



TECHNOLOGY LAW CORNER

The Rocky Legal Landscape of Virtual Worlds, Part 1: Trademarks

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As virtual worlds evolve from geek playgrounds into parallel business universes, legal questions that might have seemed absurd a few years ago are beginning to take on new import. One of the trickiest areas to navigate is the terrain of intellectual property law.

Virtual worlds provide not only a new universe in which brave explorers stake their claims, but also a new legal landscape in which the colonists are often at odds with the natives from the "old world." How do real-world laws apply? How do traditional concepts of intellectual property -- patents, copyrights, and trademarks -- apply in a virtual world? Can virtual worlds contract around intellectual property rights by forcing users to license their intellectual property, or forego such claims altogether?

This article is the first in a series of three discussing these issues with respect to patents, trademarks and copyrights. Each article will address how intellectual property can be used in a virtual world, as well as some of the pitfalls and obstacles that get in the way when trying to enforce intellectual property rights in virtual worlds.

Different Worlds, Same Purpose

So where do we start? Trademarks. Can a real world trademark serve as a source indicator for "virtual" goods? Yes! In fact, many companies have already established a presence in virtual worlds such as Second Life, and many new companies have formed to sell their wares solely in this new territory. A trademark may have originated in either the real world or the virtual world, but each trademark serves the same ultimate purpose -- it acts as a source identifier, an indication of goodwill associated with the provider of the goods or services.

A trademark, at its heart, is a source indicator of goods or services offered by the trademark owner. Coca-Cola (NYSE: KO) and McDonald's (NYSE: MCD) are perhaps

two of the best known trademarks in the world. When a consumer sees something branded with the McDonald's logo, there is little doubt in that consumer's mind regarding the quality of the product, based on what's already known about McDonald's quality of goods and services.

However, a consumer who sees a restaurant named "Joe's Diner," might be more inclined to investigate the cleanliness of the restaurant and quality of food before dining there. These are decisions the consumer makes based on nothing more than familiarity with the brand, or trademark, associated with each restaurant. The same is true regarding interactions with virtual goods in a virtual world.

When Linden Lab launched Second Life in 2003, mainstream "corporate America" was hesitant to embrace this new, unproven technology. The initial land rush was largely by individuals looking for something new. Because Second Life is an open-ended platform whose "residents" can build anything they want, many of the first items created bore an eerie resemblance to their real-life counterparts; it's easier to build something when you have a preexisting model to copy.



For example, virtual "Rolex" watches can be found throughout Second Life, but their pedigree is somewhat suspect, because it is unknown whether users were authorized by The Rolex Company to create these virtual wares. Is this trademark infringement? As with any legal question of this sort, the answer is: it depends.

The test for trademark infringement is whether there is a likelihood of confusion between the alleged infringing use and the actual owner's use of the trademark. Famous marks, such as Coca-Cola, McDonald's, and Rolex, also can stop others from using the trademark if that other use would "dilute" the distinctiveness of the famous mark.

Under the first test, whether there is a likelihood of confusion -- chances are, there is some confusion today, but perhaps there would not have been back in 2003 when Second Life was launched. Stated another way, when Second Life was young, it was unlikely that anyone would confuse a virtual Rolex watch as a product originating from The Rolex Company, because large, well-known companies were not embracing the then new technology. However, in recent years, many well-known companies have established a presence in Second Life.

Blurred Boundaries



Gibson Guitar has its own private island where avatars (the visual depiction of each resident within Second Life) can learn about Gibson and its various brands of guitars, and even get a virtual copy of a Gibson guitar for free.

Herman Miller similarly has a furniture showroom where avatars can view Herman Miller furniture products and can buy authorized "virtual" copies of official Herman Miller furniture items such as the Aeron and Eames chairs. So, as more and more companies embrace virtual worlds, it becomes more likely that a Second Life resident might be confused as to the source of the virtual Rolex watch, because it becomes more plausible for Rolex to have established a presence in Second Life. In either case, however, Rolex probably has a good argument that any use of the name "Rolex" dilutes the distinctiveness of the mark.

Keep in mind that not all trademarks in virtual worlds started in the real world. Indeed, many entrepreneurs started their businesses in virtual worlds, and a few even make their living in the virtual world.



PixelDolls is a well-known brand of virtual clothing in Second Life, owned by an avatar named "Nephilaine Protagonist." Users familiar with Second Life associate the PixelDolls mark with high-quality virtual clothing. "High-quality" in a virtual world typically refers to a high level of detail, use of many prims (building blocks) to create an

item with a high level of detail, or a very aesthetically pleasing appearance. If someone else launches a new clothing store named "PixelDoll" in Second Life, users might get confused regarding whether the clothes originate from the same source as the clothes sold at PixelDolls.

Owners of trademarks used only in a virtual world thus need to protect their brands just like trademark owners in the real world, preferably by obtaining a federal trademark registration from the United States Patent & Trademark Office. In addition, limited rights are granted by each state based simply on one's use of a mark.

Once you have a trademark, how do you protect that mark in a virtual world? Well, much the same way you would in real life, with a few extra steps and a few extra hurdles. Linden Lab, which operates Second Life, is located in California in the United States. However, only about a third of all users in Second Life are based in the United States. (Brazilians and Japanese "residents" are the second and third most represented nationalities, respectively.)

If someone is infringing your trademark from outside the United States, it is often difficult or expensive to pursue a lawsuit individually. However, it might be possible to obtain a default judgment if the alleged infringer does not respond to the lawsuit, and then get a court to require that Linden Lab (in California) remove the offending material or otherwise block the infringer's account access.

Also, residents in virtual worlds are represented by avatars and typically have a name that is different from the user's legal name. For example, my avatar in Second Life is named "Aviator Kidd." Because you cannot sue an "avatar," however, you must find out who is the owner of the account with which that avatar is associated. A trademark owner can file a lawsuit against "John Doe," then seek a subpoena against the proprietor of the virtual world (e.g., Linden Lab) to divulge the user's real name provided when the account was created. The lawsuit can then be amended to include the real life owner of the avatar responsible for the infringement.

Thin Ice



On top of everything else, a proprietor of a virtual world may limit trademark rights through the end-user license agreement, or EULA. However, given the nature of trademark rights -- i.e., an indicator of the source of goods or services -- most virtual

worlds' EULAs or terms of service (ToS) simply require that you refrain from infringing on others' trademark rights, e.g., by not touting yourself as an authorized seller of Rolex watches if you are not so authorized, and by not including a blatant trademark in your username, e.g., Coca-Cola Jones.

The final decision in deciding whether to pursue a lawsuit or not is often whether any prospective recovery warrants the expense incurred. However, when trademark rights are concerned, the most desired outcome is often obtaining an injunction to force the infringer to stop infringing on your mark.

The above information only provides an introduction to trademark issues that may arise in virtual worlds. Keep in mind that a trademark's primary purpose is to act as a source identifier for goods and services, and each trademark has a certain amount of goodwill associated with it by virtue of the consuming public associating that mark with an expected level of quality -- and the trademark owner has worked very hard and invested time and money to develop that expected level of quality.

Actions that adversely affect those efforts, even virtual actions in a virtual world, will naturally upset the trademark owner, and trouble is sure to follow. You're walking on thin ice if you believe your actions in a virtual world don't have real-world consequences, from the perspective of obtaining trademark rights as well as enforcing them. **ECT**

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