

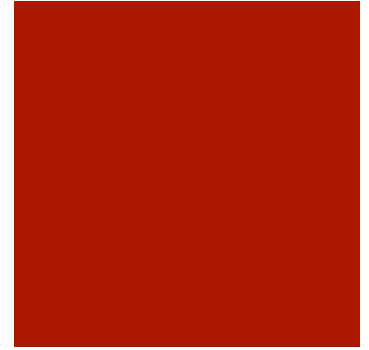


Trademark Infringement in Virtual Worlds

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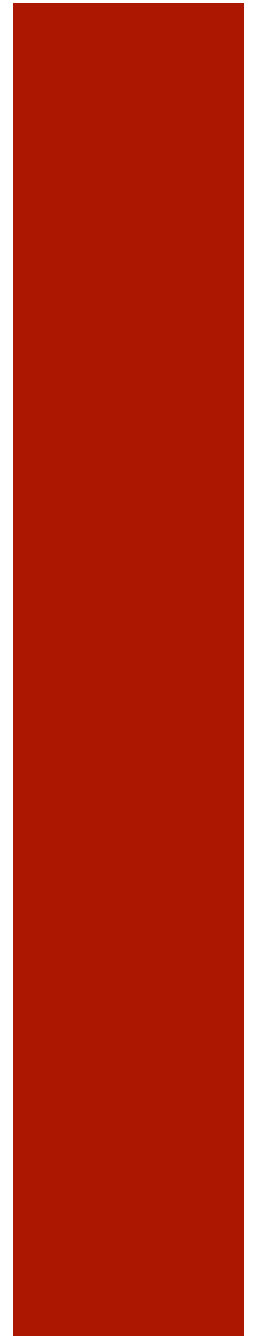
Agenda

- Introduction to brands and trademarks
- The problem – trademark counterfeiting and infringement are widespread on Second Life
- Why worry about infringement?
- Stopping infringement, or defending against infringement claims
- Minsky v. Linden Research, Inc., et al., trademark infringement case



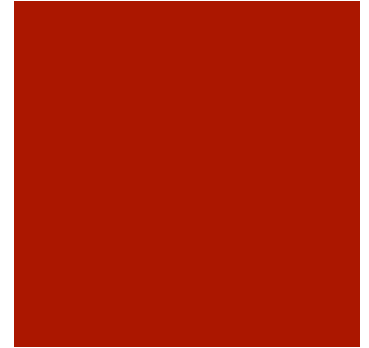
Introduction

Brands and trademark law

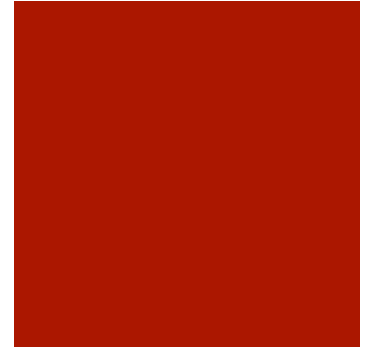


What are Marks?

- Famous marks: COCA COLA, ROLLS ROYCE, NIKE
- EXXON and APPLE (for computers) – fanciful and arbitrary
- POISON (for perfume) – suggestive
- BLUE RIBBON and GOLD MEDAL – descriptive
- Generic terms are not marks (turkey, aspirin, gasoline)

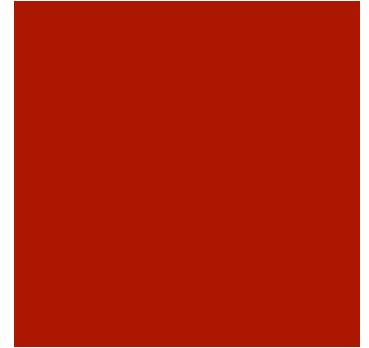


Legal Definition of Trademark



- Any word, name, symbol, or device, or any combination thereof
- Used or intended to be used in commerce
- To identify and distinguish goods from those manufactured or sold by others and to indicate the source of the goods

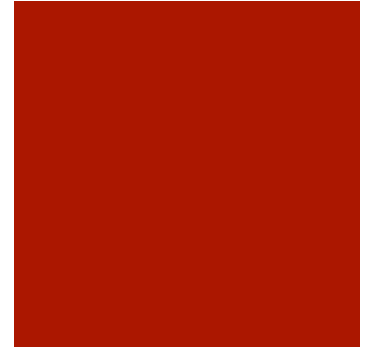
Legal Definition of Service Marks



- Any word, name, symbol, or device, or any combination thereof
- Used or intended to be used in commerce
- To identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services
- The basic doctrines of trademark infringement apply to both trademarks and service marks

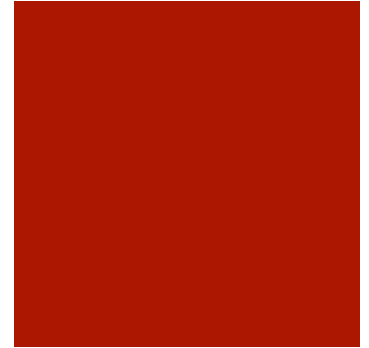
Trade Dress

- Traditionally, appearance of the product or packaging
- Now, the overall impression of the product, package, and advertising – it's "total image"
- Aspects to consider: size, shape, color, color combinations, texture, or graphics
- Think of the distinctive shape of a COKE bottle



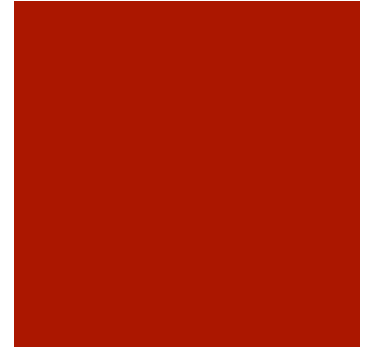
Value of Brands

- Brands are big business
- Valuations of some famous marks – MICROSOFT, IBM, or COCA COLA – are in the tens of billions of dollars
- Marks are the crown jewels of the company
- Coextensive with the image of the company
- Consumers are willing to spend more for branded goods than identical goods without the brand

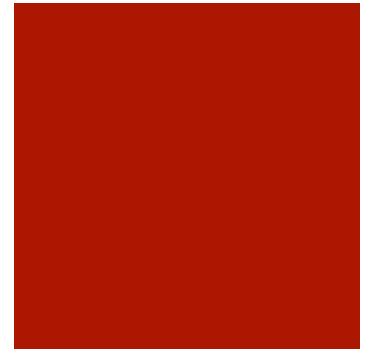


Function of Trademarks

- Indicate source of goods
- Signify a quality level – providing an incentive to maintain quality
- Prime tool for advertising
- Reduce cost and time for consumers choosing goods and services
- Stand for the good will (and reputation) of the company



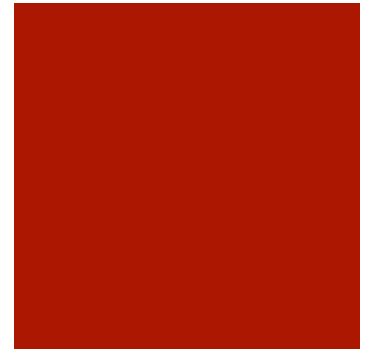
Trademark Causes of Action



- Trademark infringement (registered marks), 15 U.S.C. § 1114
- Unfair competition/false designation of origin, 15 U.S.C. § 1125(a) – can be used for unregistered marks
- Federal trademark dilution, 15 U.S.C. § 1125(c)
- State trademark infringement and dilution, e.g., Cal. Bus. & Prof. Code §§ 14245, 14247, 14250
- State unfair competition, e.g., Cal. Bus. & Prof. Code § 17200

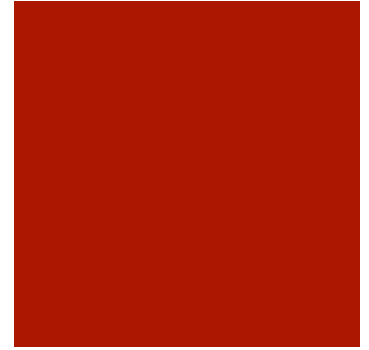
Likelihood of Confusion

- Key inquiry in any trademark or trade dress infringement
- Same inquiry for registered or unregistered mark, trademark or service mark, or trade dress
- Ninth Circuit Test for likelihood of confusion is set forth in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979)

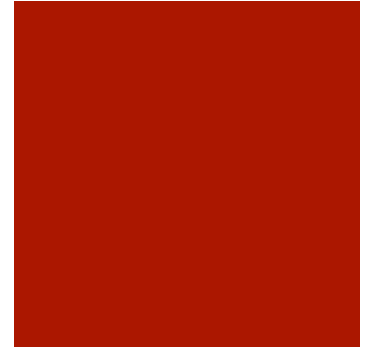


Sleekcraft Factors

- (1) strength of the mark;
- (2) proximity of the goods;
- (3) similarity of the marks;
- (4) evidence of actual confusion;
- (5) marketing channels used;
- (6) type of goods and the degree of care likely to be exercised by the purchaser;
- (7) defendant's intent in selecting the mark; and
- (8) likelihood of expansion of the product lines.



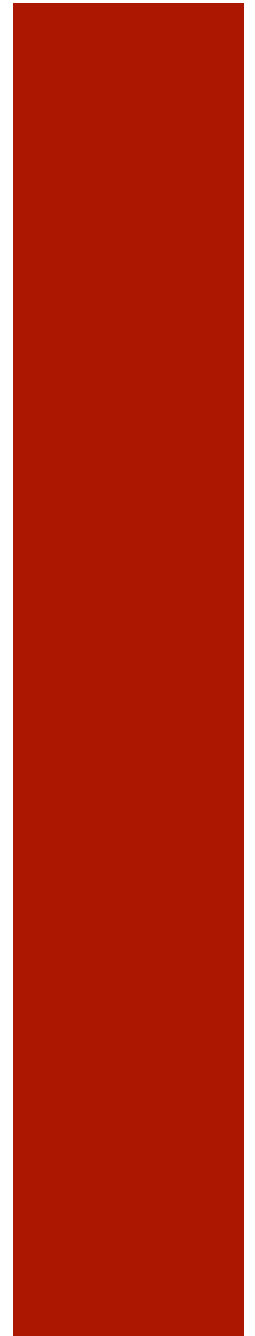
Trademark Counterfeiting



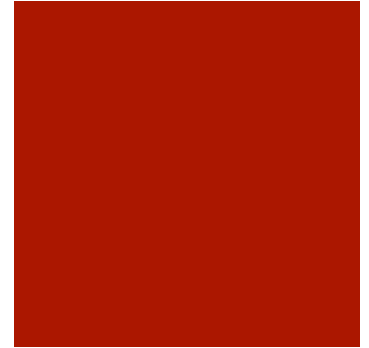
- Willful infringement - treble damages
- 15 U.S.C. §1117
- Attorneys' fees in "exceptional cases"
- Additional remedies for infringement if it constitutes counterfeiting
- Federal or state registration is a prerequisite for relief
- Statutory damages as an alternative for actual damages -- \$500 and \$100,000 "per counterfeit trademark for each type of goods or services sold"
- Criminal penalties for criminal violations

Trademark Infringement in Virtual Worlds

How bad is it?



Trademark Infringement is Widespread



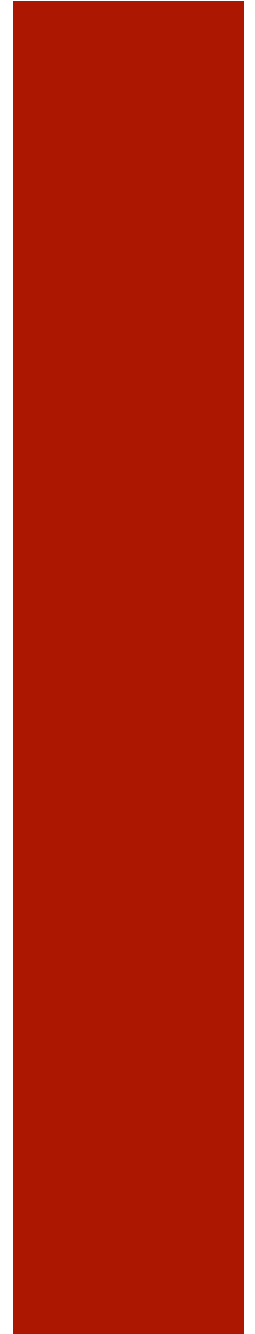
- See Ben Duranske's book, *Virtual Law*, for examples:
 - FERRARI cars for sale in 16 shops
 - CARTIER HIMALIA necklace on sale for L\$10,000
 - 40 stores advertised ROLEX and CHANLE watches
 - 50 stores - RAY BAN, PRADA & GUCCI sunglasses
 - 186 stores – NIKE shoes
 - Preloaded APPLE IPOD players
- Ben's estimate: \$3.5M annual revenues from counterfeit goods in Second Life

After my Shopping Trip

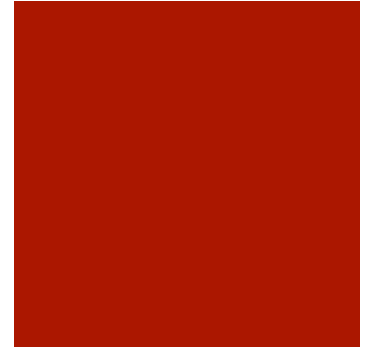


Trademark Infringement in Virtual Worlds

Why worry about it?

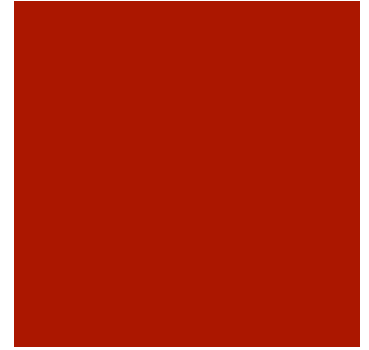


Reasons Why People Don't Pay Attention



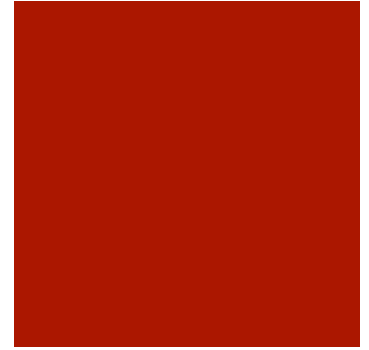
- Ignorance of virtual worlds
- Transactions are via micropayments; therefore, revenue loss is minimal – at least to date
- Companies with famous marks may believe that their marks are too famous for a judge to deny relief
- Belief that maybe virtual worlds are a fad that will go away, or at least never become big
- Belief that judges are not going to hold virtual world use against companies' marks

Reasons Why Brand Owners Should be Concerned



- “[T]hose who sleep on their rights, lose them.”
Hot Wax, Inc. v. Turtle Wax, Inc., 191 F.3d 813 (7th Cir. 1999)
- A trademark owner has “duty to police its rights against infringers.” 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 31:38, at 31-97 (4th ed. 2007)
- “When a senior user delays in enforcing its rights, a junior user may acquire a valid trademark in a related field, enforceable against even the senior user.” *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 216-17 (2d Cir. 2003)

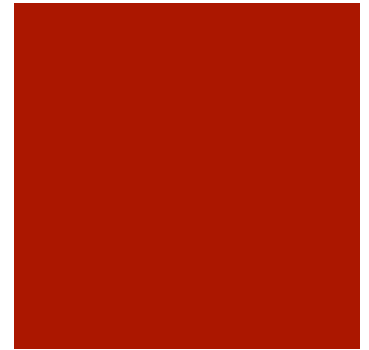
Reasons Why Brand Owners Should be Concerned



- Five year delay held to be laches. *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187 (2d Cir. 1996).
- Courts can look to analogous statutes of limitation for laches period
- Unresolved issue: are virtual counterparts of real world goods “related” to the real world goods? (Selling virtual goods helps mark owners.)
- Even if logos can be protected after delay as famous marks, word marks may not be protected

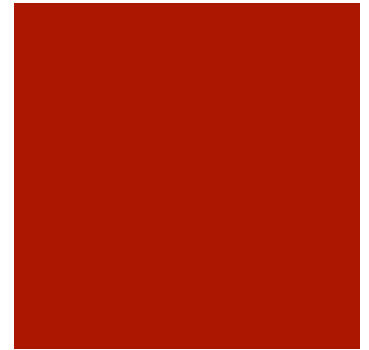
Test for Laches

- In 9th Cir., estoppel by laches defense is based on the following factors:
 - Strength of plaintiff's trademark
 - Plaintiff's diligence in enforcing the mark
 - Harm to plaintiff if relief is denied
 - Whether defendant acted in good faith ignorance of plaintiff's rights
 - Competition between the parties
 - Harm suffered by defendant because of plaintiff's delay
- *Clamp Mfg. Co. v. Enoco Mfg. Co.*, 870 F.2d 512 (9th Cir.), cert. denied, 493 U.S. 872 (1989)



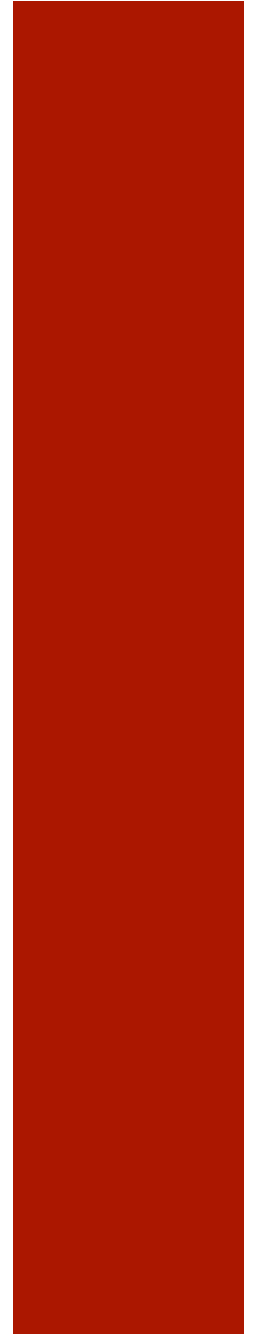
Laches Contours

- Delay alone is not laches. *Whitman v. Walt Disney Productions, Inc.*, 263 F.2d 229 (9th Cir. 1958).
- “[B]ut if the passage of time can be shown to have lulled defendant into a false sense of security, and the defendant acts in reliance thereon, laches may, in the discretion of trial court, be found.”
- Liberal view is that defendant’s continued expansion and investment in the mark is a defense even if no suit threatened, or even that defendant was unaware of the plaintiff or its mark. Federal and 6th Circuits take liberal view.



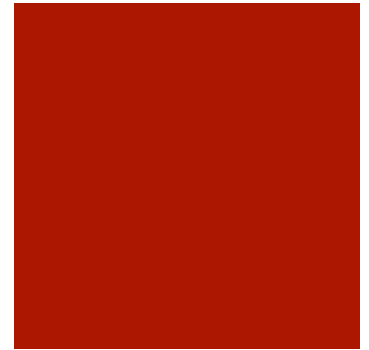
Infringement Claims

How to Stop Infringers and How
to Defend Against Unfair Claims

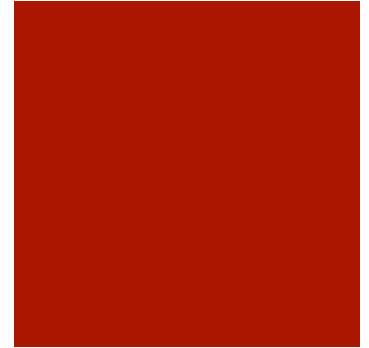


Stopping Infringements

- There's just no substitute for due diligence; monitor use of the mark in virtual worlds regularly
- Send cease and desist communications, but consider the unique culture of each virtual world to obtain cooperation, e.g., avoiding the draconian approach
- File abuse reports
- Demand takedown procedures from virtual world providers – or from Congress – analogous to the DMCA
- File suit to protect marks, not for the damages from microtransactions, but for the injunctive relief



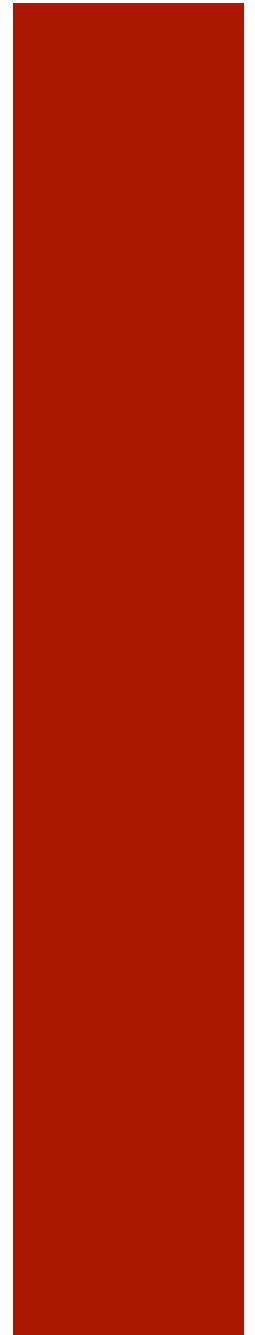
Defense Against Claims of Infringement



- Respond to cease and desist letters with reasons why the claim is invalid (assuming that's true)
- Do a trademark search to show the distinctiveness of the mark (versus a “crowded field”)
- Do due diligence on the claimant's mark
 - When did the claimant find out about the competing mark?
 - Possible abandonment by the claimant
- Recognize the realities of the cost of litigation (sometimes fighting is not worth it)
- Consider opposition/cancellation or declaratory judgment actions against a claimant

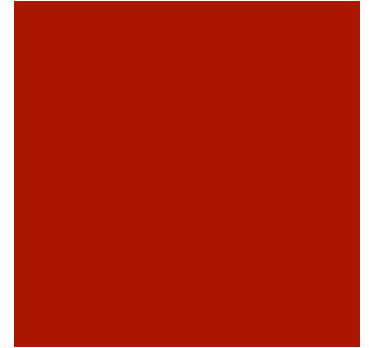
Richard Minsky
v. Linden
Research, Inc.

U.S. District Court, Northern
District of New York, No. 1:08-
CV-819 (LEK/DRH)

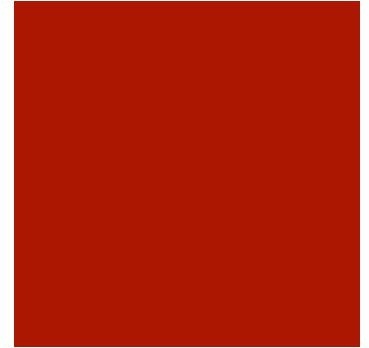


Parties

- Plaintiff Richard Minsky, dba Slart Enterprises, whose avatar is ArtWorld Market. He is a long time artist and art critic.
- Defendant alleged infringer is a John Doe, an avatar named Victor Vezina, another artist
- Linden Research, Inc., CEO/Chair Philip Rosedale, and Ex-Chair Mitch Kapor are also defendants



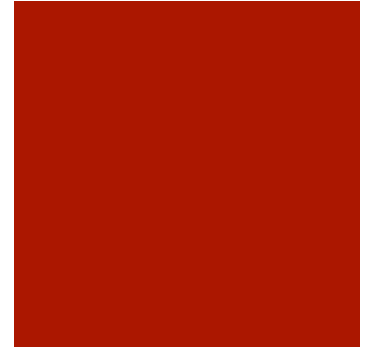
SLART Mark



- Plaintiff started an art gallery called the SLART Gallery. He comments on art in his magazine, www.slartmagazine.com
- The trademark office at first said that SLART was merely descriptive, but Plaintiff responded and received a registration, No. 3,300,358 on 3/18/08
- Victor Vezina started a SLART Garden art gallery
- Mr. Minsky says he makes no claim to SL ART
- Art community questions whether SLART is descriptive and thus unprotectable

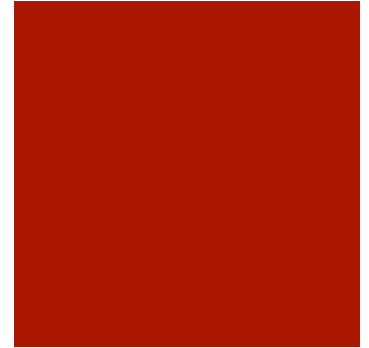
Events Leading to Suit

- Mr. Minsky, with the help of SLBA's own Tamiko Franklin/Juris Amat, sought help from the Lindens to stop Mr. Vezina and the SLART Gallery
- The Amended Complaint says the Lindens wanted Plaintiff to stop asking other avatars to cease using SLART (as nominative fair use), and wanted Mr. Minsky to abandon his mark (because it claimed rights in SL).
- SLART Garden is gone, but Plaintiff is concerned about reoccurrence



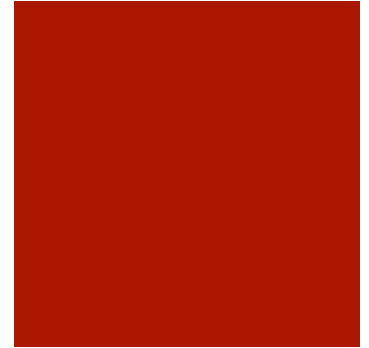
Plaintiff's Claims

- Declaratory judgment that Linden's conduct (e.g., display of SLART) constitutes infringement or contributory infringement
- DJ that Victor Vezina infringed on SLART mark
- Tortious interference by Lindens with Plaintiff's business plans, e.g., venture capital raising
- Kapor and Rosedale personally liable for fraud
- Linden says it honors IP rights, but doesn't=fraud
- Plaintiff seeks take down, injunction, and treble damages



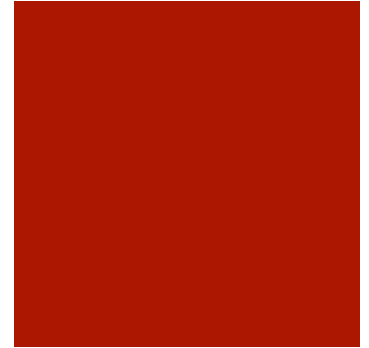
Procedural Status

- Mr. Minsky, proceeding pro se, filed his complaint on 7/29/08
- Amended Complaint filed on 8/14/08
- Plaintiff filed an application for temporary restraining order on 9/4/08
- The Court granted a TRO on 9/4/08
- Plaintiff reports that Lindens filed a Petition for Cancellation of the SLART mark with the Trademark Trial and Appeal Board on 8/21/08
- Hearing on the preliminary injunction is tomorrow



Key Points

- Trademark owners must police their marks on virtual worlds, or face erosion of their rights
- Owners should monitor and investigate use of marks on virtual worlds
- Owners should start creating their own virtual goods; that way, the virtual goods of others are “related” under likelihood of confusion analysis
- We need some kind of take down procedure similar to DMCA or alternative dispute resolution



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