

The Moving Picture



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LIVING “LA VIDA VIRTUAL” is all the rage—virtual worlds allow online players to create avatars to represent their personas, socially interact, play games, and inhabit lives online with thousands of other people worldwide. In massively multiple player online roleplaying games (MMORPGs) like “World of Warcraft” and “City of Heroes,” players do video game battle with their avatars. In a “social” virtual world like MTV’s “Virtual Laguna Beach,” users get to experience living in Laguna Beach with characters from the successful “Laguna Beach” reality television program. And perhaps most famously of all, Linden Lab’s “Second Life” allows players to create a second life for themselves in a cyber universe. Since opening to the public in 2003, Second Life has attracted over 200,000 worldwide “inhabitants.”

By inspiring digital creativity and interaction, these virtual worlds are now havens for creating content and marketing real life brands. Along with this new territory comes fascinating questions for

intellectual property lawyers: what IP rights are protectable in virtual life, and how can “real life” IP rights be enforced in these “brand” new worlds? No one has all the answers but here are some of the questions.

IF A USER CREATES CONTENT IN A VIRTUAL WORLD, WHO OWNS IT?

The short answer is it largely depends on the Terms of Use or user agreement imposed by the virtual world provider. For example, the “City of Heroes” MMORPG, in which players can create their own superhero avatar and fight the forces of evil, claims to own all user-generated content (such as the superhero avatars created by users). More common, however, is the policy of Second Life, which recognizes the rights of “residents” to retain full IP protection for digital content they create in the online space, including avatar characters, clothing, scripts, textures, and designs. The web site of Linden Labs even espouses: “You create it, you own it—and it’s yours to do with as you please.”

However, as lawyers know, nothing is ever that simple. In 2006, a “Second Life” user (who happened to be a lawyer) sued Linden Lab for kicking him out of the cyber-world after he made questionable purchases of \$8,000 in virtual land via online auctions. After that lawsuit was filed, Linden updated its terms of service to state that, although players may own the content they create, the company owns the player accounts and related data. This would allow the virtual world provider to essentially remove a user’s rights to virtual assets by disabling the user account. In the real world, taking away someone’s property would not be so easy. But will the law and users population tolerate such “forfeiture” in virtual worlds?

CAN REAL LIFE TRADEMARK RIGHTS BE PROTECTED IN VIRTUAL WORLDS?

Given human nature, people often want to sell what they own, and to do so for profit.

Brand protection is becoming a real challenge in cyberspace. Even given a blank canvass for digital creativity, players are not so creative. Virtual residents often create items that mimic (without authorization from trademark owners) well known branded goods from real life, such as a Gucci purse or an Apple iPhone. That might not be troublesome if it was just done by individuals here or there for their personal amusement in a virtual world. But the online universe has become its own commercial marketplace, with users selling items for “in-world currency,” which can be converted to real world money. Fashion designers and retailers should be most concerned; clothing is the most popular product, representing approximately 40% of virtual items sold.

Where there is money to be made, some users are selling counterfeit goods in the virtual world, using online marketplaces to sell real world items that knock-off famous brand names. And some players are even selling counterfeit virtual products. Some estimates place instances of trademark infringement as constituting 1% of Second Life transactions—about 1.4 million per year.

Brand owners might turn a blind eye, but they now see online environments as a key marketing opportunity to connect with consumers—especially a younger demographic—in a more dynamic fashion. For example, MTV Networks opened a club in Second Life. Clothing retailer American Apparel upped the stakes by launching an official store in Second Life to sell digital “clothing” to avatars. Toyota sells digital Scion cars. And IBM has 12 virtual islands.

But is unauthorized use of a real-life trademark in a virtual habitat a “use in commerce” to constitute infringement? Probably so, given that virtual worlds

have become their own commercial marketplace. Indeed, a Congressional committee and the IRS are even looking into whether users pay taxes on income earned from Second Life. Nevertheless, whether use of a mark virtually is “use in commerce” will be an interesting question for courts to decide.

This is also an important question for trademark owners to have answered. If real-life trademark rights cannot be enforced in digital universes, trademark owners would be left without any recourse to stop counterfeiting and other infringing acts that occur virtually.

WHAT RESPONSIBILITY DO THE SERVICE PROVIDERS HAVE FOR IP INFRINGEMENT THAT HAPPENS IN THEIR VIRTUAL WORLDS?

If infringement happens in a digital universe, who is responsible for enforcing IP rights? What responsibility does the service provider have?

For infringement of copyrightable content (such as avatar characters and digital artwork), there are already some answers in the Digital Millennium Copyright. The DMCA provides certain safe harbors to help immunize online service providers from liability for copyright infringement committed by users on their services. However, the DMCA was enacted in 1998, long before online services permitted deep interactivity between thousands of worldwide users. How the DMCA and its safe harbors will be applied to a highly interactive digital universe remains to be seen. For example, in a well-publicized case several years ago, Marvel Comics sued the developer and publisher of the “City of Heroes” MMORPG, claiming that the online game facilitated and encouraged players to copy famed Marvel superhero characters. The game developer and publisher asserted the DMCA safe harbors among their defenses, but the case settled on the eve of trial before the DMCA issues could be decided.

While the DMCA might provide some guidance for copyright problems,

for trademark issues, there is no statutory equivalent to the DMCA. If users commit trademark infringement in virtual space, to what extent should the service provider be liable (either directly or under a secondary liability theory)? One school of thought suggests that unauthorized use of a mark in online services is not a “use in commerce” by the service provider, which is provides online hosting. However, in 2001, Mindspring (an Internet service provider) was found liable for contributory infringement of the GUCCI trademark because it did not terminate services to a user selling counterfeit Gucci jewelry from his website hosted by Mindspring.

Thus, the current state of law does not exactly provide comfort to providers of virtual life. Yet, there has not been any clamor to enact a DMCA-like statutory scheme to govern trademark rights and liability in the Internet age. Perhaps there should be; after all, Congress did enact the Anti-Cybersquatting Protection Act to give trademark owners federal remedies to provide domain name cybersquatting. Why not a more developed law to address other trademark problems erupting online?

Currently, it is up to the online service providers to devise their own policies to police and enforce trademarks – and that usually relies on players reporting instances of infringement. For example, Second Life’s policy is to remove infringing trademark uses when reported by users or otherwise discovered, even if the trademark owner has not made a demand. But it does not appear that service provider actively polices itself to discover infringing marks. Virtual worlds also rely on their Terms of Use, which typically prohibit users from committing any trademark or other IP infringement and entitle the service provider to terminate a player’s access for repeat violations.

VIRTUAL LAW

With this explosion in virtual life, content, brands, and other IP assets are

now big business in cyberspace. Perhaps its time for legislative updates to catch the law up to the speed at which Internet technology has become highly interactive. Otherwise, it will be up to the online service providers, their users and the courts to slowly come up with systems—both internal to virtual worlds and external in law—to cope with these unique cyber IP challenges. Not a bad option either, but one that may not yield the most consistent answers.

With the boundaries of IP law being tested in the digital universe, it should come as perhaps no surprise that lawyers are getting into the virtual life. That’s right, law firms and lawyers—such as British firm Crossguard and Washington D.C. IP boutique Greenberg & Lieberman—have set up offices in virtual worlds. Believe it or not, there’s a Second Life Bar Association. And perhaps most impressively, the eminent Judge Richard Posner of the U.S. Court of Appeals for the 7th Circuit held a cyber-conference last year in Second Life; he even answered questions about how to apply IP law in virtual space.

With lawyers living “La Vida Virtual,” IP law will never be the same. ■

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