

Litigating Trademark And Copyright Cases In The Metaverse

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What Is Reality?

In Neal Stephenson's 1992 science fiction novel, *Snow Crash*,¹ humans battle each other as avatars in the "Metaverse," the collective product of online shared three-dimensional space.² While Stephenson's "Metaverse," created by all virtual worlds as an augmented and enhanced physical reality and a physically persistent virtual space, does not exist today, millions of humans each year spend hours of their daily lives immersed in a three-dimensional virtual world, fighting world wars, battling mythical creatures, living fantastic lives or running virtual businesses. Simply put, Stephenson's science fiction view of future commerce in the Metaverse has become reality.

As Stephenson envisioned, intellectual property is an important part of the virtual landscape. The current role of intellectual property in virtual reality demonstrates the promise and problematic nature of this new and different business world. This article will highlight some of the concerns and complexities that have been raised by recent cases of note regarding protecting one's intellectual property in virtual worlds.³

Recent cases, involving such diverse subjects as virtual art galleries,⁴ sex toys,⁵ stun guns,⁶ strip clubs,⁷ horses and bunnies,⁸ and furniture,⁹ highlight the legal issues and differences between virtual reality and real-life infringement cases. A review of these

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cases gives one insights with respect to protecting intellectual property assets in the world of avatars.

The real world recognizes trademark rights even in virtual reality. Virtual worlds such as Second Life and the Sims may be insulated from copyright infringement claims under the Digital Millennium Copyright Act ("DMCA"), which provides immunity to service providers against copyright infringement claims with respect to content originating with a third party of the service.¹⁰ The DMCA does not provide a safe harbor with respect to trademark infringement claims.¹¹ Nevertheless, virtual worlds often have terms and conditions that govern the use of intellectual property, including trademarks and copyrights.¹²

Virtual Trademark And Trade Dress Cases

In *Minsky v. Linden Research*,¹³ for example, plaintiff Richard Minsky opened an art gallery in Second Life and named it SLART. He obtained a trademark registration in real life from the USPTO for the SLART mark on March 18, 2008 and then learned 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 did not know whether Vezina was "an individual, a corporation, a partnership, or if Vezina really exists outside of the Linden computer."¹⁴ Consequently, Minsky had no way to serve Vezina and could only send a cease-and-desist letter by instant message in virtual reality to which Vezina failed to respond.¹⁵ The merits of Minsky's claims in virtual reality were never reached by the court as Linden Labs, the host of Second



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Life, and Minsky ultimately settled.

A similar issue was raised in *Eros, LLC v. Leatherwood*,¹⁶ where the plaintiff, Eros, a purveyor of virtual sex toys, asked the court to enforce its trademark, SexGen, in Second Life against the avatar Volkov Catteneo, who had employed the SexGen mark and had made and sold unauthorized virtual copies of Eros's virtual sex toys within Second Life. To address the problem of avatar anonymity, Eros subpoenaed AT&T and Charter Communications to discover the real-life identity of Volkov Catteneo. The action was ultimately resolved when the defendant defaulted.

In *Eros LLC v. Simon*,¹⁷ Eros brought suit with other virtual merchants against an individual who had made thousands of copies of the plaintiffs' sex toys and had sold them at severely discounted prices. Eros and DE Designs asserted rights under their federal trademarks, SEXGEN and DE DESIGNS, respectively. A consent judgment was entered into after defendant agreed to: (1) pay \$525 in damages for profits derived from the unauthorized copying and distribution of the infringing goods; (2) affirm that all infringing copies were destroyed; (3) permanently stop any copying, displaying, selling, or distribution of plaintiffs' virtual merchandise; (4) disclose the names of all alternate accounts or future accounts to plaintiff; and (5) allow plaintiffs access to his PayPal, Inc. accounts.¹⁸

In *Taser International, Inc. v. Linden Research, Inc.*,¹⁹ the plaintiff, Taser International, Inc., a real-life manufacturer and seller of high-voltage stun guns, 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. This case could have had important implications with respect to the use of a trademark or trade dress in a virtual game. However, the plain-

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tiff 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 rights,²⁰ the Ninth Circuit held that such use did not infringe the actual club owner's trademark and trade dress because the video game was "artistic" and protected by the First Amendment. The court 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.²¹ 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 ..."²² It remains to be seen whether such a defense would have been upheld if the mark had been famous or well known, or if the trademark owner had participated in cross-promotional branding with the video game maker.²³

Virtual Copyright Cases

A battle pitting the sellers of "virtual breedable bunnies" with "virtual breedable horses" in *Amaretto Ranch Breedables v. Ozimals, Inc.*, raises several critical issues.²⁴ Plaintiff Amaretto Ranch brought the action after defendant Ozimals had submitted a DMCA Notification to the owners of Second Life during the busy holiday shopping season claiming copyrights to the real-world "scripts, screen displays, expression and game play generated by those scripts for a breedable virtual animal in the form of a bunny" and asserting that the Amaretto virtual horse product line infringed Ozimals' copyrights. At the time the complaint was filed, no actual takedown had occurred and, notwithstanding this fact, the district court granted a temporary restraining order and preliminary injunction. Defendant then brought a motion to dismiss the claims of misrepresentation under the DMCA, tortious interference, unfair competition under California law and copyright misuse. The district court dismissed the DMCA misrepresentation claim because there had been no takedown, which is required by statute, and dismissed the tortious interference claim without prejudice to amend the claim to allege additional facts. Plaintiff then asserted claims for declaratory judgment of invalidity or non-infringement, unfair competition under California law, defamation, trade libel, intentional interference with contract and tortious interference with

prospective advantage. Again, defendant moved to dismiss and the district court granted the motion to dismiss plaintiff's unfair competition claim, tortious interference claim, and the other state law claims to the extent that they were based upon the DMCA takedown notice. In finding preemption, the district court noted: "[T]he preemption analysis turns on whether federal law conflicts with state law and/or occupies a particular field. Such is the case here because DMCA Takedown Notifications are a creature of federal law, and there is a specific federal remedy for their misuse."²⁵ This case is significant in that: (1) in order to be valid, DMCA misrepresentation claims require a takedown; and (2) state law claims based upon a takedown notice are preempted by the DMCA.

In *Heptagon Creations, Ltd. v. Core Group Marketing LLC, et al.*, the district court held that the defendants' use of a virtual line of Heptagon's ANDRE JOYAU furniture did not infringe copyrights or trade dresses of Heptagon's real-world furniture.²⁶ No issue was raised with respect to the DMCA because defendants were a New York real estate broker, an architecture firm and its principal who were responsible for using the virtual furniture in a sales presentation featured on the Home and Garden Television and HGTV's website. With regard to copyright, the district court noted that the Copyright Office had rejected the registration application and held that the complaint is insufficient to state the protectability element of plaintiff's copyright claim on the basis of physical separability and because it found that the aesthetic and functional aspects of the furniture were inextricably linked. With regard to trade dress, the district court held that plaintiff failed to allege that each of the trade dresses at issue was non-functional and had secondary meaning, and that there was a likelihood of confusion. The result with respect to copyright and trade dress is a cautionary example of how complaints with respect to virtual objects nevertheless are held to real-world pleading standards.²⁷

The emergence of virtual reality requires that intellectual property owners understand not only the real-world implications of trademark and copyright infringements in the Metaverse, but also the basics of the virtual world – the DMCA requirements for copyrights (not trademarks) and how the change of the form from real-world intellectual property to virtual reality may impact their legal rights. Knowing what is reality and how to protect the real-world rights that underlie the business of the virtual world will continue to be a challenge for brand owners and their counsel.

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

² Stephenson, supra note 1, at 470. ("The words 'avatar' (in the sense it is 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 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....").

³ This article builds upon the more lengthy exposition of this topic in my prior article, "Trademarks in the Veldt: Do Virtual Lawyers Dream of Electric Trademarks?" *101 Trademark Reporter*, No. 1, pp. 282-301 (Jan.-Feb. 2011). For more background and discussion of trademarks in virtual worlds, readers are directed to this article.

⁴ See *Minsky v. Linden Research, Inc.*, No. 1:08 cv 819 (N.D.N.Y. 2009).

⁵ See *Eros, LLC v. Leatherwood*, No. 8:07 cv 01158 (M.D. Fla. 2008); *Eros LLC v. Simon*, Case No. 1:07 cv 04447 (E.D.N.Y. 2008).

⁶ See *Taser International, Inc. v. Linden Research, Inc.*, No. 2:09 cv 00811 (D. Ariz. 2009).

⁷ See *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008).

⁸ *Amaretto Ranch Breedables v. Ozimals, Inc.*, No. C 10-05696, 2010 WL 5387774, at *1 (N.D. Cal. Dec. 21, 2010) ("The gist of the copyright dispute between the parties is whether Plaintiff's virtual horses infringe on the copyrights associated with Defendant's virtual bunnies").

⁹ See *Heptagon Creations, Ltd. v. Core Group Marketing LLC et al.*, 11 Civ. 01794 (LTS)(AJP)(S.D.N.Y. December 22, 2011).

¹⁰ 17 U.S.C. § 512.

¹¹ See *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098 (N.D. Cal. 2008), *aff'd in part*, 658 F.3d 936 (9th Cir. 2011); *Gucci America, Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409 (S.D.N.Y. 2001).

¹² 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. The DMCA defines a "service provider" as "a provider of online services or network access, or the operator of facilities therefore."

¹³ See Note 4, supra.

¹⁴ *Minsky* Complaint at p.16.

¹⁵ *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.

¹⁶ See Note 5, supra.

¹⁷ See Note 5, supra.

¹⁸ *Eros, LLC v. Simon*, Judgment by Consent as to Def. Thomas Simon, p. 1-3.

¹⁹ See Note 6, supra.

²⁰ *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008).

²¹ *Id.* at 1099.

²² *Id.* at 1101.

²³ While litigation of trademark and trade dress cases is still in its infancy, the difficult legal issues raised by trademark dilution are too complex to be addressed in this article.

²⁴ See Note 8, supra.

²⁵ *Id.*

²⁶ *Heptagon Creations, Ltd. v. Core Group Marketing LLC et al.*, 11 Civ. 01794 (LTS)(AJP)(S.D.N.Y. December 22, 2011).

²⁷ One wonders, if the complaint had been based upon the copyrights in and to the photographs which were provided by plaintiff to defendants instead of the copyright in and to the actual furniture, whether the copyright action would have survived the motion to dismiss.