, opening all but one to the public and reserving the last as a business meeting place for IBM employees.”).

10. See generally <http://www.combatsi.com/e107/news.php>.

11. See, e.g., <https://marketplace.secondlife.com/p/Casa-del-Este-Two-story-Yurt-by-Ethereal-Sensations/647439?id=6> (Casa del Este “Two-Story Yurt” L\$2,999 (\$13.07 USD)).

12. Second Life has its own economy and a currency known as Linden Dollars (“L\$”). In Second Life, residents buy and sell goods and services using Linden Dollars, which are exchangeable for other real-life currencies on market-based currency exchanges. The conversion rate between Linden Dollars and US Dollars averages around L\$260/USD and L\$320/USD.

13. See, e.g., <https://marketplace.secondlife.com/p/Ferrari-F-430/1843951>.

14. For some, commerce in Second Life is thriving. See, e.g., <https://marketplace.secondlife.com/?lang=en-US>.

15. In fact, Genghis met Börte on an online dating site just for avatars called AvMatch.com. AvMatch is a custom Web application designed to help users “match up” with other residents of the Second Life from around the globe. Because real-life people like Stan and his car mechanic friend in Shanghai meet anonymously through their avatars, relationships in Second Life know no bounds of sex, gender, time, or even distance.

like Angelina Jolie. Stan and Ghenghis each have separate Facebook and Myspace pages, as well as Twitter accounts, with different friends and followers.¹⁶

While to a certain extent virtual reality is a function of different types of intellectual property working together on many different levels, this article will focus on intellectual property implications in the virtual world from a content standpoint and will examine how intellectual property laws in the United States have been applied and might apply to the interesting and complex issues raised by trademarks in virtual reality.¹⁷

II. SECURING PROTECTION FOR TRADEMARKS AND COPYRIGHTS IN THE “METAVERSE”

Virtual worlds raise a myriad of intellectual property issues and the potential for trademark (and copyright) infringement is heightened in our real version of the Metaverse.¹⁸ While many

16. Facebook and Myspace are social networking Web destinations that are portals to a multitude of standardized user profiles belonging to individuals and/or entities that allow users to create profiles, interact, upload, and post an unlimited number of photos, share interests through posted media, including links and videos, keep up and communicate with designated friends, and learn more about the people they meet. Users grow their network by inviting and accepting invitations from other users. They also can be used as a means of directing advertising, marketing, and promotions to dedicated fans or consumers through the Internet. Users may create anonymous “pages” on Facebook and Myspace that represent avatars rather than their real-life identities. Some web-based social networking sites are public while others are more niche oriented. In this way, Stan and his avatar Ghenghis each may have separate and distinct Facebook pages. Twitter, on the other hand, is a micro-blogging service that permits users to publish short messages in the form of user updates (140 characters or less) called “tweets” through a real-time information network that connects users to the users subscribers or “followers.” Access may be open to the public or limited to the user’s subscribers. Stan may “tweet” about his mundane existence in Arizona, while Ghenghis may “tweet” about his ongoing battles for domination of virtual worlds. Residents and fans can follow Second Life on Facebook and Twitter.

17. While it would be interesting and enlightening to examine the real world legal implications of virtual labor strikes in Second Life, Mark Chapman, *IBM Union Calls Strike in Second Life*, <http://www.itnews.com.au/News> (Sept. 21, 2007), or the criminal law implications of a virtual murder of an avatar spouse, *Japanese Woman Arrested for Virtual World “Murder,”* Associated Press (Oct. 24, 2008) (the criminal charge was for illegally accessing and manipulating confidential electronic data), or securities and bank fraud in a virtual world, the topic at hand is sufficiently broad as to constitute a daunting undertaking.

18. See, e.g., Benjamin Duranske, *Rampant Trademark Infringement in Second Life Costs Millions, Undermines Future* (May 4, 2007); (<http://virtuallyblind.com/2007/05/04/trademark-infringement-vws>) (Benjamin Duranske, the founder of the Second Life Bar Association, estimated there were 115,000 instances of “profitable, in-world trademark infringement” in March 2007, alone); Candidus Dougherty & Greg Lastowka, *Virtual Trademarks*, 24 Santa Clara Computer & High Tech. L.J. 749 (2004-2005).

cases of infringement involve brick and mortar brands, brands and entrepreneurs in virtual worlds face more difficult challenges.¹⁹ Infringements occur on a daily basis in virtual worlds and in social media websites such as Facebook, Myspace, and Twitter, oftentimes requiring daily monitoring and takedowns.

For entrepreneurs who design for and sell exclusively in virtual worlds, there are separate issues. Every year new designers enter the virtual reality fashion world, designing clothes and apparel exclusively for avatars. Virtual reality, therefore, implicates not only the conventional brands selling tangible products, including apparel, but also the brands based on an exclusively virtual existence. A key issue that arises is how to establish, and then protect, a virtual brand. Unlike brick and mortar brands, which enter virtual markets frequently when selling goods or advertising online, virtual brands are largely confined to virtual worlds, such as Second Life.²⁰ As such, both real-life and virtual brands face difficulties in registering and protecting their marks in the virtual worlds. This section outlines the registration process for virtual marks, both in the real and virtual worlds such as Second Life.

***A. Registering a Trademark for
Virtual Goods or Services With the USPTO:
Is It Real Life or Is It Really Just an Electronic Illusion?***

At present, it appears that registering a trademark through the United States Patent and Trademark Office (USPTO) (the old-fashioned way) is the best way to protect one's virtual brand. It is not surprising that in a virtual world with social opportunities that transcend any traditional bounds, branded goods and fashion products would be an emerging virtual industry.²¹ What form an

19. See also Craig R. Trachtenberg, *Avoiding Threats to Your Brand in the Age of New Media*, 1/28/11 243 Legal Intelligencer 5 (2011).

20. Today, there are a forever-growing number of virtual worlds available to consumers from, for example, Mokitown, Whyville, Virtual Magic Kingdom, and Club Penquin for children, Habbo Hotel, Gaia, Playdo, Doppelganger, and EGO for teenagers, and Second Life, The Sims Online, Project-Entropy, The Manor, Kaneva, Active Worlds, These, and VZones for adults, to name just a few. In addition, the proliferation of MMORGs such as World of Warcraft, Tabula Rosa, City of Heroes, Ultima Online, and many others provide a more limited environment for socializing and interacting without the same degree of user-generated content. Trademarks and branded products are featured in both virtual words and MMORGs.

21. Second Life's initial approach with regard to the protection of its users' intellectual property was to create a separate trademark authority. Second Life permitted users to register marks with the Second Life Patent and Trademark Office (SLPTO) but does not undertake any affirmative obligation to protect SLPTO marks. By registering a mark with

avatar takes (including its skills, powers, and attributes) or how an avatar is dressed, as in the real world, says something about its owner's creativity, personality, and intended taste or social status. In the context of Massively Multiplayer Online Role-Playing Games (MMORGs), selection of skills, powers, attributes, and possessions can be critical to virtual life or death. However, there is no separate classification for virtual goods or services under the Nice Classification System or through the USPTO database of classifications of goods and services. Many virtual businesses have registered their marks under International Class 42 for computer services, software, or programming. Yet the level of creativity and ingenuity that goes into designing some virtual products, such as the skills involved in designing magical powers or apparel and accessories for a three-dimensional avatar in a virtual world is more akin to making an animated film than merely writing a computer program.²² To the extent that a virtual fashion designer wants to protect her designs from being usurped by real-world designers, registering a trademark may be essential but the proper approach is not obvious. Designers have approached this question in two different ways, as discussed below.²³

The experience of avatar Aimee Weber illustrates the incongruity of registering a virtual good or service with the USPTO. Aimee Weber owns her own shop and sells clothing for avatars on the Internet under the PREEN label.²⁴ Aimee's human counterpart, Alyssa LaRoche, is not a fashion designer in the conventional sense; she does not design for the human body but rather for a conceptualization of the human body. Her designs are limited to their pictorial representation because they are never translated into a tangible item. LaRoche decided to register her avatar AIMEE WEBER as a trademark, classifying the use of her mark under Class 42, specifically for "computer programming

the SLPTO, users may be able to prove first use in virtual commerce by means of the time-stamped storage of filing. This could have real-world consequences in an action for trademark infringement or in a USPTO proceeding. This avenue no longer appears to be viable.

22. See *infra* notes 38-40 and accompanying text.

23. Linden's Terms of Service agreement (TOS agreement) permits users to retain rights in intellectual property in content that they hold and upload, publish, and submit to or through the Second Life servers, "subject to the rights, licenses, and other terms of [the TOS Agreement], including any rights of other users or Linden Lab in Content that you may use or modify" under applicable law. Second Life Terms of Service, § 7.1.

24. See <http://www.aimeeweber.com>; Cate T. Corcoran, *Virtual Designers Make Real Bucks*, *Women's Wear Daily* (Sept. 7, 2005).

services, namely, content creation for virtual worlds and three-dimensional platforms.”²⁵

Eros, LLC, a creator of virtual adult-themed objects, registered its mark in the same category as LaRoche, classifying the use of the mark as “providing temporary use of non-downloadable software for animating three-dimensional characters.”²⁶ Notably, Eros chose not to classify its goods as objects but rather as software for animation. Similarly, DE DESIGNS, another Second Life merchant, registered its DE Designs mark in Class 42 with respect to “Computer graphics services; Graphic art design; Graphic design services; Graphic illustration services for others.”²⁷ Would the Lanham Act’s filing requirement of a specimen showing the applied-for mark in “use in commerce” for each class of goods and/or services be satisfied by a virtual label as applied to virtual apparel or signs or websites showing a virtual billboard or blimp?²⁸

Carol Higgins, a Second Life fashion designer known by the avatar MadamG Zagato, has taken a different path to registration. When Higgins created her NEVER 30 virtual fashion line, she registered her mark in Class 25 with respect to “Swimsuits; Lingerie; Bras; Panties, shorts and briefs; Camisoles; Evening dresses; Evening gowns; Wedding gowns; Garter belts; Garters; Teddies; Thongs; Skirts; Skirts and dresses; Chemises; Bustiers; T-shirts; Beach coverups; Sarongs.”²⁹ She did not register in Class 42 for computer services or software. At no point in her description of goods did she mention that the clothing was designed for avatars and not for humans. Higgins filed her application based upon “use in commerce” under Section 1(a), and her mark was registered in December, 2007. The result was that Higgins was able to transcend the virtual world and cross over with her fashion line into the real world. In 2009, Never 30

25. USPTO, Serial No. 77110299.

26. USPTO, Serial No. 77202601.

27. USPTO, Serial No. 3222158.

28. 15 U.S.C. §§ 1051, 1127; 37 C.F.R. §§ 2.34(a)(1)(iv), 2.56(a); TMEP §§ 904, 904.07(a). Examples of specimens for goods are tags, labels, instruction manuals, containers, photographs that show the mark on actual goods or packaging, or displays associated with actual goods at their point of sale. *See* TMEP §§ 904.03 *et seq.* Examples of specimens for services are signs, photographs, brochures, website printouts or advertisements showing how the mark is used in actual sale or advertising of the services at issue. *See* TMEP §§ 1301.04 *et seq.*

29. USPTO, Serial No. 77139794.

announced the launch of a workshop designed to take its Second Life fashions into the real world.³⁰

While technology exists to permit designers to drape three-dimensional virtual clothing over three-dimensional avatars,³¹ allowing brick and mortar brands to take advantage of virtual reality, creating a tangible article of clothing using avatar fashions as a template is much more complicated. It takes more than just the click of a mouse to convert a graphic into tangible textures and shapes. Actual fabric must be purchased, patterns made, and goods sewn. NEVER 30 is an example of how commerce might migrate from virtual worlds to the physical realm. Undoubtedly, Higgins' registration of NEVER 30 in connection with fashion rather than computer services will afford her more control over her brand as she begins to expand to new markets.

Even more significant may be her increased ability to confront real-world counterfeiters. Under 15 U.S.C. § 1115(b), registration of a mark in connection with specific goods and services provides "conclusive evidence . . . of the exclusive right to use the mark on or in connection with the goods or services." In contrast, based upon a Class 42 registration with regard to computer graphics services, LaRoche or Eros may find it difficult to establish counterfeiting if a real-world designer copies AIMEE WEBER designs or an Eros sex toy, because LaRoche and Eros each have a registration of their registered marks only in connection with "computer services."³²

30. SLCC 2009: SL2RL Design Portability Workshop (2009) (<http://shop.never30.com/blog/slcc-2009-sl2rl-design-portability>) (accessed Oct. 20, 2010) ("This year I have the honor of sharing my knowledge of creating designs in the virtual world of Second Life and making them 'sewing machine ready' for manufacturers. The workshop is planned for approximately 1½ hours. Each participant will receive a workbook and other necessary materials. We will focus on the design and talking about the SL design process and how it relates to the real design process. We will be using dressforms, sewing machines, and other light weight industry relevant materials to complete the workshop.").

31. A good example is Browzwear, which allows users to create a two-dimensional pattern for an article of clothing and wrap it around a three-dimensional avatar, allowing the designer to make adjustments to the design both on the original pattern and also when it is wrapped on the avatar. See <http://www.browzwear.com> (accessed Oct. 20, 2010).

32. This obviously could significantly impact an award of damages because statutory damages are afforded based on the definition of "counterfeit mark" under the Lanham Act, as amended. 15 U.S.C. § 1116 ("a counterfeit of a mark that is registered on the principal register in the USPTO for such goods or services sold, offered for sale, or distributed and that is in use. . . ."). If on the other hand, a court were to find that a virtual swimsuit did not constitute a swimsuit under International Class 25, this may preclude an award of statutory damages for counterfeiting in a virtual world under a strict statutory interpretation.

III. LICENSING TRADEMARK, COPYRIGHT, AND PUBLICITY AND PRIVACY RIGHTS IN VIRTUAL REALITY

The licensing of rights in virtual worlds involves many of the same concepts and structure of real-life trademark and copyright licensing. As a result, there are basic terms and provisions that require negotiation and documentation in virtual reality just as in real life. The term, territory of distribution (including specifying which virtual worlds or games within virtual worlds), scope of the grant of rights, royalty rate, quality control with regard to the creation and distribution of the virtual goods or services, enforcement, protection, and ownership of virtual intellectual property rights, default, and termination are all critical in licensing virtual rights in virtual world platforms, MMORGs, or in social networking contexts such as Myspace, Facebook, and Twitter.³³

Virtual reality advertising and marketing can present a brand, a trademark, or a copyrighted work in cyberspace in ways that were only envisioned in science fiction. Virtual advertising and marketing gives the brand owner the ability to afford the player the sensory immersion through the interactive experience of branded product ownership, without having to ship the product anywhere. Brand owners also are able to demonstrate products or services in real time, including everything from fashion shows, concerts, and motion picture releases.³⁴ These abilities enable the brand owner to form an immediate association between the media and the message, since players are a part of the media through the emotional interaction of virtual reality. The brand owner has the opportunity to share its goods or services and to entertain, inform, persuade, and interact with any potential consumers throughout the world who have the necessary computer software and hardware.

Notwithstanding these similarities and benefits, significant practical difficulties exist in virtual reality with regard to the use and context of trademarks and copyrights. These difficulties

33. Virtual goods, including avatars or apparel or accessories to be used with avatars, or branding may be used in virtual worlds, in virtual gaming, or in social media sites such as Myspace, Facebook, or Twitter.

34. For example, H&M and Electronic Arts partnered together to create “stuff packs” that enable consumers to use Sims 2 software to design and produce clothing. It gives consumers the ability to create their “own” styles and H&M the ability to track consumer trends. See <http://www.infinitesims.com/games/sims2>. IKEA also has partnered to create a home furniture and decoration stuff pack. See *EA Confirms The Sims 2: IKEA Home Stuff*, <http://news.filefront.com/ea-confirms-the-sims-2-ikea-home-stuff>.

require that special care be taken in drafting the appropriate license (and, where applicable, the distribution or advertising agreement for virtual reality in any and all of its many different sizes, shapes, and forms). The cost of virtual reality marketing is very expensive in comparison to its real-life counterpart given the technological and software demands. In addition, given the nature of virtual reality and the sophistication of the players, high-quality marketing and advertising programs in entertainment-oriented virtual worlds and MMORGs require a high level of player interaction and sensory experience given the high user expectations. Brand owners should be mindful that virtual reality is best focused on targets that require a great deal of consumer interaction. Virtual reality does not lend itself to certain types of products and services, such as those that involve only one sensory experience. Virtual reality also requires long lead times and requires attention to detail on a day-to-day and ongoing basis, which demands significant resources over time.

In drafting intellectual property agreements relating to virtual reality one must consider the different types of transactions that may or may not be involved: (1) Virtual Branding; (2) Sales of Branded Virtual Goods and Services; (3) Cross-Promotional Branding; and (4) Virtual Advertising and Marketing Events and Campaigns.

A. Virtual Branding: A Perfect Aspirational Incubator?

Brand owners may use virtual reality as an alternative means of establishing and growing brand awareness and presence by purchasing advertising space on virtual blimps, signage, or billboards or establishing virtual headquarters. For example, diverse companies such as ABN AMRO, Adidas Reebok, Cisco, Dell, IBM, ING, Leo Burnett Worldwide, Omnitel, Reuters, Sky News, Sun Microsystems, Telecom Italia, and Universal Motown Records Group have all established presences in Second Life. Brand headquarters are a novel idea but they require an understanding of what the virtual world is about and translation of the brand and its marketing concept through the virtual world presence is necessary. Building a virtual store alone may not achieve success. A virtual store that is difficult to navigate because of design flaws or that specializes in goods that are not easy to use or are not visually appealing because they were rudimentarily photographed is of less value than a billboard or blimp that can be updated and changed more easily. In addition, as is the case with a dedicated website, constant attention to make sure they are relevant and fully translated to the virtual world is necessary. If the particular brand is not focused on virtual reality in terms of its target consumer market or does not understand what virtual

reality is and how its products and services would translate to virtual reality, a virtual landmark, billboard, or blimp featuring its trademarks may be a better way to establish a presence in virtual reality, or the brand may choose to advertise or market in cyberspace over the Internet.

***B. Sales and Distribution of
Branded Virtual Goods and Services:
Do the Virtual Goods and Services
Pass the Real-Life Test of Quality?***

The promise of the aspirational aspect of virtual reality is that if a player in Second Life finds that his or her avatar enjoys using goods or service in the virtual world, this virtual experience may plant the aspiration seed for the consumer to purchase such branded goods or services in the real world. Consequently, the same level of care one employs in the real world should be employed in virtual reality. If the virtual good or service is not user-friendly or suffers from consumer dissatisfaction in virtual reality such as Second Life, this may harm real-life consumer goodwill and reflect poorly on the brand.³⁵ Again, the translation of real-life goods and services into virtual reality is key to selling branded goods in the virtual world. As noted above, there are numerous designers who design specifically for virtual reality, and the consumers are highly demanding in their expectation of quality. The level of technology, care, and quality control should be commensurate with the brand expectations of the audience. As a result, the quality of goods in a child's virtual world may be lower than that in an adult's virtual world. The quality and effectiveness of a particular weapon or powers in an MMORG may be critical to the context and enhancement of the sensory immersion and translation of the real-life weapon or powers to the virtual game player in the context of the game.

Some virtual products are sold while others may be given away as "freemiums" as a means of advancing the brand either

35. American Apparel and Armani each received a mixed reception in Second Life. Some have posited that this was based this on the fact that the stores were a mirror image of the real-life stores; others criticized the virtual quality and fit of the products being offered. See A. Lavallee, *Now Virtual Fashion*, Wall St. J. (Sept. 22, 2006); Kristina Dell, *Second Life's Real-World Problems*, Time (Aug. 9, 2007); *Ophelia's Gaze: Iris explores (and deplores) Armani's official site in Second Life*, <http://nwn.blogs.com/nwn/2007/10/ophelias-gaze-i.html>, (Oct. 15, 2007) ("The majority of these items [in the virtual store] are also of upsettingly low quality, something the greenest of designers might create for their first store, but not what we would expect from Armani. Seriously, it's Armani! Are we wrong to expect the best?").

through virtual worlds or MMORGs. For example, Toyota, Mercedes, BMW, and Mazda have offered virtual replicas of their automobiles in Second Life.³⁶ Some brand owners like Herman Miller, the furniture designer, have established a virtual presence in response to the increasing numbers of counterfeiters in virtual reality.³⁷ In July 2009, Outspark, an online virtual gaming portal, began offering a line of Rocawear ski apparel that takes on special in-game attributes in a snowboarding game. The virtual Rocawear skiwear costs twice as much as the unbranded line, but if a player wears Rocawear ski pants, he is not only stylish but also is given magical powers enabling him to perform more snowboarding tricks, which earn extra points.³⁸ Under this type of license, Rocawear not only earns incremental royalties from the sale of virtual-branded Rocawear hip-hop hoodies, but also creates a positive brand perception that may translate to real-life perception and purchases.³⁹

C. Cross-Promotional Branding: Getting the Brand in the Game

A meaningful way of establishing brand awareness is for proprietors to license the use of their trademarks through cross-promotional agreements with game developers. Pepsi released Game Fuel Limited Edition versions of Mountain Dew with the launch of the Halo 3 Xbox 360 Limited Edition in 2007 and the Wild Fruit Blue Alliance and Citrus Cherry Horde Red in 2009 with Blizzard Entertainment, the game developer of World of Warcraft. The products featured co-branded trademarks and characters from World of Warcraft and Mountain Dew and Blizzard offered World of Warcraft players an in-game pet, known as a “battle-bot” available only through the promotional website,

36. See Nik Berg, *Second Life in first gear*, The Telegraph (Apr. 21, 2007), <http://www.telegraph.co.uk/motoring/2746627/Second-Life-in-first-gear.html>.

37. *Herman Miller Invites Virtual World Residents to “Get Real,”* (October 8, 2007), <http://www.hermanmiller.com/DotCom/jsp/aboutUs/newsDetail.jsp?navId=194&topicId=48&newsId=554>.

38. Rita Chang, *Virtual Goods Give Brands a New Way to Play in Gaming*, Advertising Age (July 13, 2009), http://adage.com/article?article_id=137833.

39. Rocawear has expanded to other virtual reality sites. See *Doppelganger Partners With Top Fashion Brands to Offer Virtual Retail Experience*, PR Newswire, <http://www.prnewswire.com/news-releases/doppelganger-partners-with-top-fashion-brands-to-offer-virtual-retail-experience-58013117.html>.

which also offered a two-week free downloadable game trial.⁴⁰ The Rocawear agreement mentioned above also is an example of such a cross-promotional agreement, as the placement of hip-hop Rocawear within the virtual snowboarding game in Outspark will enhance the gaming experience for players and create in-world demand by players. The use of celebrities or sports stars within games is another means of cross-branding games. The co-branding nature and structure of this type of agreement requires planning as to the context, placement, and use of trademarks and, where applicable, copyrights, as well as the appearance, placement, and linkage of the respective intellectual property.

D. Virtual Advertising and Marketing Events and Campaigns

One of the more successful aspects of branding in virtual worlds is virtual marketing events and advertising campaigns. For example, Twentieth Century Fox held a premiere for the motion picture *X-Men: The Last Stand* in Second Life.⁴¹ Major League Baseball broadcasted the Home Run Derby and a Red Sox–Yankees game into Second Life, with the help of the Electric Sheep Company. Coca-Cola’s effort to embrace the spirit and creativity in virtual worlds is an example of how brand collaboration with players in virtual worlds can lead to greater brand presence and awareness.⁴² Coca-Cola had a “Virtual Thirst” competition to create a virtual vending machine in Second Life and the winning prize was 500,000 Linden Dollars and a trip to San Francisco.⁴³

40. See *Review: Mountain Dew Game Fuel Horde Red*, <http://www.bevreview.com/2009/06/09/mountain-dew-game-fuel-horde-red>. The battle-bots were fueled by “Mtn Dew Game Fuel,” which at one time could be purchased at www.warcraft.com.

41. See Wagner James Au, *The Uncanny X-Men (and News Corp) Come to Second Life*, New World Notes, (May 22, 2006), http://nwn.blogs.com/nwn/2006/05/the_uncanny_xme.html.

42. See generally Louis Story, *Coke Promotes Itself in a New Virtual World*, N.Y. Times (Dec. 7, 2007); *Coca Cola takes facebook from virtual to reality seamlessly*, <http://www.infocarnivore.com/2010/08/22/coca-cola-takes-facebook-from-virtual-to-reality-seamlessly> (Israeli Coca Cola Village linked through Facebook to online virtual Coca Cola village); Scott Beale, *Coca-Cola Explores The Virtual World With “Avatar” Commercial* (Feb. 3, 2009), <http://laughingsquid.com/coca-cola-explores-the-virtual-world-with-avatar-commercial>.

43. *Id.* The winning Coke vending machine was built and launched in Second Life at the Coca-Cola pavilion. Coca-Cola also is present in World of Warcraft and has entered into cross-promotional agreements to promote Coke in the People’s Republic of China. See *Tencent teams up with Coca Cola*, <http://english.cctv.com/program/bizchina/20060330/100817.shtml>.

E. Considerations for Virtual Licensing Agreements

While writing a primer on how to draft multimedia licensing agreements for virtual worlds and MMORGs would be a separate and daunting undertaking, there are several considerations one should be mindful of in negotiating and drafting this type of agreement.

1. Understanding Virtual Goods and Services

Virtual merchandise can come in many forms, shapes, sizes, and depictions. Licensed products may feature a brand or a brand or person's trademark, image, likeness, voice, logo, distinctive appearance, features, gestures, mannerisms, customary apparel, verbal expressions and other identifying characteristics commonly associated with the brand. Virtual merchandise may consist of elements that may or may not have real world analogs, but which have no physical dimensions. Certain of these elements may be protected under existing copyright, trademark, patent or right of publicity/privacy laws while others may not. As counsel for licensor, it is important to make sure that the definition of license rights includes and sets forth all rights that are encompassed in the virtual merchandise. It also is important for the licensor to understand the virtual world in terms of what is possible and what is needed to accurately transfer the brand and its goods or services from the real world to virtual reality. For example, certain brands may wish to place limitations on the content that may be featured with its licensed intellectual property by insisting that a site not display or portray any inappropriate sexual, violent, or drug-related or otherwise illegal or obscene conduct. One way to limit this is to limit sales of virtual merchandise within certain regions but this does not guarantee that a resident will not wear virtual branded apparel from one region to an X-rated region.

2. Approvals and Quality Control

When intellectual property rights at issue are being licensed for use on multiple regions or worlds or through an agent or a master licensee, care should be taken to maintain control and approval of not only the licensed products art issue and the particular sites at issue but also the manner and context of the display and use of and interaction with the licensed property. In some cases, a particular site may have rules (and limitations or restrictions) for its residents that may necessarily eliminate the need for approval of the manner and context of the display and use of and interaction with the licensed property, but this level of quality control is needed, especially where the contract or license is not directly negotiated with the site. Another factor to consider is

the extent to which the licensee has the ability to remove licensed products from a site. Certain sites have greater control over the use of products by residents and the ability to immediately take down offensive or infringing goods or to revoke a prior purchase of any licensed product or to disable the use of a licensed product by a resident. Care should be taken in terms of deciding for which sites a license would be granted to anticipate these potential difficulties.

3. Ownership of Intellectual Property

As with all licenses, care should be taken in identifying and specifying the intellectual property that is being licensed. In the case of virtual licensing, it is important that the brand owner carefully define and retain all rights in and to the trademarks and intellectual property that is being licensed. An issue that can arise regarding the ownership of the “Licensed Products,” meaning the virtual representation of the brand owner’s products and/or persona and rights of publicity, is the development costs of creating licensed virtual products. In some instances, where this is the case and the development costs are considerable, the licensee may seek to retain limited intellectual property rights in and to the virtual facsimile of the brand owner’s goods or persona, especially the technology involved in creating such “virtual products” and limit the use by the licensor of licensed virtual products following termination or expiration of the license. Care should be taken in ensuring that no retained rights prevent the brand owner from entering into a similar license following termination or expiration of the license. As is the case with a typical fragrance and beauty license, where the development costs of the licensed product (including fragrance and beauty products) and packaging are significant, one possible option is for the licensor to retain the rights to such “virtual merchandise” to the extent needed to license such goods going forward in return for a sharing of development costs at the outset or repayment of a portion of the development costs at the termination or expiration of the license.

4. Accounting and Royalties

Given the many different ways of utilizing trademarks and copyrights in virtual worlds, care should be taken in defining “profits” and “net profits” under any license. Consideration should be defined broadly to include all monies and consideration, whether calculated on an individual or aggregate basis, and should also include finder or agency fees or consideration where an master license or agent is involved. In advance of granting any permission, care should be taken to understand how fees, royalties,

or profits are paid with respect to any license under consideration. In defining “net profits,” the licensor should understand the upfront costs associated with the development of the specific virtual merchandise relating to the license and the extent to which the licensor may be bearing, through the definition of “net profits,” a portion of the development costs related to the overall software systems and programming that are used in creating virtual merchandise. Clarity in this respect also is needed where the brand owner is developing its own virtual merchandise and Web presence.

5. Enforcement of Intellectual Property Rights

The protection of intellectual property rights in virtual worlds should in no way be compromised by efforts to expand brand awareness through virtual licensing. As a consequence, it is important that the brand owner as licensor have the ability to take down infringing goods and terminate a license with a virtual world or site that is in any way infringing or permitting the infringement of its intellectual property rights. In some instances, agents or licensees will try to limit this right to only those sites where the site has control over licensed products or may seek reimbursement for the attorney’s fees and costs of removing infringing products. One important point is to have any licensee acknowledge the exclusive rights of the licensor in and to the intellectual property being licensed and to injunctive relief if there is a breach of the license or infringement of any rights. In the case of trade dress or rights or personality or persona, legal expense or costs may be mitigated if potentially close legal questions are avoided.

IV. CONTRACTUAL AND REGULATORY REGIMES AND VIRTUAL REALITY

A. Are Virtual Terms of Service Agreements Enforceable in Real Life?

Online destinations such as Second Life, The SIMS, and Club Penguin generally require that users adhere to regulatory regimes that seek to govern intellectual property disputes within the virtual world.⁴⁴ These regulatory regimes are established by the

44. One potentially troublesome and interesting item in the Second Life TOS is its treatment of the Linden Dollar—the currency of Second Life. The Second Life TOS gives Linden Lab the ability to arbitrarily eliminate the entire monetary market, estimated to be approximately \$567 million in U.S. dollars, without any refund to consumers. See Nelson

end user license agreement (EULA) or the terms of service (TOS) agreement. For example, the Second Life TOS webpage states:

Linden Lab reserves the right, but is not obligated to use technological measures designed to prohibit the copying, transfer, or distribution of Content outside the Service when we in good faith believe that such copying, transfer, or distribution would or might violate the Intellectual Property Rights of our users, Linden Lab, or third parties. You copy and use Content at your own risk. You are solely responsible and liable for your use, reproduction, distribution, modification, display, or performance of any Content in violation of any Intellectual Property Rights. You agree that Linden Lab will have no liability for, and you agree to defend, indemnify, and hold Linden Lab harmless for, any claims, losses or damages arising out of or in connection with your use, reproduction, distribution, modification, display, or performance of any Content.⁴⁵

The Sims webpage provides its users with an Electronic Arts (EA) TOS agreement, which states:

EA respects the intellectual property rights of others. You must have the legal right to upload Content to EA Services. You may not upload or post any Content on EA Services that infringes the copyright, trademark or other intellectual property rights of a third party nor may you upload Content that violates any third party's right of privacy or right of publicity. You may upload only Content that you are permitted to upload by the owner or by law. EA may, without prior notice to you and in its sole judgment, remove Content that may infringe the intellectual property or other rights of a third party. If you are a repeat infringer of EA's or a third party's intellectual property or other rights, EA may terminate your Account without notice to you. If your Account(s) are terminated, you are not entitled to a refund for any fees you have paid, and you will lose access to Entitlements associated with your Account.⁴⁶

Linden, *The Second Life Economy in Q3 2010* (October 28, 2010) <http://blogs.secondlife.com/community/features/blog/2010/10/28/the-second-life-economy-in-q3-2010> (compiling statistics regarding Second Life's economy in the third quarter of 2010). It remains to be seen whether such a term would be enforced by a court.

45. Second Life: Terms of Service, § 7.8.

46. Sims: Terms of Service, § 6.

Second Life's and The Sims' respective TOS agreements ostensibly provide protection to multiple parties. Both virtual worlds state their respect of intellectual property rights and provide an avenue for trademark and copyright owners to address instances of infringement and counterfeiting. Each of these virtual worlds reserves the right to remove infringing content and take any other measures necessary to stop the infringement. Second Life "reserves the right, *but is not obligated* to use technological measures to prohibit the copying, transfer, or distribution of Content outside the Service when [Second Life] in good faith believe[s] that . . . [it] might violate the Intellectual Property Rights of [its] users, Linden Lab, or third parties."⁴⁷ Although Second Life, when put on notice, has been known to notify users that its content is infringing an entity's trademark and although it has been known to afford automated Digital Millennium Copyright Act of 1998⁴⁸ (DMCA) notices, its decision to do so is discretionary.⁴⁹ These provisions are typical. Such TOS agreements make clear, however, that the decision to remove infringing content is entirely discretionary for the service provider.⁵⁰ The principal purpose of the TOS agreement is to

47. Second Life Terms of Service, § 7.8 (emphasis added).

48. 17 U.S.C. § 512 (1998).

49. Until the courts begin imposing contributory or secondary liability on virtual worlds, there is no case law that presently requires enforcement of intellectual property laws in virtual world. Furthermore, as Second Life and other virtual world are relatively new, the question of whether its actions or inactions would create third party liability has yet to have been thoroughly examined by courts. See Benjamin R. Mulcahy, *Second Life Raises Novel IP Issues*, Nat'l L. J. (Dec. 3, 2007).

50. Recently a number of Second Life users filed a class action lawsuit against the company and its founder for the practice of violating real-world intellectual property rights of proprietors of virtual content within the Second Life virtual world. Specifically, the complaint alleges that the company has the technical means to simply and easily halt allegedly infringing conduct, but refuses to do so because it "makes too much money from all the infringement." The parties have since agreed to engage in private alternative dispute resolution. *Eros, LLC v. Linden Research, Inc.*, Case No. 4:09-cv-04269 (N.D. Cal. 2009).

If this matter is not settled, it may establish the standard for whether or not the service provider has an obligation to police its virtual world. Query whether the virtual world as a whole is the focal point or whether the particular sales venue is the point of analysis. Compare *Fonavisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Circuit 1996) (Cherry Auction swap meet gives rise to vicarious and contributory copyright infringement and contributory trademark infringement), with *Tiffany (NJ) Inc. v. eBay*, 600 F.3d 93, 107 (2d Cir. 2010) (Second Circuit held that eBay's VeRo program and notice and takedown procedures did not give rise to vicarious and contributory copyright and trademark infringement even though eBay had generalized knowledge of ongoing infringement).

In *Tiffany (NJ) Inc. v. eBay, Inc.*, the Second Circuit upheld the District Court's decision with respect to: (1) Contributory Trademark Infringement (for contributory trademark infringement to lie, a service provider must have *more than* general knowledge

indemnify the online destination for any liability incurred in a case of infringement. Indemnification against all liability arising out of the use or distribution of infringing content is seen as essential because the trademark or copyright owner is more likely to take action against the online destination than against an individual user, especially where users may be anonymous or difficult to locate, may have limited resources, and may be difficult to serve or obtain jurisdiction over.

But the TOS agreement is not necessarily sacrosanct, and its validity may be challenged in court. One of the few cases in which a court has grappled with complex issues presented by Second Life and similar platforms is *Bragg v. Linden Research, Inc.*,⁵¹ which considered the enforceability of TOS agreements encountered in the virtual world.⁵² In *Bragg*, the plaintiff, Marc Bragg, a Second Life user, purchased a piece a virtual real estate in Second Life for \$300.⁵³ Linden Research sent Bragg an e-mail advising him that

or reason to know its service is being used to sell counterfeit goods. “Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” *Id.* at 107); (2) Direct Trademark Infringement (eBay is not directly liable because: “[A] defendant may lawfully use a plaintiff’s trademark where doing so is necessary to describe the plaintiff’s product and does not imply a false affiliation or endorsement by the plaintiff of the defendant.” *Id.* at 102-103); (3) Direct Trademark Dilution (eBay was not liable for dilution because there was no second mark or product at issue to blur with or tarnish the “Tiffany” mark (i.e., eBay never sued the “Tiffany” mark to refer to eBay’s own product)). The Second Circuit acknowledged the doctrine of nominative fair use but did not adopt the doctrine. With respect to whether there was evidence of willful blindness, both the District Court and the Second Circuit concluded that eBay was *not* willfully blind to evidence of infringement on its website because although eBay had general knowledge of counterfeiting, it took reasonable steps to investigate and stop any wrongdoing through its VeRo program and general anti-fraud measures. If eBay had reason to suspect counterfeit sales on its website and intentionally shielded itself from discovering offending listings or seller identities, then eBay might have “knowledge” to satisfy *Inwood* and thus be willfully blind. Quoting the Seventh Circuit, the Second Circuit stated, “willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.” *Id.* at 110. It remains to be seen whether other courts beyond the Second Circuit will follow *Tiffany (NJ) Inc. v. eBay, Inc.* and, to what extent, if any, this decision will be applied to infringements in virtual worlds.

51. 487 F. Supp. 2d 593 (E.D. Pa. 2007).

52. The case also provides an interesting narrative of the phenomenon that is Second Life. In this discussion, it notes that Judge Richard A. Posner has made an appearance in Second Life as a “balding bespectacled cartoon rendering of himself” and has “addressed a crowd of other animated characters on a range of legal issues, including property rights in virtual reality.” *See id.* at n.4 (citing Alan Sipress, *Where Real Money Meets Virtual Reality, the Jury is Still Out*, Wash. Post, Dec. 26, 2006, at A1).

53. *Id.* at 596. Unlike real life, where one might be ridiculed for purchasing “a bridge in Brooklyn” or “swamp land,” virtual real estate is big business. In 2010, one player in Entropia Universe earned \$335,000 in one transaction for selling his property on a fictitious asteroid and another player in Second Life has become a millionaire thanks to virtual-world

his land had been improperly purchased through “exploit” and ultimately confiscated all of the virtual property and currency that Bragg maintained on his account with Second Life pursuant to the Second Life TOS agreement.⁵⁴ Bragg objected to this confiscation and brought suit against Linden Research and its Chief Executive Officer, Philip Rosedale, in the Court of Common Pleas of Chester County, Pennsylvania. Linden Research and Rosedale removed the case to the Eastern District of Pennsylvania. Defendant Rosedale moved to dismiss all claims asserted against him for lack of personal jurisdiction and both defendants moved to compel arbitration.

In support of his claim of personal jurisdiction, Bragg relied on various representations that Rosedale personally made in the media to a “national” audience regarding ownership of virtual property in Second Life.⁵⁵ Bragg also relied on the fact that he attended town hall meetings hosted in Second Life, where he heard Rosedale make statements about the purchase of virtual land.⁵⁶ The district court found that Rosedale’s “interactive” marketing efforts in national media provided minimum contacts with Pennsylvania sufficient to support specific personal jurisdiction.⁵⁷ The court noted that its decision was consistent with the decisions of courts in other jurisdictions that have extended personal jurisdiction over defendants who have made representations in national media when the dispute arose directly from those representations.⁵⁸ Additionally, the court held that the exercise of personal jurisdiction against defendants would not offend due process.⁵⁹ Accordingly, the motion to dismiss was denied.

After denying the defendant’s motion to dismiss, the court, in deciding the motion to compel arbitration, discussed whether Second Life’s TOS agreement was enforceable with regard to the arbitration clause. As noted above, before participating in Second Life, a player must first accept the TOS agreement by clicking an approval mechanism.⁶⁰ Bragg encountered a California choice-of-

real estate developments. See C. Richardson, *Man Makes Record \$335,000 in Entropia Universe Virtual Real Estate Deal*, *The Christian Science Monitor* (Nov. 13, 2010).

54. *Id.* at 597.

55. *Id.* at 598.

56. *Id.*

57. *Id.* at 601-02.

58. *Id.* at 600-01.

59. *Id.* at 602.

60. *Id.* at 603.

law clause, an arbitration provision, and a forum selection clause in the Second Life TOS agreement.⁶¹ The district court ultimately refused to enforce the arbitration clause, holding that the TOS agreement was procedurally and substantively unconscionable. In dismissing the motion to compel arbitration, the district court held:

Taken together, the lack of mutuality, the costs of arbitration, the forum selection clause, and the confidentiality provision that Linden unilaterally imposes through the [TOS agreement] demonstrate that the arbitration clause is not designed to provide Second Life participants an effective means of resolving disputes with Linden. Rather, it is a one-sided means which tilts unfairly, in almost all situations, in Linden's favor.⁶²

This case ended in a settlement and, until 2010, there were no further cases addressing whether TOS agreements such as that of Second Life were enforceable.

On April 15, 2010, a class action was commenced in the United States District Court for the Eastern District of Pennsylvania that challenged Linden Research's unilateral change of its TOS agreement for Second Life, which changed how property and land was defined from "owning" property to a "service" provided by Linden Research and thereby stripping players of ownership rights.⁶³ The change was in part a response to the Bragg case. Defendants Linden Research and Philip Rosedale moved to have the case transferred to the United States District Court for the Northern District of California or dismissed for failure to state a claim. The motion is still pending, but this raises a serious question as to whether and under what circumstances virtual worlds or MMORPGs may make mandatory modifications to the TOS agreement or EULA. If the *Bragg* precedent is followed in the pending class action, this decision could be wide-ranging in its effect.

The United States District Court for the Southern District of New York dealt with the interpretation of TOS agreements for Twitter and Twitpic users in a case that may have implications in virtual worlds as well. In *Agence France Presse v. Morel*,⁶⁴ Morel, a

61. *Id.*

62. *Id.* at 611.

63. *Evans et al. v. Linden Research, Inc. et al.*, 10CV1679 (E.D. Pa. Apr. 15, 2010) (Complaint).

64. No. 10 Civ. 2730 (WHP), 2011 WL 147718 (S.D.N.Y. Jan. 14, 2011).

professional photographer, took pictures of the aftermath of the January 12, 2010, Haiti earthquake. The same afternoon he opened an account on Twitter, a social networking website, and Twitpic, a third-party Twitter application. He uploaded his photographs onto Twitpic, posted on Twitter that he had “exclusive earthquake photographs,” and linked his Twitter page to his Twitpic page.⁶⁵ Within minutes, Morel’s photographs had been copied and reposted countless times around the world. Agence France Presse (AFP), a French news agency, added the photos to its image database, transmitted them to Getty Images,⁶⁶ and began licensing them to news outlets without attribution.⁶⁷

Morel sued AFP for copyright infringement. In a motion to dismiss, AFP and Getty argued that Morel, by posting his images in a forum in which they could be endlessly shared and republished, had granted an implied license to use the images. The district court rejected this argument holding that Morel’s submission of his images was governed by an explicit content license set out in the operative Twitter TOS agreement. Twitter’s TOS agreement expressly grants a license to use content *only* to Twitter and its partners.⁶⁸ Similarly, Twitpic’s TOS agreement grants a license to use photographs only to “Twitpic.com or affiliated sites.”⁶⁹ Accordingly, AFP and Getty failed to establish that they had secured a license to use Morel’s photographs. The court ultimately denied the motion to dismiss as to Morel’s copyright and trademark infringement claims.

This case is instructive in that it demonstrates how TOS agreement terms and conditions may not only insulate the site provider from potential liability but also undercut an argument that an implied license is afforded because of the widespread scope of the Internet and social media. If the TOS agreement states that a virtual resident retains copyright and trademark protection of shared material, those terms should be considered and adhered to, and may have implications in virtual worlds as well as in social media such as Twitter, Myspace, and Facebook.

65. *Id.* at *1.

66. Getty Images, Inc. (<http://www.gettyimages.com>).

67. *Id.* at *2.

68. *Id.* at *6.

69. *Id.*

B. Does the Digital Millennium Copyright Act Afford a Virtual Safe Harbor?

Virtual worlds such as Second Life and Sims may be insulated from copyright infringement claims under the DMCA, which provides immunity to service providers against copyright infringement claims with respect to content originating with a third party of the service.⁷⁰ The DMCA does not provide a safe harbor with respect to trademark infringement claims.⁷¹ Nevertheless, internal takedown procedures may help persuade a court that liability should be limited under the circumstances. A great deal depends upon the level of control exercised by the virtual world and whether the traditional *Inwood Laboratories*⁷² third-party liability analysis would subject the virtual world to liability for the actions of its player participants, whatever form they take.⁷³ In order to claim protection under the safe harbor of the DMCA, a virtual world would first have to establish that it is, in fact, a “service provider” entitled to immunity. A service provider is defined as “a provider of online services or network access, or the operator of facilities therefor.”⁷⁴ The DMCA has often been applied to service providers such as Google. Consequently, it is likely that a court would find that a virtual world such as Second Life qualifies as a service provider.⁷⁵

Virtual worlds may have to establish neutrality with regard to content in order to avoid contributory liability.⁷⁶ Given the fact

70. 17 U.S.C. § 512.

71. See *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098 (N.D. Cal. 2008); *Gucci America, Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409 (S.D.N.Y. 2001).

72. *Inwood Labs., Inc. v. Ives Labs, Inc.*, 456 U.S. 844, 854 (1982).

73. Compare *Marvel Enters., Inc. v. NCSoft Corp.*, 74 U.S.P.Q.2d (BNA) 1303, No. CV 04-9253 RGPLAX (C.D. Cal. March 9, 2005) (Marvel’s lawsuit against MMORPG “City of Heroes” dismissed as to trademark claims but not as to copyright claims to Captain America, Wolverine, Incredible Hulk, Magisto, The Thing, Phoenix, and Iron Man characters) with *Tiffany v. eBay*, 600 F.3d 93, 107 (2d Cir. 2010) (Second Circuit held that eBay’s VeRO program and notice and takedown procedures not give rise to third-party liability even though eBay had generalized knowledge of widespread infringements).

74. 17 U.S.C. § 512(k)(1).

75. See, e.g., *Viacom Inc. v. YouTube, Google Inc.*, 718 F. Supp. 2d 514 (S.D.N.Y. 2010) (Viacom brought an action against YouTube, a video-sharing site owned by Google, for copyright infringement. Google’s motion for summary judgment was granted on the grounds that the DMCA’s “safe harbor” provisions shielded Google from Viacom’s copyright infringement claims); *Newborn v. Yahoo!, Inc.*, 391 F. Supp. 2d 181 (D.D.C. 2005) (motion to dismiss granted in favor of Internet search engine operator against website operator with respect to copyright and trademark claims based upon contributory and vicarious liability).

76. For example, in *UMG Recordings, Inc. v. Veoh Networks Inc.*, the United States District Court for the Central District of California held that the services of Veoh, an

that users can create their own worlds and their own avatars, but must do so within the confines of the virtual world, it may be difficult for some virtual worlds, which exercise strict control based upon TOS agreements, to avoid third-party liability in a trademark context.

In addition, any virtual world provider would be required to meet all the other requirements of the DMCA, including the requirement that it adopt and reasonably implement a takedown policy that provides for termination of services to subscribers and account holders who are repeat infringers and the requirement that it accommodate standard technical measures used by copyright owners to identify or protect copyrighted works.⁷⁷ For example, the Second Life TOS agreement provides a takedown policy that on its face is sufficient. The DMCA also requires that “upon notification of claimed infringement . . . [the service provider] responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.”⁷⁸ As a result, any virtual world would be required to be diligent in its takedown procedures.⁷⁹

Internet-based service that permits users to share videos free of charge, fell within the scope of the DMCA safe harbor under 17 U.S.C. § 512(c) because such services occurred “by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider. . . .” *UMG Recordings, Inc. v. Veoh Networks Inc.*, 620 F. Supp. 2d 1091, 92 (C.D. Cal. 2008). The District Court granted summary judgment, holding that Veoh’s transcoding of user-uploaded videos to Flash format did not give it direct control. *Id.* Relevant to the Court’s decision was the fact that Veoh had simply established a system whereby software automatically processed user-submitted content and recorded it in a format readily accessible to its users. Veoh does not itself actively participate or supervise the uploading of files, nor does it preview or select the files before the upload is completed. Video files are uploaded through an automated process initiated entirely at the volition of Veoh’s users.

77. 17 U.S.C. § 512(i)(1).

78. 17 U.S.C. § 512(c)(1). Notification of claimed infringement must be written communication provided to a designated agent, containing the following information: (i) the signature (physical or electronic) of a person authorized to act on behalf of the owner; (ii) identification of copyrighted work alleged to have been infringed; (iii) identification of alleged infringing material and information sufficient to permit service provider to locate material; (iv) information reasonably sufficient to permit the service provider to contact the complaining party, such as address, telephone number, and electronic mail address; (v) a statement that complaining party has good faith belief that the use of the material in the manner complained of is not authorized by the copyright owner; and (vi) a statement that the information in the notification is accurate and under penalty of perjury and that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed. 17 U.S.C. § 512(c)(3).

79. See *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098 (N.D. Cal. 2008) (Court held Akanoc could be contributorily liable for trademark infringement because Akanoc had actual knowledge of specific counterfeiting websites on its

Other limitations on the use of the DMCA safe harbor clause include:

- (i) the Service Provider does not have actual knowledge that material or activity using material on the system or network is infringing;
- (ii) the Service Provider, in the absence of actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent;
- (iii) the Service Provider, upon having knowledge or awareness of infringement, acts expeditiously to remove, or disable access to the material; and
- (iv) the Service Provider does not receive financial benefit directly attributable to the infringing activity, in a case in which the Service Provider has the right and ability to control such activity.⁸⁰

If a virtual world does not meet the requirements of the DCMA, it may be subject to third-party liability for infringement that occurs on its site.

Although the Copyright Act does not specifically provide for secondary liability for direct infringements caused by another, third-party liability has been developed based on a common law theory of liability stemming from patent law where the technology involved facilitates infringement. Under such a theory of third-party liability, plaintiffs have brought suit against manufacturers of potentially infringing technology under the theory of third-party liability.⁸¹ The sale of such technology, however, “does not constitute contributory infringement if the product is widely used for legitimate, non-objectionable purposes . . . it need merely be capable of substantial non-infringing uses.”⁸² To the extent technologies (such as software) are created for exclusive use in virtual worlds for infringing purposes, such technologies may be

servers and continued to provide Web hosting services while remaining willfully blind to infringing activity).

80. 17 U.S.C. § 512(c).

81. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (Television and motion picture companies sued videocassette recording manufacturers for undermining the audience-advertiser connection by enabling VCR users to bypass commercials with the fast-forward button); *see also Metro-Goldwyn-Mayer Studios v. Grokster*, 545 U.S. 913, 125 S. Ct. 2764 (2005) (“[O]ne who distributes a device with the object of promoting its use to infringe copyright . . . is liable for the resulting acts of infringement by third parties”; Grokster’s advertisements promoting its program’s ability to copy copyrighted material was evidence of infringing intent).

82. *Sony*, 464 U.S. at 789; *Grokster*, 545 U.S. at 940.

subject to contributory liability for such user infringement.⁸³ If, however, the technology may be used in the virtual world or the real world for legitimate and non-infringing purposes, such technology may escape liability under the rule set forth in *Sony*.⁸⁴

C. The Safe Harbor of the Communications Decency Act Is Deep

Section 230 of the Communications Decency Act (CDA) provides that:

No provider or user of an interactive computer service shall be held liable on account of

(A) any action voluntarily taken in good faith to restrict access to or availability of material that the provider or user considers to be obscene, lewd, lascivious, filthy, excessively violent, harassing, or otherwise objectionable, whether or not such material is constitutionally protected; or

(B) any action taken to enable or make available to information content providers or others the technical means to restrict access to material described in [subparagraph A].⁸⁵

An interactive computer service is defined as “any information service, system, or access software provider that provides or enables computer access by multiple users to a computer server, including specifically a service or system that provides access to the Internet and such systems operated or services offered by libraries or educational institutions.”⁸⁶

Although the Act expressly states that “[n]othing in this section shall be construed to limit or expand any law pertaining to intellectual property,” the CDA may afford protection to virtual worlds against a multitude of other claims, including defamation and obscenity.⁸⁷ For example, in 2007, when Linden Lab banned depictions of or engagement in sexualized conduct with avatars

83. For example, Second Life bans the use of tools to copy intellectual property in violation of applicable intellectual property laws and Second Life’s TOS agreement. CopyBot, which is a debugging tool used to access Second Life and permits users to, among other things, export objects within Second Life to a file that can then later be copied, duplicated, and imported (in order to make and distribute copies) for use in Second Life has been prohibited and is a violation of the TOS agreement. See Second Life’s *Mainland Policies*, available at http://wiki.secondlife.com/wiki/Linden_Lab_Official:Mainland_policies.

84. *Id.*

85. 47 U.S.C. § 230(c).

86. 47 U.S.C. § 230(f)(2).

87. 47 U.S.C. § 230(e)(2).

that resemble children in Second Life, it was potentially immune from liability under the CDA.⁸⁸ In order to gain immunity to such claims, an online destination such as Second Life would have to establish that it is an interactive computer service, which is similar but potentially broader than the definition of a service provider under the DMCA. There are, however, significantly fewer hurdles in the CDA, which imposes only one obligation on the interactive computer service—the provider must “notify [the] customer that parental control protections (such as computer hardware, software, or filtering services) are commercially available that may assist the customer in limiting access to material that is harmful to minors.”⁸⁹

D. Virtual Infringement Leads to Real-Life Litigation

While there have been several attempted lawsuits against real-life trademark infringers in the virtual world, the vast majority of cases have been resolved before any court has had an opportunity to analyze or rule on the substantive issues.⁹⁰

A threshold issue in any virtual infringement case is whether or not the particular use of the trademark or trade dress constitutes “use in commerce” under the Lanham Act.⁹¹ In *1-800-*

88. See Second Life Blogs: Features: Clarification of Policy Disallowing “Ageplay,” <http://blogs.secondlife.com/community/features/blog/2007/11/14/clarification-of-policy-disallowing-ageplay> (last visited Jan. 19, 2011). Linden Labs implemented this policy shortly after the Supreme Court found a similar statute unconstitutional in *Ashcroft v. Free Speech Coalition*, 535 U.S. 234 (2002) (striking down the Child Pornography Protection Act of 1996, which outlawed particular material that merely represented child pornography, whether or not it depicted actual children). Central to the Court’s holding in *Ashcroft* was the finding by Justice Scalia that “the CPPA prohibits speech that records no crime and creates no victims by its production. Virtual child pornography is not ‘intrinsically related’ to the sexual abuse of children.” In response to *Ashcroft*, Congress enacted The Prosecutorial Remedies and Other Tools to End the Exploitation of Children Today Act of 2003, which prohibits anyone from knowingly “advertis[ing], promot[ing], present[ing], distribut[ing], or solicit[ing] through the mails, or in interstate or foreign commerce by any means, including by computer, any material or purported material in a manner that reflects the belief, or that is intended to cause another to believe, that the material or purported material is, or contains an obscene visual depiction of a minor engaging in (i) sexually explicit conduct; or a visual depiction of an actual minor engaging in (ii) sexually explicit conduct.” This statute was upheld by the Supreme Court in *United States v. Williams*, 553 U.S. 285 (2008), only a year after Linden Labs announced its policy against ageplay.

89. 47 U.S.C. § 230(d).

90. See generally *Minsky v. Linden Research, Inc.*, No. 1:08 cv 819 (N.D.N.Y. 2009); *Eros, LLC v. Leatherwood*, No. 8:07 cv 01158 (M.D. Fla. 2008); *Eros LLC v. Simon*, Case No. 1:2007 cv 0447 (E.D.N.Y. 2007); *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008).

91. 15 U.S.C. § 1127.

Contacts, Inc. v. WhenU.com, Inc.,⁹² the Second Circuit held that the “use in commerce” requirement of the Lanham Act was not satisfied in the context of keyword-triggered search engine pop-up ads. Federal district courts in the Second Circuit applying the *WhenU.com* standard dismissed claims against Google and other parties alleging trademark infringement as the result of keyword-triggered search engine advertising.⁹³ The appeal and decision in one of those subsequent cases, *Rescuecom Corp. v. Google, Inc.*, is instructive and resolved the split in authority between the Second Circuit and federal courts in the Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, and Eleventh Circuits over the “use in commerce” issue with respect to key words.⁹⁴

On April 3, 2009, the Second Circuit Court of Appeals in the matter of *Rescuecom Corp. v. Google, Inc.* reversed the United States District Court for the Northern District of New York’s dismissal of Rescuecom’s complaint on the grounds that it failed to state a valid claim for relief.⁹⁵ The court held that Google’s “sale” of Rescuecom’s trademark as a keyword in Google’s Adwords and Keyword Suggestion Tool Programs, which sends online search engine users targeted advertisements based on their formulation of search terms, constitutes the “use in commerce” for purposes of the Lanham Act.

In *Rescuecom*, the Second Circuit distinguished and narrowly construed *WhenU.com*, stating that the holding should be limited to its facts, i.e., keyword triggered pop-up advertising, which did not feature the trademark but the website address, did not give rise to a claim for trademark infringement, and was not intended as an absolute ban on Lanham Act claims based upon the use of keywords to trigger sponsored links. Central to the *Rescuecom* decision is the fact that, unlike the software program in *WhenU.com*, Google’s AdWords and Keyword Suggestion Tool Programs actually feature the use of a competitor’s trademarks, Google sells advertising through two primary mechanisms, AdWords and Keyword Suggestion Tool. These programs allow an advertiser to select words related to its business and “purchase”

92. 414 F.3d 400 (2d Cir. 2005).

93. See, e.g., *Rescuecom Corp. v. Google Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. 2006), *rev’d and remanded*, 562 F.3d 123 (2d Cir. 2009); *Merck & Co., Inc., et al. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402 (S.D.N.Y. 2006); *motion for reconsideration denied*, 05 Civ. 3650 2006 U.S. Dist. Lexis 34508 (S.D.N.Y. May 24, 2006).

94. 562 F.3d 123, 127-28 (2d Cir. 2009). See generally Theodore C. Max, *When Keywords Trigger Sponsored Links, Be Mindful of WhenU and the Split in the Circuits Before Choosing Your Forum Court*, Bloomberg Law Reports (Sept. 10, 2007).

95. 562 F.3d 123, 124 (2d Cir. 2009).

those words from Google. Once purchased, whenever a Google user selects that word in a search, the advertiser's sponsored advertisement and link will appear along with (and sometimes over the top of) what would otherwise be a normal, regular Google search result. The Keyword Suggestion Tool works in concert with AdWords, and features additional words that the advertiser might want to purchase to increase exposure. The Second Circuit noted, in contrast to *WhenU.com*, that "Google displays, offers, and sells Rescuecom's mark to Google's advertising customers when selling its advertising services."

In *Rescuecom*, the Second Circuit held that Google's sale of trademarks as part of keyword-triggered search engine advertising constitutes a "use in commerce" under the Lanham Act. The Second Circuit attached to the opinion, as dictum, an Appendix entitled "On the Meaning of 'Use in Commerce' in Sections 32 and 43 of the Lanham Act," which traced the history of the phrase "Use in Commerce" in the Lanham Act, including the 1988 Amendment to the Lanham Act.⁹⁶ The *Rescuecom* Appendix may be a starting point for courts in the future examining the issue of "use in commerce" under the Lanham Act. Several other cases are instructive in that they illuminate special issues that might arise in virtual trademark infringement cases.

In *Minsky v. Linden Research*,⁹⁷ for example, plaintiff Richard Minsky opened an art gallery in Second Life and named it SLART. He obtained trademark registration in real life from the USPTO for the SLART mark on March 18, 2008. In the same month he discovered that an avatar in Second Life was using the mark SLART GARDEN for a virtual art gallery. Minsky brought a claim against the avatar Victor Vezina for trademark infringement and dilution, using the name John Doe. However, Minsky had no idea whether Vezina was "an individual, a corporation, a partnership, or if Vezina really exists outside of the Linden computer."⁹⁸ Consequently, Minsky had no way to serve Vezina in the real world but could only send a cease and desist letter by instant message to which Vezina failed to respond.⁹⁹ Ultimately, the merits of Minsky's claims were never reached by court, as Linden Labs and Minsky ultimately settled.

96. *Id.* at 131.

97. No. 1:08 cv 819 (N.D.N.Y. 2009).

98. *Id.* at 16.

99. Minsky also brought claims against Linden Research, the company which runs the Second Life platform and officers of Linden for trademark infringement, dilution, and contributory trademark infringement.

Similar issues were encountered in *Eros, LLC v. Leatherwood*,¹⁰⁰ where the plaintiff, Eros, a purveyor of virtual sex toys, brought suit against the avatar Volkov Catteneo for employing Eros' mark, SEXGEN, to make and sell unauthorized virtual world copies of Eros's virtual sex toys within Second Life.¹⁰¹ Eros alleged in its complaint that its use of its trademark in Second Life signified products that had a reputation for performance, quality, and value. To solve the avatar anonymity problem contemplated above, Eros subpoenaed AT&T and Charter Communications to discover the real-life identity of Volkov Catteneo. The action was terminated when the defendant defaulted.

In *Eros LLC v. Simon*,¹⁰² Eros joined suit with other prominent virtual world merchants to sue an individual who had made thousands of duplicates of the plaintiffs' products and had sold them at extremely low prices. Eros and DE Designs asserted rights under their federal trademarks, SEXGEN and DE DESIGNS, respectively. A consent judgment was entered into where defendant was ordered: (1) to pay \$525 in damages for profits derived from the unauthorized copying and distribution of the infringing goods; (2) to swear that all infringing copies were destroyed; (3) to permanently stop any copying, displaying, selling, or distribution of plaintiffs' virtual merchandise; (4) to disclose the names of all alternate accounts or future accounts to plaintiff; and (5) to allow plaintiffs access to his PayPal, Inc. accounts.¹⁰³

In *Taser International, Inc. v. Linden Research, Inc.*,¹⁰⁴ the plaintiff, Taser International, Inc., a real-life electroshock weapon manufacturer and seller, brought suit against a number of entities and persons for the virtual infringement of its registered TASER trademarks. According to plaintiff's complaint, a number of defendants sold and advertised virtual TASER weapons on the Internet for use in Second Life. However, the plaintiff withdrew its complaint before the court could render a decision.

In a case involving the protection of the trademark and trade dress of a real-world strip club and whether a virtual depiction in the video game Grand Theft Auto: San Andreas infringed the real Los Angeles strip club's logo and exterior design trademark

100. No. 8:07 cv 01158 (M.D. Fla. 2008).

101. *Id.* at 5.

102. Case No. 1:2007 cv 0447 (E.D.N.Y. 2007).

103. *Eros, LLC v. Simon*, Judgment by Consent as to Def. Thomas Simon, p. 1-3.

104. No. 2:09 cv 00811 (D. Ariz. 2009).

rights,¹⁰⁵ the Ninth Circuit held that such use did not infringe the actual club owner's trademark and trade dress rights because it was protected by the First Amendment. The court found that the video game was "artistic" and noted that the Lanham Act applies to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression.¹⁰⁶ First Amendment protection was afforded because "a reasonable consumer would not think a company that owns one strip club in East Los Angeles . . . also produces a technologically sophisticated video game. . . ."¹⁰⁷ It remains to be seen whether such a defense would have been upheld if the mark at issue had been famous or well known, or if the trademark owner had participated in cross-promotional branding with the video game maker or other video games.¹⁰⁸

E. The Innovative Design Protection and Piracy Prevention Act: Does It Protect Virtual Fashions?

Most fashion designs come from a sketch either in electronic form through a computer-aided design system or on paper. The initial design is what gives the article of clothing or accessory context and inspiration. A designer may copyright a sketch of an article of apparel, as it is an "original work of authorship fixed in a tangible medium."¹⁰⁹ To the extent that the sketch is translated into an article of clothing, however, it is not currently protected under the Copyright Act with some exceptions.¹¹⁰ This is largely due to the fact that clothing is considered a "useful article," ineligible for copyright protection.

105. E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc., 547 F.3d 1095 (9th Cir. 2008).

106. *Id.* at 1099.

107. *Id.* at 1101.

108. While litigation of trademark and trade dress cases is still in its infancy, the vexing legal issues concerning trademark dilution create even more concerns. For example, Grand Theft Auto may be subject to an action brought by McDonalds for dilution based upon its famous registered mark of golden arches, if the game had featured squared-off "golden arches" for a restaurant called the "Scottish Steakhouse." This article does not examine dilution in virtual reality.

109. 17 U.S.C. § 102.

110. Whimsicality, Inc. v. Rubie's Costume Co., 891 F.2d 452, 455 (2d Cir. 1989) ("clothes are particularly unlikely to meet . . . [the test for conceptual separability]—the very decorative elements that stand out being intrinsic to the decorative function of the clothing," but the design may be considered writings for purposes of copyright law and is accordingly protected).

On August 5, 2010, Senator Charles E. Schumer introduced the Innovative Design Protection and Piracy Prevention Act (IDPPPA).¹¹¹ On December 1, 2010, the Senate Judiciary Committee passed the Act, placing it on the Senate Legislative Calendar on December 6, 2010. If enacted, the Act would extend copyright protection to “the appearance as a whole of an article of apparel, including its ornamentation” as well as to some accessories.¹¹² In addition, the Act provides a three-year term for the protection of fashion designs¹¹³ and extends protection to men’s, women’s, and children’s clothing, including undergarments, outerwear, gloves, footwear, headgear, handbags, purses, tote bags, belts, and eyeglass frames.¹¹⁴

The current bill represents a compromise between American designers and the Council of Fashion Designers of America (CFDA) and apparel and accessory industry retailers and manufacturers and organizations such as the American Apparel and Footwear Association (AAFA). The bill would amend Chapter 13 of the Copyright Act to create protection for original and novel fashion and accessory designers based upon a “substantially identical” standard. The maximum damages available are a fine of \$50,000 in the aggregate and \$1.00 per copy.

IDPPPA was introduced as a means of filling a void in intellectual property. Legislators acknowledged that fashion is an area of artistic expression that is not presently protected under the Copyright Act. The IDPPPA requires a designer to demonstrate that the design is a “non-trivial” variation over prior designs. For many designers, it may still be hard to meet this standard because of the seasonal and fleeting nature of fashion and designers drawing inspiration from trends and past designers.

For many designers in virtual reality, the IDPPPA does not concern them. As noted above, Alyssa LaRoche, for example, designs exclusively for avatars. NEVER 30, however, is clearly a brand that has ambitions of moving beyond virtual reality into real-world fashion design. Never 30 could face the threat of a real-world fashion designer usurping Carol Higgins’ designs. It is not clear whether the protection afforded by the IDPPPA extends to designers like Higgins.

111. S. 3728, 111th Cong. (2010) (amending Title 17 of the United States Code).

112. S. 3728, 111th Cong. § 2(a), amending 17 U.S.C. § 1301 (2010).

113. S. 3728, 111th Cong. § 2(d), amending 17 U.S.C. § 1305(a) (2010).

114. Jessica G. Jacobs, Copyright Protection For Fashion Design: A Legal Analysis of the Design Prohibition Act, H.R. 2033, CRS Report for Congress, CRS 4 (June 28, 2007).

If it is accepted that virtual fashion creations are, in fact, fashion designs, then it is likely that IDPPPA would be extended to include designs created in and for virtual worlds. If, however, the more prominent characteristics of virtual fashion are its graphics and artistic rendering, then protection is not likely. Unfortunately, the definition of “fashion design” in the IDPPPA is vague and not helpful to this line of inquiry. IDPPPA defines fashion design as:

- (A) . . . the appearance as a whole of an article of apparel, including its ornamentation; and
- (B) includes original elements of the article of apparel or the original arrangement or placement of original or non-original elements as incorporated in the overall appearance of the article of apparel that—
 - (i) are the result of a designer’s own creative endeavor; and
 - (ii) provide a unique, distinguishable, non-trivial and non-utilitarian variation over prior designs for similar types of articles.¹¹⁵

It is conceivable that the word “appearance” lends itself to judicial interpretation, allowing for a more expansive reading of IDPPPA that would extend to virtual fashion design. “Appearance,” however, is not a defined term, so it may be left to federal courts to decide whether a virtual design would be considered an “article of apparel.”

The intention of IDPPPA is to protect fashion designers from infringement of clothing designs, at a time when design piracy is a global concern. With the advent of computers and virtual worlds, the fashion design, whether a sketch or a three-dimensional computer-aided design fitted to an avatar, is extremely susceptible to piracy, as it is very easy to copy designs once they are online.¹¹⁶ If IDPPPA extends to the design, and not only the tangible article, virtual and real-world designers alike would stand to benefit.

115. *Id.* at § 2.

116. As noted at Note 53 above, Second Life has banned the use of certain technology that permits the copying of computer-generated designs. See Second Life’s Mainland Policies, available at http://wiki.secondlife.com/wiki/Linden_Lab_Official:Mainland_policies.

**V. COPYRIGHT AND RIGHTS OF PUBLICITY
AND PRIVACY IN VIRTUAL REALITY:
CAN AVATARS BE ATTACKED
IN VIRTUAL WORLDS?**

The right of publicity is the intrinsic right of every person to control and benefit from the commercial exploitation of his or her identity, including that person's name, signature, likeness, picture, portrait, or voice.¹¹⁷ Unlike in trademark law, a person may assign his or her right of publicity without goodwill and may license publicity rights without any quality control. The right of publicity is governed by state law, which affords individuals varying degrees of protection, depending upon the laws or common law of the particular jurisdiction.¹¹⁸

A person may, depending upon the applicable law, invoke his or her right of publicity against the unauthorized use of his or her photograph or likeness.¹¹⁹ Underlying this entitlement is the theory that "a celebrity has the right to capitalize on his persona, and the unauthorized use of that persona for commercial gain violates fundamental notions of fairness and deprives the celebrity of some economic value in his persona."¹²⁰ Jurisdictions differ on the proper test for identifying the nature of rights and whether the photograph or likeness must be recognized by the public in general or by someone familiar with the person(s) depicted in the

117. See Restatement (Third) of Unfair Competition § 46 ("One who appropriates the commercial value of a person's identity by using without consent the person's name, likeness, or other indicia of identity for purposes of trade is subject to liability. . . .").

118. See generally, J.T. McCarthy, *The Rights of Publicity and Privacy* (West 2010).

119. See, e.g., *LaRussa v. Twitter, Inc.*, Index No. CGC-09488101 (Cal. Super. Ct. May 6, 2009) (Tony LaRussa, the manager for the St. Louis Cardinals, brought a claim against Twitter.com for trademark infringement, false designation of origin, trademark dilution, cybersquatting, *misappropriation of name and likeness*, invasion of privacy, and intentional misrepresentation. Tony LaRussa repeatedly requested the removal of a twitter account that purported to be him but with little success. Twitter was allegedly advertising that "Tony LaRussa uses Twitter" and "Join today to start receiving Tony LaRussa's updates." This case ultimately settled out of court) (emphasis added).

120. *Hart v. Elec. Arts, Inc.*, No. 09-5990, 2010 WL 3786112, at *9 (D.N.J. Sept. 22, 2010).

photograph or likeness.¹²¹ Additionally, jurisdictions differ on whether rights of publicity are passed on after death.¹²²

A. Do Transformative Avatars Encroach Upon Rights of Publicity?

Three recent cases have addressed the issue of the rights of publicity or privacy in virtual worlds and establish the framework for analyzing whether such rights have been infringed by virtual players in virtual worlds or MMORPGs.

1. *Kirby v. Sega of America, Inc.*: First Amendment—Ulala!

In *Kirby v. Sega of America, Inc.*, the celebrity Kierin Kirby brought suit against Sega of America, the distributors of the video game Space Channel 5, alleging that the character Ulala was based on her and violated her right of publicity.¹²³ At issue was whether creating a character loosely based on Kirby's "unique public identity" hair style, clothing, and signature "ooh la la" phrase violated her right of publicity under common law and the Lanham Act, unjustly enriched Sega of America, and interfered with Kirby's prospective business opportunities.

The principal defense to a right of publicity suit brought against virtual worlds will be the defense that the use is transformative and therefore subject to First Amendment protection. Under the transformative use doctrine, the court must:

examine and compare the allegedly expressive work with the images of the plaintiff to discern if the defendant's work contributes significantly distinctive and expressive content; i.e., is "transformative." If distinctions exist, the First Amendment bars claims based on appropriation of the

121. In *Pesina v. Midway*, for example, the District Court granted defendant's motion for summary judgment, holding that plaintiff was not a widely known martial artist and was not recognizable in the Mortal Kombat video game, and thus defendants could not be said to have infringed plaintiff's right of publicity. *Pesina v. Midway*, 948 F. Supp. 40, 42 (N.D. Ill. 1996).

122. The law of the decedent's domicile at death will govern whether a right of publicity survives. *See, e.g., Shaw Family Archives Ltd. v. CMG Worldwide, Inc.*, 486 F. Supp. 2d 309 (S.D.N.Y. 2007) (holding Marilyn Monroe did not have a post-mortem right of publicity).

123. *Kirby v. Sega of America, Inc.*, 144 Cal. App. 4th 47 (Cal. App. 2d 2006), 144 Cal. App. 4th 47.

plaintiff's identity or likeness; if not, the claims are not barred.¹²⁴

The Sixth Circuit also cautioned that “the public interest in free expression should prevail if the use of the celebrity's image has artistic relevance, unless it is used in such a way that it explicitly misleads as to the source of the work.”¹²⁵ The inquiry, therefore, lies only in whether the actual celebrity could be attributed as the source of the work at issue. In this regard, the transformative use doctrine has become a potent defense in the virtual world against right of publicity claims, as the more transformative the use is, the less likely it will be attributed to the celebrity.

While the court found many similarities between Kirby and the avatar Ulala, and came so far as to suggest viable claims for infringement of Kirby's right of publicity and misappropriation of name or likeness may exist, ultimately Kirby's claims failed because of the First Amendment.¹²⁶ The court found that the defendants “added creative elements to create a new expression,” thereby satisfying the transformative test. The court reasoned that “any public confusion that Kirby endorses SC5, based on similarities between her and Ulala, would arise from a false assumption that the game could not contain a character resembling Kirby without her imprimatur.” *Kirby* suggests that celebrities will have a difficult time bringing suit against distributors of videogames where the characters in question are “not a literal depiction.”¹²⁷

2. *Romantics v. Activision Publishing, Inc.:* Video Killed the Publicity Claim

In *Romantics v. Activision Publishing, Inc.*, the Romantics, a popular band, brought suit against the distributor and publisher of the popular video game Guitar Hero for incorporating into one of

124. *Kirby*, 144 Cal. App. 4th at *60 (citation omitted); see also *Hilton v. Hallmark Cards*, 580 F.3d 874, 909 (9th Cir. 2010) (“Under California law, ‘when an artist is faced with a right of publicity challenge to his or her work, he or she may raise as [an] affirmative defense that the work is protected by the First Amendment inasmuch as it contains significant transformative elements or that the value of the work does not derive primarily from the celebrity's fame.’”) (internal citations omitted).

125. *ETW Corp. v. Jireh Publ'g, Inc.*, 332 F.3d 915, 928 (6th Cir. 2003).

126. *Id.* at *60 (holding that “[b]ecause Kirby's claims are subject to a First Amendment defense, and the video game is protected speech, Kirby's state common law and statutory claims fail.”).

127. *Id.* at *58, but see *White v. Samsung Elecs. of Am.*, 971 F.3d 1395 (9th Cir. 1992); *cert. denied*, 508 U.S. 951 (1993).

the game's levels their song "What I Like About You."¹²⁸ The Romantics claimed, among other things, that the use of the song violated their right of publicity, derived from "the particular sound of the singer or band's voices or sounds, with which they are often identified."¹²⁹ The Romantics' claim failed in part because most players never reach the level where the song is played, reducing the likelihood that players would believe that the Romantics endorsed the video game.¹³⁰ The claim also failed because Guitar Hero was protected under the First Amendment.¹³¹ The court rejected the Romantics' claim that the video game was not expressive work entitled to First Amendment protection because:

The Game . . . allows players to customize their game play experience, contains large amounts of original artwork, and requires complex synchronization so that the audio and visual elements of the Game line up with a player's manipulation of the controller. Accordingly, the Court rejects Plaintiffs' conclusion that the Game lacks creativity and holds that the Game is an expressive artistic work that is entitled to First Amendment protection.¹³²

After concluding that the First Amendment applied, the court applied the test of "whether the Defendants' use of the Song is 'wholly unrelated' to the content of the work or was 'simply a disguised commercial advertisement for the sale of goods.'"¹³³ This test sets a very high threshold for the plaintiff because it requires that the content was "simply" an advertisement, excluding from liability instances where the content is *both* an advertisement and expressive. The Romantics were unable to meet this threshold, and therefore their right of publicity claim was denied.

3. *Keller v. Electronic Arts, Inc.:* Where Virtual Players Have Control of College Gridiron Greats, Video Game Maker Gets Sacked

In *Keller*, the plaintiff, Samuel Keller, a former starting back for the Arizona State University and University of Nebraska

128. *Romantics v. Activision Publ'g, Inc.*, 574 F. Supp. 2d 758 (E.D. Mich. 2008).

129. *Id.* at 763.

130. *Id.* at 764.

131. *Id.* at 765 ("Numerous courts have held that video games are expressive works protected by the First Amendment.") (citations omitted).

132. *Id.* at 766.

133. *Id.* at 766 (citing *Parks v. LaFace Records*, 329 F.3d 437, 461 (6th Cir. 2003)).

football teams, brought suit against Electronics Arts (EA) in connection with their development of NCAA Football, an interactive video game where consumers could simulate college football games.¹³⁴ EA allowed each user to choose a virtual player, alleged by Keller to be “nearly identical to their real-life counterparts; they share the same jersey numbers, have similar physical characteristics and come from the same home state.”¹³⁵ Keller alleged that, in doing so, EA was violating his right of publicity, as well as that of the other players.

The district court rejected EA’s transformative use defense because:

EA does not depict Plaintiff in a different form; he is represented as he [sic] what he was: the starting quarterback for Arizona State University. Further, unlike in *Kirby*, the game’s setting is identical to where the public found Plaintiff during his collegiate career: on the football field.¹³⁶

The court also distinguished EA from *C.B.C. Distribution and Marketing v. Major League Baseball Advanced Media*,¹³⁷ in which the Eighth Circuit held that fantasy baseball teams did not violate the players’ rights of publicity because the use of the players’ biographical information was merely a “recitation and discussion” of the player’s statistics.¹³⁸ In *Keller*, the court refused to apply the same standard because “EA enables consumers to control the virtual players on a simulated football field.”¹³⁹ This distinction that is important in the world of avatars and virtual reality becomes crucial when considering the impact that *Keller* may have on potential virtual reality lawsuits.

The crucial distinction that *Keller* drew between the video game and other games that are based on identities of athletes, and by extension celebrities, was the fact that the user could control (and take the role of) the avatars. Applying the rationale of *Keller* to virtual reality and similar online multiplayer games, it would be difficult to use the First Amendment as a shield against right of publicity claims, given the degree of control users have over each avatar. To the extent that an avatar can take on the persona of a

134. *Keller v. Elec. Arts, Inc.*, No. C09-1967, 2010 U.S. Dist. LEXIS 10719 (N.D. Cal. Feb. 6, 2010).

135. *Id.* at *6.

136. *Id.* at *5 (citing *Kirby*, 144 Cal. App. 4th 47).

137. 505 F.3d 818 (8th Cir. 2007).

138. *Id.* at 823-24.

139. *Id.*

celebrity, that celebrity's right of publicity claim is not likely to be barred.¹⁴⁰

Under *Kirby* or *Romantics*, celebrities will have an uphill battle preventing virtual world creators and users from misappropriating their likeness. The reasoning *Romantics* used to find that the video game was protected under the First Amendment could just as easily have been applied to virtual reality in a number of sites or games.¹⁴¹ As long as the First Amendment can be used as a defense, if not a bar to the claim, a plaintiff will have a much higher threshold for obtaining relief against a violation of his or her right of publicity.¹⁴²

***B. Constantly Developing New Technologies
Pose New Concerns for Real Life's
Slowly Developing Intellectual Property Laws***

Popular movies such as *Avatar*, *The Polar Express*, and *Scrooge* have capitalized on a new technique called "performance capture," that allows a computer to create an identical and dynamic virtual representation of a person by tracking their every microscopic movement. The results are uncanny. In the case of *Avatar*, with three-dimensional viewing, viewers have been known to believe they have truly entered a new world.¹⁴³ This technique makes for an extraordinary film and viewing experience. But, in the wrong hands, characters could be created using this technique that might be manipulated in violation of a person's right of publicity.

It is conceivable that once digitized, the virtual avatar of the actor, be it Tom Hanks or Jim Carrey, could be copied, manipulated, or placed in an entirely different context. All of these

140. An interesting case for comparison is *Marvel Enterprises, Inc. v. NCSoft Corporation, Inc.*, involving avatars that were made to resemble Marvel comic book characters. *Marvel Enters.*, 74 U.S.P.Q.2d (BNA) 1303, No. CV-04-9253 (C.D. Cal. 2005) (ruling on Plaintiff's Special Motion to Strike and Motion to Dismiss Defendants' First Amended Counterclaims). Notably, the court refused to dismiss the trademark infringement claim as barred by the First Amendment and found that the issue of the likelihood of confusion is a matter of fact for the jury. The case ultimately settled.

141. See *supra* note 35.

142. See *supra* note 26.

143. CNN reported that fans were experiencing depression after viewing *Avatar*, likely due to the total immersion into a three-dimensional world, both heavenly and transient. Jo Piazza, *Audiences experience "Avatar" Blues* (Jan. 11, 2010), (<http://articles.cnn.com>) ("James Cameron's completely immersive spectacle 'Avatar' may have been a little too real for some fans who say they have experienced depression and suicidal thoughts after seeing the film.").

possibilities raise substantial concerns when it comes to a person's right of publicity, which necessarily means the right to control your name and likeness. Such an avatar goes far beyond name and likeness, as it is literally a virtual copy of an individual, down to every last facial expression.

In virtual reality, some avatars are still rudimentary. They are clearly animated figures. The Navi creatures in the movie *Avatar*, however, were not animated in a rudimentary fashion. Rather, they could have easily appeared to be actors in very well constructed costumes. This confusion is what poses the largest threat to a person's right to control their own persona.¹⁴⁴ As the technology used in virtual worlds improves and builds upon new techniques such as performance capture, it will likely increasingly resemble the real world. In the virtual world, the robot with a wig promoting a Samsung product will be replaced by a virtual avatar of Vanna White.¹⁴⁵ The impact of virtual reality upon emerging rights of publicity and privacy remains to be seen. Where the use is commercially motivated and can be seen as promoting or endorsing a product, courts may be more likely to enforce an individual's right to publicity to stop the use of a virtual copy.

VI. CONCLUSION

There is no question that the Internet and virtual reality are part of our very fiber. As was the case in *Snow Crash*, the effects of viral commerce, both good and bad, have had a great effect upon humankind in real life and in virtual reality. Virtual commerce can have a great or grave effect upon the creation or destruction of a brand in the same way that counterfeiting in real life can destroy a brand. The future will show that the problems that are being grappled with in the real world with respect to counterfeiting,

144. A Seattle-based computer scientist, Tommer Levyand, works with beauty companies like Elle using geographical imaging software to alter photographs to enhance features in order to create the perfect face. See Maggie Bullock, "Tech Support: In (virtual) reality, we're all just a click away from perfection," (Apr. 14, 2008) <http://www.elle.com/Beauty/Beauty-Spotlight/Golden-Ratio-Perfect-Face> (Seattle-based computer scientist Tommer Leyvand uses geographical mapping programs to help Elle to create the perfect face). This technology results in a rendering that looks like a photographic image, and it poses an inherent risk that it will be mistaken for an authentic depiction of the photographed individual.

145. See *White v. Samsung Elecs. of Am., Inc.*, 971 F.3d 1395 (9th Cir. 1992), cert. denied, 508 U.S. 951 (1993) (holding that a robotic image of celebrity Vanna White, turning letters on a game show set imitating *Wheel of Fortune*, constituted misappropriation of Vanna White's celebrity identity).

famous marks, dilution, and licensing will prove even more vexing in the virtual world.
