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Overview of Trademark Issues Presented to Businesses Owners Within Second Life

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Overview of Trademark Issues Presented to Businesses Owners Within Second Life

By: Ross J. Switkes

I.	What is Second Life?	1
A.	Overview	1
B.	Second Life Economy	4
II.	Potential Trademark Issues	12
A.	Introduction	12
B.	Second Life Terms of Service: Who Owns the Trademark?	15
C.	Trademark Infringement	16
1.	Use in Commerce	20
2.	Limits of Protection	24
3.	Likelihood of Confusion	25
a.	Strength of the Mark	27
b.	Proximity of the Goods	28
c.	Similarity of the Marks	29
d.	Evidence of Actual Confusion	30
e.	Marketing Channels Used	31
f.	Types of Goods and Degree of Care Likely to Be Exercised	33
g.	Defendant's Intent	34
h.	Likelihood of Expansion of Product Lines	35
4.	Dilution	36
a.	Whether the Mark is Famous	38
b.	Defendant's Use of Mark is Commercial	39
c.	Defendant's Use of mark in Commerce	39
d.	Defendant Used Mark After it Became Famous	40
e.	Blurring & Tarnishment	40
III.	Trademark Enforcement	43
IV.	Protective Measures	45
VI.	Conclusion	46

I. What is Second Life?

A. Overview

Second Life can be considered a virtual community within a virtual world. By definition, a virtual world is a malleable software structure which is designed to appeal to a wide variety of audiences.¹ There are typically three types of virtual worlds. The first category is made up of virtual worlds structured as games and funded by player subscription fees.² The second category is comprised of virtual worlds structured as social spaces and funded by advertising or the sale of virtual property.³ Finally, the third category is user-generated “metaversal” worlds that are largely funded through the sale and control of virtual property which rely on the creativity and labor of individual users.⁴ This paper will concern the virtual world of Second Life which falls within the scope of the third category.

Second Life is an online three dimensional virtual world “imagined and designed” by its users.⁵ Second Life is purely driven by user generated content. It is a world “imagined, built and created by its Residents.”⁶ The progressive platform was unveiled in 2003 by Linden Labs. In essence, Second Life is a massive multiplier online role-playing experience.⁷ Unlike game or social world owners, Linden Labs promotes its environment as created entirely by its users.⁸

¹ Candidus Dougherty & Greg Lastowka, *Virtual Trademarks*, 24 Santa Clara Computer & High Tech. L.J. 749, 757 (2008).

² *Id.* at 758.

³ *Id.*

⁴ *See* Neal Stephenson, *Snow Crash* (1992). The term “metaverse” was first used by Stephenson in his 1992 novel, *Snow Crash*, but is often used to refer to immersive three-dimensional virtual spaces like user-generated worlds. Second Life is supposedly modeled after the Metaverse, as described in Stephenson’s novel. Kevin Maney, *The King of Alter Egos is Surprisingly Humble Guy*, *U.S.A. Today*, Feb. 5, 2007, at 1B (describing an interview with Philip Rosedale, the creator of Second Life).

⁵ *What is Second Life?*, <http://secondlife.com/whatis/> (2010) (last visited March 16, 2010).

⁶ *Id.*

⁷ Ben Quarmby, *Pirates Among the Second Life Islands – Why You Should Monitor the Misuse of Intellectual Property in Virtual Worlds*, 26 *Cardozo Arts & Ent. L.J.* 667, 668 (2009).

⁸ *See What is Second Life?*, *supra* note 5.

Second Life's creators, Linden Labs, proclaim that Second Life is the "ultimate social platform."⁹ Millions of users from all over the world have established an on-line life within Second Life. Users can take part in many real-life activities entirely online within the virtual community. Such activities include buying "land," going to bars, dancing, socializing with others, playing sports, and really anything else one could reasonably imagine. Users may interact with other members in real time from any area of the globe over the internet in a variety of locations and manners; both individually and as groups. This multicultural nature of the user population allows users to bring many perspectives to the world of Second Life. Second Life users can share ideas and "take conference calls to the next level" by conducting real-life calls through a voice chat feature within the Second Life virtual community.¹⁰ Further, users can use the voice chat feature to hold meetings or gather with friends around the world in a virtual office or living room.¹¹ These communication capabilities allow Second Life to be a medium for both business and personal uses.

Second Life users can expand their community by purchasing land and developing their virtual property. Once a Second Life member acquires land they are able to manipulate the landscape and transform the environment in a vast variety of ways. Second Life users can create landscapes based off real cities as well as other fictional landscapes and regions. Second Life users further can develop their land freely and take liberty in designing their environments.

Second Life users create and customize personal digital three dimensional personas called avatars. These avatars can be created in the likeness of their creator or any other way imaginable. Avatars can wear clothes, costumes, and bear accessories such as guitars, hats, and sporting equipment. Often these items are purchased by the user. Moreover, these avatars are

⁹ Id.

¹⁰ Id.

¹¹ Id.

mobile; they can travel from world to world or “island” to “island” by foot, flying, car, tank, plane, magic carpet, or transport.¹²

It is most notable that Linden Labs granted its users intellectual property rights unlike other virtual world creators.¹³ As a result, users have the rights over all items and structures in which they create. Linden Labs merely sells real estate to users in plots called islands.¹⁴ Any building or item created by the user belongs to him or her, not Linden Labs.¹⁵ As Linden Lab explains in its Second Life terms of service, residents retain intellectual property rights in the original content they create in the Second Life world, including avatars, characters, clothing, scripts, textures, objects, and designs.¹⁶ The result is a vibrant marketplace of Second Life content. If you create it, you can sell it, trade it, and even give it away for free, subject of course to the Second Life terms of service. In essence Linden Labs takes a hands off approach to intellectual property rights and allows its users to maintain rights in their intellectual property subject to applicable law.

The Second Life community is vast. News reports have reported that Second Life has over ten million “residents.”¹⁷ Second Life has reported on its home page that approximately 500,000 accounts are active in a given week, which suggests that many of the 10 million residents are not actually using the world.¹⁸ As of 2008, the total number of user-hours spent in the environment appeared to have reached a plateau.¹⁹ Nevertheless, even at a purported plateau, the amount of users is substantial. As of 2007, the former CTO of Linden Lab

¹² Id.

¹³ Quarmby, *supra* note 7, at 670.

¹⁴ Id. at 671.

¹⁵ Id.

¹⁶ Second Life Terms of Service, § 3.2 [as of February 16, 2010] (explaining that the user retains intellectual property rights in content the user creates in Second Life, to the extent that the user has such rights under applicable law).

¹⁷ Dougherty, *supra* note 1, at 769.

¹⁸ Id.

¹⁹ Id.

explained that residents added over 300 gigabytes of data to Second Life daily, “one million distinct items had been bought or sold in May of 2008, and tens of millions of scripts were running at all times within the Second Life grid.”²⁰

B. Second Life Economy

Second Life has developed its very own, functioning economy. Second Life has dubbed itself as a shopper’s paradise where users can buy anything.²¹ One can purchase anything from designer shoes to medieval weaponry, from yachts and mansions to starships and subterranean lairs.²² If it can be imagined it is likely to be sold in Second Life.²³ The communication possibilities provided by Second Life have helped develop this economy.

The Second Life economy has developed so extensively that Second Life has created its very own currency; Linden Dollars.²⁴ A user can purchase Linden dollars and use them as they desire. A Second user might buy clothing for their avatar, guitars, hats, scarves, land, or any other item available within Second Life. Although there are many items available to be purchased, there are a still an array of items available for zero cost within Second Life. These items are generally used by vendors to promote their product and gain exposure. Free items can be considered a form of free advertising both for real-life vendors and vendors within Second Life. The more users wearing a vendor’s product the more publicity that vendor receives.

The real currency aspect of the Second Life economy means that product exchanges between Second Life users are made for real consideration.²⁵ In other words, although transactions are taking place within the virtual world of Second Life, there are real-life

²⁰ See generally Cory Ondrejka, *Second Life: Collapsing Geography*, 2 Innovations: Tech., Governance, Globalization, Summer 2007, at 35 (2007).

²¹ See *What is Second Life?*, *supra* note 5.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ Dougherty, *supra* note 1, at 770.

implications. Two or more people are actually exchanging value for items through the use of their avatars within Second Life. This distinction pushes Second Life business transactions into a real legal definition of commerce.²⁶ As a result, Second Life users risk the realization of actual loss and can potentially realize a significant gain through virtual business enterprises.²⁷

Linden has reported that users spend approximately \$600,000 each day purchasing virtual items and land within Second Life.²⁸ As of December 2006, Linden had estimated that 450 users generated a monthly income over \$1,000 U.S. dollars.²⁹ As of July 2007, Linden reported that 865 users made at least \$1,000 and 145 users made more than \$5,000.³⁰ In April 2008, Linden Lab estimated that roughly 60,000 residents were in the black and had a positive cash flow, and about 12,000 of these users were receiving over 100 dollars in income.³¹ These are truly impressive numbers for a platform that outsiders might consider merely a “game.” It is evident that Second Life has an ever present economy that continues to develop.

C. Entrepreneurship and Business Opportunities in Second Life

Second Life is a haven for entrepreneurs. Users can open any variety of store imaginable and launch a plethora of business ventures within the platform. An owner can open adult stores, music stores, clothing stores, bars, and many other establishments. Some Second Life business owners have developed their ideas into their own Second Life brands.³² As of 2008, at least one

²⁶ It is likely legally irrelevant that this commerce occurs during the use of a virtual world. See SEC v. SG Ltd., 265 F.3d 42 (1st Cir. 2001) (finding that classifying something as a “game” does not automatically set it outside the commercial world).

²⁷ See William Marra, *Want to Make Money in Second Life? It's Harder Than You Think*, ABC News, Aug. 27, 2007, <http://abcnews.go.com/Technology/Story?id=3527537&page=1> (last visited April 11, 2010).

²⁸ Dougherty, *supra* note 1, at 770.

²⁹ *Id.*

³⁰ Marra, *supra* note 27.

³¹ Ashlea Ebeling, *Taxing Virtual Worlds*, Forbes, Apr. 16, 2008, http://www.forbes.com/2008/04/15/taxes-congress-virtual-biz-beltway-cz_ae_0416beltway.html (last visited April 12, 2010).

³² See, e.g., Avatarian, LLC, <http://www.avatarian.com/> (last visited April 20, 2010) (selling virtual services including content creation, avatar customization, clothing and accessories and programming services); Aimee Weber Virtual Content Creation and Services, <http://aimeeweber.com/> (last visited April 20, 2010) (selling virtual services including clothing and accessories, texture work, virtual marketing and three dimensional modeling).

Second Life user, an avatar fashion designer named Alyssa LaRoche, successfully registered a Second Life based mark for federal trademark protection.³³ In essence, setting up a Second Life store and establishing a brand is similar to the real-world. One must establish a place of business, advertise, and attempt to get users to purchase or at least take their items for free. Through extensive exposure and use within the Second Life marketplace, a vendor can establish a brand and possibly gain commercial success all within the world of Second Life.

Various real world businesses have established a presence within Second Life. Some famous companies such as Coca-Cola have in the past, jumped on the Second Life scene by piggy-backing onto activities users were already participating in.³⁴ For instance, Coca-Cola, through its “Virtual Thirst” campaign, acknowledged the existing user incorporation of its mark within Second Life and rechanneled the creative energy to bring focus back on Coke products.³⁵ Pursuant to the campaign, Coca-Cola issued an invitation to avatars as well as the public at large to submit ideas for a portable vending machine.³⁶ The design competition invited the public to submit designs to virtualthirst.com for a chance to win a grand prize comprised of building and launching the “ultimate vending machine” with the help of a three dimensional design company.³⁷ It does not appear at this time that Coca-Cola continued this campaign.³⁸

Despite the excitement towards using the Second Life platform, many real companies have not embraced Second Life to the extent of running actual virtual storefronts to sell virtual

³³ Alyssa LaRoche, owner of the Aimee Weber avatar and Aimee Weber Studios, registered her avatar as a trademark. See U.S. Trademark Serial No. 77110299 (filed Feb. 18, 2007), <http://tess2.uspto.gov/bin/showfield?f=doc&state=4005:7qjrk.2.1>.

³⁴ Dougherty, *supra* note 1, at 772.

³⁵ *Id.*

³⁶ *Coke Launches Thirst Promo in Second Life*, <http://www.marketingvox.com/coke-launches-virtual-thirst-promo-in-second-life-028917/> (last visited Mar12, 2010).

³⁷ *Id.*

³⁸ Evidenced by the Virtual Thirst website appearing to no longer be available (<http://www.virtualthirst.com/>).

renditions of their products on large-scale basis.³⁹ While some companies such as Gibson Guitars⁴⁰, have set up virtual stores or entire lands in Second Life, it appears that many other companies have been slow to adopt Second Life as a legitimate business medium.

The lack of Second Life usage as a business platform may be attributed to several reasons. One reason could be that the Second Life might still be unfamiliar to companies. It seems that businesses have embraced other forms of digital entertainment such as advertising within popular video games so it is curious that they have not gained a comfort level with Second Life. Spending on in-game advertising is supposed to grow between \$732 million and \$1.8 billion by 2010.⁴¹ Nevertheless, a difference between video games and Second Life is that the video game industry has boomed over the last few years and has entered the market's general conscience whereas Second Life might still be unfamiliar to the public. This popularity can possibly create a comfort level for businesses to use video games as a marketing platform.

Secondly, businesses may not be able to comprehend just how to harness the great power and international exposure that Second Life provides. Owners and technology companies continue to struggle to find ways to convert their works into viable revenue generated business models.⁴² Second Life is definitely an alternative marketing and business engine, but perhaps businesses have not yet taken the time to understand how strategies can be implemented through the platform. Businesses have started to explore options through marketing firms such as Millions of Us, which specialize in developing virtual world marketing campaigns in away to

³⁹ Dougherty, *supra* note 1, at 772.

⁴⁰ *Gibson Guitars Enters into the Second Life World With Gibson Island*, http://www.guitarsite.com/news/other/gibson_guitar_enters_into_the_second_life_world_with_gibson_island/ (last visited April 19, 2010) (explaining how Gibson was the first major music manufacturer to establish an island on Second Life).

⁴¹ Robert Wauters, *Study: In-Game Video Advertising Trumps TV Advertising In Effectiveness*, March 24, 2009, <http://techcrunch.com/2009/03/24/study-in-game-video-advertising-trumps-tv-advertising-in-effectiveness/> (last visited on April 21, 2010).

⁴² James D. Nguyen, *Entertainment and Games on Web 2.0*, 962 PLI/Pat 175, 181 (2009).

help them through their Second Life launch.⁴³ This firm's clients include such large corporations as: Nike, Sony, HBO, Coca-Cola, and Microsoft.⁴⁴ More business owners should use Second Life to take advantage of low-cost marketing and advertising opportunities by using marketing firms to develop virtual world campaigns.

Businesses should seek to employ the Second Life platform in their marketing campaigns either on their own or through a marketing firm such as Million of Us. By inspiring creativity and interaction, Second Life is a haven for creating content and marketing real-life and Second Life exclusive brands. Second Life is a platform which enables new ways to distribute content and engage consumers. Furthermore, it would also be beneficial for businesses to commit more funds into the development of their marketing and overall Second Life presence in order to take advantage of the benefits that the platform offers. The more businesses that begin to use Second Life, the more likely other businesses will perceive Second Life as a more comfortable option to develop their business. The more business that comes to Second Life, the more the economy increases which could lead to higher profits through Second Life commerce for large and small businesses alike.

Companies can use various business models in their pursuit of Second Life success. Both new and established businesses alike could employ an advertising supported business model.⁴⁵ Through an advertising supported model, a content owner could deliver content through Second Life, preferably without charge, to consumers. This advertising model is an extension of

⁴³*About Us*, <http://www.millionsofus.com/about.php/> (last visited April 20, 2010)(explaining that “Millions of Us is a pioneer and recognized leader in creating immersive brand marketing through virtual worlds, multiplayer online games, and social media. Their imaginative blend of narrative and social and gaming elements creates experiences that take brand engagement to a new level. They create a value at the intersection of the real and virtual worlds”).

⁴⁴ *Clients*, <http://www.millionofus.com/clients.php>. (last visited April 20, 2010).

⁴⁵ Nguyen, *supra* note 42 at 181.

traditional broadcast media model.⁴⁶ The broadcaster, in this case, the web site or Second Life vendor, which may be a content creator or distributor, provides content and services mixed with advertising messages, typically in the form of banner ads.⁴⁷ Revenue would be realized through advertising sales, with that revenue split between the content owner and the provider of the space.⁴⁸ This model works best when the volume of viewer traffic is large or very specialized. In Second Life, this could take the form of signs on structures or even constructed billboards on different islands. A business owner could even collaborate with land owners and seek permission to advertise on other's Second Life property.

In addition to advertising in Second Life, if the business would like to direct consumers to their business they could also use pre-roll ads, banner ads or pop-up ads in real-life.⁴⁹ Pre-roll ads are online video commercials that appears prior to an online video, typically ten to fifteen seconds in length.⁵⁰ Once a user clicks on certain online video links, that user will be forced to watch a short commercial before being able to watch the video content. This advertising method is common with online music and video streaming where the consumer must watch an advertisement before being able to access the desired content. Banner advertisements are graphical web site advertising images usually placed at the top of content pages which link to an advertiser's content page.⁵¹ Banner ads involve embedding an advertisement. In the Second Life context these ads could contain a Second Life link to a Second Life business or to the Second Life's marketplace, XL Street⁵². Preferably the advertisement could be embedded into a web page or posting with Second Life, so that advertisement is displayed at all times as the

⁴⁶Michael Rappa, *Business Models on the Web*, <http://digitalenterprise.org/models/models.html#Advertising>. (last visited April 20, 2010).

⁴⁷*Id.*

⁴⁸Nguyen, *supra* note 42, at 181

⁴⁹*Id.*

⁵⁰<http://www.netlingo.com/word/pre-roll.php> (last visited April 20, 2010).

⁵¹<http://www.netlingo.com/word/banner-ad.php> (last visited April 20, 2010).

⁵²<https://www.xstreetsl.com/> (last visited April 20, 2010).

consumer browses their desired web page or Second Life world. Pop-up ads involve a platform where the advertisement opens in a separate window from the desired web page. A drawback to this advertising form is that many browsers now allow users to block pop-up ads because people find them to be bothersome.

Other business methods involve brand integration. Brand integration occurs where the advertiser and sponsor messages are incorporated into the content rather than having separate ads.⁵³ Brand integration provides several benefits to advertisers and manufacturers including: (1) precluding viewer from avoiding content by simply skipping over brand exposure as they would a commercial; (2) building brand awareness in an otherwise cluttered media environment; (3) creating indirect celebrity endorsements when a particular actor, actress, or well known Second Life member is shown with the product; and (4) presenting compelling economics; if a brand gets integrated into one original product, such as a movie, that gets popular there is a likelihood the brand will appear repeatedly in duplications of this product just for one initial cost.⁵⁴ If a business can integrate their brands throughout the Second Life environment by appearing on items worn by avatars, or on various postings throughout Second Life, a business could yield positive marketing results. This method would yield high exposure if the business's advertisements appear in high trafficked areas. Additionally, overlay advertising could be used which simply displays the name of the advertiser in a line overlaid at the bottom of a web page, providing a link to the business's web site.⁵⁵

⁵³ Nguyen, *supra* note 42, at 182.

⁵⁴ Scott Shagin & Matthew Savare, *Lawyering at the Intersection of Madison & Vine: It's All About Brand Integration*, Ent. & Sports Lawyer, Volume 23, Number 3, Fall 2005, at 2.

⁵⁵ Nguyen, *supra* note 42, at 182.

Second Life entrepreneurs can also use a purchase business model whereby the consumer would pay a fee for a permanent copy of content.⁵⁶ This business model can also be referred to as combination of a manufacturer/direct model and a subscription model. Under the manufacturer or “direct model,” the power of the internet or Second Life in this case, allows a manufacturer to reach buyers directly which results in efficiency, improved customer service, and a better understanding of customer preferences due to the direct contact between the consumer and the manufacturer.⁵⁷ Users would typically make a onetime payment in consideration for the manufacturer’s content. Moreover, the subscription model, depending on the type of content, allows the implementation of a subscription based fee in which a consumer would pay a monthly fee for access to the business owner’s content.⁵⁸ Subscription fees can be incurred irrespective of actual usage rates⁵⁹ which is advantageous for business owners because once the owner locks in their customers, while they hope the customer uses the content, even if the customer does not use it, the business makes their money. This model allows content owners to control how and when their content is distributed.

Second Life owners could also use a rental business model where the consumers can rent their content.⁶⁰ This method is akin to a lease where in exchange for a rental fee, the buyer receives the right to use the manufacturer’s product subject to a terms of use agreement.⁶¹ For example, a clothing business could let a Second Life user rent their products from them for a prescribed period of time. After the time has elapsed, the item would revert back to the business and the consumer would no longer have access to the content. This method, when successfully

⁵⁶ *Id.*

⁵⁷ Rappa, *supra* note 46.

⁵⁸ Nguyen, *supra* note 42, at 182.

⁵⁹ Rappa, *supra* note 46.

⁶⁰ Nguyen, *supra* note 42, at 183.

⁶¹ Rappa, *supra* note 46.

implemented, could result in positive profits for business owners within Second Life while affording the business owner control of its content.

II. Potential Trademark Issues

A. Introduction

A Trademark is a word, logo or package design, or combination thereof, used by a manufacturer to identify its goods and distinguish them from others. The Lanham Act defined the modern term trademark and states in relevant part:

The term “trademark” includes any word, name, symbol, or device, or any combination thereof (1) used by a person or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register of this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if the source is unknown.⁶²

The statutory definition is for all intents and purposes limitless as the term trademark includes and suggests many different items.

Under the Lanham Act commerce means all commerce which may lawfully be regulated by Congress.⁶³ Use in commerce is defined under the Lanham Act as:

the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce –

(1) on goods when

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods on their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in more than one State or the United States and a

⁶² 15 U.S.C. §1127 (2010).

⁶³ Id.

foreign country and the person rendering the services is engaged in commerce in connection with the services.⁶⁴

This vast definition leaves many different types the ability to be interpreted as a protectable trademark. Trademarks have been found to include brand names identifying goods, such as Adidas for athletic sneakers consisting of graphics, color or shape of goods or packaging, such as a Coca-Cola bottle for a soft drink. Marks also considered to be trademarks are service marks which identify a specific service, such as Citibank for banking services.⁶⁵ Service marks are capable of receiving federal registration.⁶⁶ Service mark means any word, name, symbol, or device, or combination thereof that is used by a person or is used in commerce to identify and distinguish the services of a mark owner.⁶⁷

The term “service” remains undefined in the Lanham Act and legislative history, but the Federal Circuit has noted the term was intended to have a broad scope and as not defined because of the plethora of services that the human mind is capable of conceiving.⁶⁸ While the definition is broad, it is typically believed to be services performed for another party and therefore services performed only for the benefit of the owner of the mark, such as advertising the owner’s own goods, are not considered a service.⁶⁹ A service mark is used when it is displayed in the advertising of services, as well as in their sale or offering.⁷⁰ Moreover, the

⁶⁴ Id.

⁶⁵ Jane C. Ginsburg, et. al., *Trademark and Unfair Competition Law, Cases and Materials*, 17 (4th ed. Foundation Press 2007).

⁶⁶ 15 U.S.C. §1053 (2010).

⁶⁷ 15 U.S.C. §1127 (2010).

⁶⁸ In re Advertising & Marketing Development Inc., 821 F.2d 614 (Fed. Cir. 1987) (holding that the term service is intended to have broad scope).

⁶⁹ In re Dr. Pepper Co., 836 F.2d 508 (Fed. Cir. 1987).

⁷⁰ Ginsburg, *supra* note 65, at 55.

services must have been rendered in commerce.⁷¹ Service marks and trademarks are governed by identical legal standards.⁷²

Collective and certification marks are also protectable marks and are defined under the Lanham Act.⁷³ Certification marks identify goods or services meeting specific qualifications such as Champagne being from the area in France where genuine champagne is derived from. Collective marks identify goods, services, or members of a collective organization such as the National Football league. Even sound marks, “fragrance” marks, and colors have been found to be protected as trademarks.⁷⁴ The same legal principles generally apply to all the above terms are simply called “marks.”

Generally, a trademark functions and is accorded legal protection because the mark: (a) designates the source or origin of a particular product or service, even though the source is to the consumer anonymous; (b) denotes a particular standard of quality which is embodied in the product or service; (c) identifies a product or service and distinguishes it from the products or services of others; (d) symbolizes the good will of its owner and motivates consumers to purchase the trademarked product or service; (e) represents a substantial advertising investment and is treated as a species of property; or (f) protects the public from confusion and deception, insures that consumers are able to purchase the products and services they want, and enables the courts to fashion a standard of acceptable business conduct.⁷⁵

⁷¹ See e.g., In re Port Authority of New Jersey, 3 U.S.P.Q.2d 1453 (T.T.A.B 1987)

⁷² Circuit City Stores, Inc. v. CarMax, Inc., 165 F.3d 1047, 1054, 49 U.S.P.Q.2d 1507 (6th Cir. 1999) (rights to service marks are acquired and protected in the same way as rights to trademarks); Gilbert/Robinson, Inc. v. Carrie Beverage-Missouri, Inc., 989 F.2d 985, 26 U.S.P.Q.2d 1378 (8th Cir. 1993) (trademark law treats trademarks and service marks the same); Nutri/System, Inc. v. Con-Stan Ind., Inc., 809 F.2d 601, 604, 1 U.S.P.Q.2d 1809 (9th Cir. 1987) (the courts consistently interpret [Section 1053] to mean that 'identical standards' govern trademark and service mark infringement cases).

⁷³ 11 U.S.C. §1127 (2010).

⁷⁴ 1-1, Gilson on Trademarks §1.02.

⁷⁵ 1-1-, Gilson on Trademarks §1.0.

B. Second Life Terms of Service: Who Owns the Trademark?

Linden Labs is the only virtual world provider that expressly vests its users with rights to intellectual property that they create within Second Life.⁷⁶ While it might not be precisely clear to what the broad grant of ownership rights really means, legally, for users of Second Life, this right seemingly plays a part in fostering innovation and experimentation within the world of Second Life.⁷⁷

The Terms of Use or user agreement imposed by service providers tend to govern on the issue of who owns the intellectual property used within a virtual world. Second Life's policy recognizes the rights of its users to retain full intellectual property protection for any digital content they create within Second Life, including avatar, scripts, textures, designs, and clothing.⁷⁸ Linden Labs' website at least at one point declared: "You create it, you own it - - and it's yours to do with as you please."⁷⁹ Section 3.2 of the Terms of Service states that "you retain copyright and other intellectual property rights with respect to content you create in Second Life, to the extent that you have such rights under applicable law. . . ."⁸⁰ Moreover, Section 3.2 expressly prohibits trademark infringement while informing the account holder that he or she is responsible for understanding how trademark law operates in Second Life.⁸¹

These provisions appear to cast a heavy and somewhat unrealistic burden on all users of Second Life. Not only does every user shoulder liability for any infringement liability, but the

⁷⁶ *Press Release, Linden Lab, Second Life Residents to Own Digital Creations* (Nov. 14, 2003), http://lindenlab.com/pressroom/releases/03_11_14 (last accessed April 20, 2010).

⁷⁷ See generally Cory Ondrejka, *Second Life: Collapsing Geography*, 2 *Innovations: Tech., Governance, Globalization*, Summer 2007, at 27, 28.

⁷⁸ Nguyen, *supra* note 42, at 186.

⁷⁹ *Id.*

⁸⁰ Second Life Terms of Service, § 3.2 [as of February 16, 2010].

⁸¹ *Id.* § 3.2 provides in relevant part: "You further understand and agree that: (i) you are solely responsible for understanding all copyright, patent, and trademark, trade secret, and other intellectual property or other laws that may apply to your Content hereunder; (ii) you are solely responsible for, and Linden Lab will have no liability in connection with, the legal consequences of any actions or failures to act on your part while using the Service, including without limitation any legal consequences relating to your intellectual property rights. . . ."

Terms of Service requires each user to understand applicable intellectual property law. It can be argued that this is an unrealistic burden to impose on an account holder considering that many users likely do not have a legal education. Nevertheless, in order for a user to enjoy Second Life they must accept the Terms of Service and all rules contained therein. It would be beneficial for each user to receive a brief intellectual property law primer upon registration in order to be fully educated on these issues in an attempt to avoid liability. Even if Linden Lab set up a legal education island to be visited when a new user registered, this information sharing might make these provisions more reasonable.

Additionally, the Terms of Service mentions trademark rights in section 2.3 wherein Linden prohibits a user from creating an account name that “violates any trademark right” and states that Linden reserves the right to delete or alter any account name for any reason or no reason.⁸² Section 2.3 also purportedly shifts legal responsibility to the account holder for potential infringement by stating that “[y]ou are fully responsible for all activities conducted through your account or under your account name.”⁸³ Moreover, Linden Lab, through section 4.4 of the Terms of Service, prohibits users from using any of Linden Lab’s trademarks without a written license agreement.⁸⁴

C. Trademark Infringement

Second Life invites users to create the virtual environment and does not exert a great deal of control over emerging virtual economies.⁸⁵ This unique policy decision implemented by Linden Labs has spawned many intriguing legal issues involving nearly all areas of law –

⁸² Second Life Terms of Service, § 2.3 [as of February 16, 2010].

⁸³ *Id.*

⁸⁴ Second Life Terms of Service, § 4.4 [as of February 16, 2010].

⁸⁵ Dougherty, *supra* note 1, at 768.

including trademark law.⁸⁶ Due to the virtually empty virtual space, users have a blank pallet to create whatever they desire. As a result, infringing uses follow.

Second Life users have an interest in real world brands to use within the virtual community just like consumers have interest in real world brands in real-life. This interest can be attributed to the fact that often time's a Second Life user's avatar is an extension of themselves. If a person enjoys a brand in real-life it is likely that they would like their avatar to sport this brand as well. As a result of this interest, an industry of virtual knock offs emerged where users can purchase anything from iPod to famous cars.⁸⁷ At the outset, it is worth nothing that this author concludes that some uses of the marks in Second Life could constitute a use in commerce and result in a likelihood of confusion to reasonable consumers.⁸⁸

The success and popularity of Second Life has not come without concerns and costs. Trademark violations occur all too often within Second Life given that users have the ability to create virtual property in Second Life. Trademark use and trademark infringement is widespread within Second Life. Such use is inherent in the virtual community due to its amount of users and developing economy. Various marks appear on clothing worn by avatars, virtual store fronts, posters or billboards posted in different lands, in group names, and virtually anywhere a user turns in Second Life. These marks are used legitimately by its owner to identify its authentic goods or services or used by another individual or entity in an infringing manner. Sometimes Trademarks owners effectively police infringing uses of their respective marks. Such policing could include a trademark owner creating avatars or hiring other Second Life users to explore and monitor activity throughout Second Life. Through this monitoring, the trademark

⁸⁶ Dougherty, *supra* note 1, at 768.

⁸⁷ Benjamin Duranske, *Rampant Infringement in Second Life Costs Millions, Undermines Future Enforcement*, May 4, 2007, <http://virtuallyblind.com/2007/05/04/trademark-infringement-vws/> (last visited April 21, 2010).

⁸⁸ *See infra* at 35

owner can attempt to discover any unauthorized uses of their mark. Once a trademark owner discovers an infringing use, then the owner could possibly take efforts to enforce their rights and have the infringing user cease use. It is important owners to gain awareness of the legal and illegal uses of their marks within Second Life in order to benefit from the rights in their marks and prevent others from doing so.

Trademark owners can use Second Life's in-world search tool in an attempt to uncover Trademark use and infringement.⁸⁹ The search tool can locate vendors, for example, by reference to their names or by reference to whatever keywords are typed into a field that is used by the search engine to identify hits responsive to user's search. This search process appears to be akin to the use of domain names, metatags, and keywords on websites.⁹⁰ In other Internet contexts there is long-standing precedent for "finding infringement in domain names"⁹¹, and metatags⁹², and for finding trademark dilution in cases in which the use of a famous mark has diminished its value through blurring or tarnishment.⁹³ For example, Playboy Enterprises, Inc. v. Calvin Designer Label enjoined defendants from:

using in any manner the PLAYMATE or PLAYBOY trademarks, and any other term or terms likely to cause confusion therewith, including PLAYMATELIVE or "playboyxxx.com" or "playmatelive.com" as Defendants' domain name, directory name or other such computer address, as the name of Defendants' Web site service, in buried code or metatags on their home page or Web pages, or in connection with the retrieval of data or information on or in other goods or services, or in connection with the advertising or promotion of their goods,

⁸⁹ L. J. Kuten, Copyright Issues in Second Life – Trademark Issues in Second Life, 4 Computer Software § 16:31(October 2009).

⁹⁰ Id.

⁹¹ Playboy Enterprises, Inc. v. Calvin Designer Label, 985 F. Supp. 1220, 44 U.S.P.Q.2d 1156 (N.D. Cal. 1997); Panavision Intern., L.P. v. Toepfen, 141 F.3d 1316, 46 U.S.P.Q.2d 1511 (9th Cir. 1998) (holding modified by, Yahoo! Inc. v. La Ligue Contre Le Racisme Et L'Antisemitisme, 433 F.3d 1199 (9th Cir. 2006)).

⁹² See e.g., Insituform Technologies, Inc. v. National Envirotech Group, L.L.C., Civ. Act No. 97-2064 (E.D. La., Aug. 26, 1997) (order may be viewed at <http://www.cll.com/case1.htm> [visited Apr. 15, 1999]) (defendant ordered, by consent judgment, to remove metatags using plaintiff's trademarks); Niton Corp. v. Radiation Monitoring Devices, Inc., 27 F. Supp. 2d 102, 52 U.S.P.Q.2d 1380 (D. Mass. 1998).

⁹³ See e.g., Toys "R" Us, Inc. v. Akkaoui, 40 U.S.P.Q.2d 1836, 1996 WL 772709 (N.D. Cal. 1996).

services or web sites.⁹⁴

It can be argued that whether applied to objects or used to attract visitors, established principles of trademark infringement and dilution which have evolved within the context of other Internet uses should be equally applicable to actions in virtual worlds.⁹⁵ This argument is supported by the fact that there are real-life implications to transactions within Second Life. Due to the fact that there is real-world money which can be gained or lost within Second Life, trademark owners should be entitled to enforce their trademarks. Additionally, because the use of the mark is arguably a use in commerce, trademark owners should be able to enforce their rights. Second Life can be accessed anywhere in the globe, and it is likely that many transactions cross United States state lines. As a result, this could be deemed a use in commerce and enable trademark owners to bring actions to enforce their marks. Policing and enforcement of trademark rights in Second Life are not much different than in the real world of the internet and entrepreneurs and business owners alike should seek to protect their rights.

It can be argued that trademark lawsuits based on alleged trademark use in commerce with virtual economies occur in three situations.⁹⁶ The first situation could involve a virtual vendor selling his or her own product while branding them with a federally-registered, real world trademark.⁹⁷ An example of this would be a vendor creating virtual sneakers and brandishing them with a Nike symbol. The second scenario asks the question whether trademark rights gained within Second Life can then be extended to traditional markets.⁹⁸ This situation involves a subsequent user's real world use of a mark after a virtual vendor establishes his own original

⁹⁴ Playboy Enterprises, Inc. v. Calvin Designer Label, 985 F. Supp. 1220, 44 U.S.P.Q.2d 1156 (N.D. Cal. 1997).

⁹⁵ Kuttan, *supra* note 89.

⁹⁶ Dougherty, *supra* note 1, at 776.

⁹⁷ Id.

⁹⁸ Id.

mark within Second Life.⁹⁹ An example of this scenario would be a virtual sneaker manufacturer creating and using his own mark for his shoes, and then a real-life user vendor creates sneakers and affixes the original virtual mark to his or her own product. Finally, the third scenario entails an “all virtual situation” where a Second Life user has established their own brand within Second Life and then a subsequent user uses that mark to sell their own sneakers only within Second Life, not the real world.¹⁰⁰

1. Use in Commerce

Next, these scenarios can be analyzed under the law and theories previously discussed in this paper. The threshold issues in trademark law as applied to virtual worlds is the determination of whether any given “use” of a mark in Second Life constitutes a “use in commerce.” Use in commerce is an essential question because it is both a prerequisite for federal trademark protection which is applicable to the first to scenarios listed above and is a prerequisite for trademark infringement.¹⁰¹ We must ask whether a Second Life user’s use of a mark in Second Life could meet this threshold requirement. While it might be argued whether or not unauthorized use of a real-life trademark in Second Life is a “use in commerce” as required by the Lanham act, this infringing use is probably use in commerce due to the fact that Second Life has become its own commercial marketplace.¹⁰² Moreover, the “use in commerce” requirement is broadly construed and that the use of the internet satisfies the requirement.¹⁰³

Second Life commerce has developed such public awareness that a Congressional committee and the IRS are looking into whether users pay taxes on income earned in Second

⁹⁹ Dougherty, *supra* note 1, at 777.

¹⁰⁰ *Id.*

¹⁰¹ 15 U.S.C. §1127 (2010); In addition to the “use in commerce” requirement, the mark must be also distinctive, or unique enough to identify the product of a particular manufacturer and to distinguish it from the products of other manufacturers. 15 U.S.C. § 1125(c)(1).

¹⁰² Nguyen, *supra* note 42, at 187.

¹⁰³ Planned Parenthood Fed'n of Am. v. Bucci, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313, at *3 (S.D.N.Y. Mar. 24, 1997).

Life.¹⁰⁴ Despite this public awareness, the US Patent & Trademark Office and courts have not decided whether this is a “use in commerce.” The answer to this question will greatly impact trademark owners because if this use is not a use in commerce, trademark owners will be left with no recourse to stop counterfeiting within Second Life and other infringing acts that occur within the digital realm.

First, it is necessary to discuss commerce. The Lanham act defines commerce quite broadly.¹⁰⁵ The definition is intended to reach “all commerce which may lawfully be regulated by Congress.”¹⁰⁶ As a constitutional matter, the language includes any activity that “substantially affects” interstate commerce.¹⁰⁷ Use in commerce is not limited to activities normally associated with business or the pursuit of profit.¹⁰⁸

Courts, in their application of trademark law, have failed to limit use in commerce in any real meaningful way.¹⁰⁹ As an example, courts have found that the distribution of free software over the internet was a use in commerce sufficient to establish trademark rights.¹¹⁰ Establishing a website was even held as sufficient, by one court, to meet the Lanham Act’s commerce requirement.¹¹¹ Nevertheless, there are some limits: in Marvel v. NCsoft the Court found that players, in their participation in a gaming world environment, were not engaged in a commercial activity but instead were just playing a game.¹¹²

However, the activities of Second Life users within Second Life are likely distinguishable from the players “just playing a game” within the Marvel context. Second Life users are not

¹⁰⁴ Adam Reuters, *US Congress Launches Probe Into Virtual Economies*, October 15, 2006, (last visited April 20, 2010), <http://secondlife.reuters.com/stories/2006/10/15/us-congress-launchs-probe-into-virtual-economies/>.

¹⁰⁵ Dougherty, *supra* note 1, at 778.

¹⁰⁶ 15 U.S.C. §1127 (2010).

¹⁰⁷ U.S. v. Lopez, 514 U.S. 549, 558-59.

¹⁰⁸ United We Stand Am., Inc. v. United We Stand Am. N.Y., Inc., 128 F.3d 86, 92-93.

¹⁰⁹ Dougherty, *supra* note 1, at 778.

¹¹⁰ Planetary Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188, 1194-95 (11th Cir. 2001).

¹¹¹ Planned Parenthood Fed’n of Am. v. Bucci, 42 U.S.P.Q. 2d (BNA) 1430, 1441-42 (S.D.N.Y. 1997).

¹¹² Marvel Enters., Inc. v. NCSoft, Corp., 74 U.S.P.Q.2d (BNA) 1303 (C.D. Cal. 2005).

simply just playing a game; they are living virtual lives and have the ability to realize a real profit in real world currency. In the Marvel context, players are just competing with one another – there is no wealth realized from their activities. As a result, it seems probably that at least some user activities within Second Life would fall within the court’s definition of commerce.¹¹³ This would almost certainly be true for users who are vendors and sell products within the domain of Second Life. A vendor is not merely playing a game. A Second Life business owner invests substantial time and often money in developing their business. After expending time and funds developing their business, the business owner is in a risky situation – either he/she will realize real-life profits or real-life losses. This is easily distinguishable from a person playing a video game. While a video game enthusiast might expend many hours playing the game, it is a risk free situation. There are no real-life, monetary gains or awards from gaming. A Second Life business owner faces the same risks and rewards as a real-life business owner; these businesses are just using a different medium to reach its consumers. This is hardly playing a game as in the Marvel context.

Users in Second Life can cash out their virtual assets, or Linden dollars, and translate this into real world wealth. In addition, it could be probable that even activities not intended to be commercial could fall within the jurisdictional reach of the Lanham Act.¹¹⁴ If a user were to participate in an activity or create an item that might undercut the sales of a real world mark, this might fall with the Court’s purview of use in commerce.¹¹⁵

Additionally, it is necessary to analyze bona fide use. To establish ownership rights in a virtual trademark, trademark doctrine requires that a user make a “bona fide” use of the mark in

¹¹³ Dougherty, *supra* note 1, at 779.

¹¹⁴ *Id.*

¹¹⁵ See Planned Parenthood Fed'n of Am. v. Bucci, 42 U.S.P.Q.2d(BNA) 1430, 1441 (S.D.N.Y. 1997) (establishing a webpage and "affecting" the ability to offer nationwide health and information services were "in commerce").

the ordinary course of trade in its market.¹¹⁶ This use must be “sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public even without the evidence of actual sales.”¹¹⁷ Like the definition of use in commerce, this definition is seemingly broad. If one were to accept the economy of Second Life as its own, real, distinct market, it might seem that any use of a mark within Second Life would be use that identifies origin to the public.¹¹⁸ Courts are more likely to classify the market of Second Life more restrictively, and, looking to Marvel, might lump it together with players “just playing games” and not consider Second Life user’s activities a use in commerce under the Lanham Act.¹¹⁹

Nevertheless, it can be argued that unlike the game playing virtual world of Marvel, Second Life seems much more likely to be seen as a commercial forum rather than just a game-play platform. Second Life users can use goodwill, just as they could in the real world, to establish their virtual brands or businesses that produce real, actual profits. Due to the realization of real economic value, it would seem that there is bona fide use in commerce and trademark law would seemingly be fully applicable to trademarks in Second Life.

If Second Life is considered a real commercial marketplace, the issue then becomes whether those who build virtual brands have truly made enough “use” to warrant trademark protection.¹²⁰ The sufficiency of a claim of a virtual trademark in Second Life would likely be determined based on a totality of the circumstances analysis.¹²¹ This determination is based on a

¹¹⁶ 15 U.S.C. § 1127 (2010).

¹¹⁷ New England Duplicating Co. v. Mendes, 190 F.2d 415, 418 (1st Cir. 1951)

¹¹⁸ See Planetary Motion, Inc. v. Techsplosion, Inc., 261 F.3d 1188, 1196 (11th Cir. 2001) (explaining that actual sales and “wide public recognition” were not required when it found that distributing free software over the Internet under a mark constituted “use in commerce”).

¹¹⁹ Marvel Enters. Inc. v. NCSoft Corp., 74 U.S.P.Q.2d 1303 (2005).

¹²⁰ Id.

¹²¹ Johnny Blastoff, Inc. v. L.A. Rams Football Co., 188 F.3d, 433 (7th Cir. 1999) (holding that the determination of whether a party has established protectable rights in a trademark is made on a case by case basis, considering the totality of the circumstances).

case by case basis but there are some general rules that might be applied.¹²² For instance, a “hobby use,” a de minimis use such as mere advertising, a handful of sales or an internal business use will not be sufficient to establish trademark rights.¹²³ However, on the other hand, a mark owner does not need a well-established, successful or profitable business in order to establish ownership. As discussed before, Trademark rights are acquired first and foremost through use in the marketplace, there is no requirement the mark be famous.

It can be argued that Second Life user who regularly conducts sales within Second Life under a recognized brand should meet the use threshold to establish trademark rights. They are in fact selling goods of an established brand and are actively using the mark in commerce. This should seemingly fall within the purview of the Lanham Act.¹²⁴

2. Limits of Protection

Limits of protection must also be considered. Trademark rights have always been territorially defined based on the use of a mark.¹²⁵ However, under the Lanham Act, the right in a federally registered mark can be enforceable nationwide – even if the actual use of the mark is confined to a limited area, whereas common law trademark protections are limited to the area in which the mark is actually used in commerce.¹²⁶

The use of a mark in Second Life certainly raises some interesting questions regarding territorial protection. It would seem appropriate that users with federally registered marks would be able to enjoin other users within the United States from using that mark. This would be a

¹²² Dougherty, *supra* note 1, 781.

¹²³ Heinmann v. Gen. Motors Corp., 342 F. Supp. 203, 207 (N.D. Ill. 1972); Consumers Petroleum Co. v. Consumers co. of Ill., 169 F.2d 153, 161 (7th Cir. 1948); Zazu Designs v. L'oreal S.A., 979 F.2d 499, 503 (7th Cir. 1992); Blue Bell Inc. v. Farah Mfg. Co., Inc., 508 F.2d 1260, 1265 (5th Cir. 1975).

¹²⁴ See Planned Parenthood Fed'n of Am. v. Bucci, 42 U.S.P.Q.2d(BNA) 1430, 1441 (S.D.N.Y. 1997) (establishing a webpage and "affecting" the ability to offer nationwide health and information services were "in commerce"); U.S. v. Lopez, 514 U.S. 549, 558-59.

¹²⁵ See generally, United Drug Co. v. Rectanus Co., 248 U.S. 90 (1918).

¹²⁶ See Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 362-63 (2d Cir. 1959).

result of Second Life’s servers being located in California and Texas, certainly within the jurisdiction of the United States. Additionally, it would seem that users who have their marks infringed upon by other users within Second Life should be able to enjoin that user from using their mark within the United States for the same reason; they are within the jurisdictional reaches of the United States. Moreover, this is supported by the definition of use in commerce under the Lanham Act where foreign jurisdictions are included within the definition.¹²⁷

3. Likelihood of Confusion

Even if any given use in Second Life constitutes a use in commerce as discussed above, a mark owner complaining about such use must still demonstrate that the unauthorized use is likely to cause confusion in order to make a prima facie case for trademark infringement.¹²⁸ There are both statutory and case law authorities defining liability for likelihood of confusion. A trademark infringement action under the Lanham requires the plaintiff to demonstrate that the defendant is, without the plaintiff’s consent, “us[ing] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .”¹²⁹ Furthermore, Section 43(a) expressly includes a far more explicit likelihood of confusion for unregistered marks:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which -

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person ...

¹²⁷ 15 U.S.C. §1227 (2010).

¹²⁸ See 15 U.S.C. §§ 1114, 1125(a) (2000) (noting the likelihood of confusion requirement).

¹²⁹ 15 U.S.C. § 1114(1) (2010).

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act¹³⁰

The same statutory test applies where the trademark or trade name owner, or owner of rights analogous to trademark rights, seeks relief in the U.S. Patent and Trademark Office opposition or cancellation proceeding against another's right to register or continue registration of a trademark.¹³¹ Finally, courts have noted that the significance of the various likelihood of confusion factors depends upon the type of confusion at issue in the present case before it.¹³²

It must be mentioned that each Circuit has its own test for likelihood of confusion. For the purposes of this paper Ninth Circuit's test will be discussed. The Ninth Circuit's law will be applied mainly because Second Life is headquartered in California which is within the jurisdiction of the Ninth Circuit. Furthermore, the Ninth Circuit is privy to overseeing litigation as a result of cutting edge technology that is developed in Silicon Valley.

The Ninth Circuit Court of Appeals in AMF, Inc. v. Sleekcraft Boats, enumerated eight factors relevant in the determination of whether confusion between goods is likely.¹³³ In

¹³⁰ 15 U.S.C. § 1125(a)(1)(A) (2010).

¹³¹ *E.g.*, Frosty Treats, Inc. v. Sony Computer Entertainment Am., Inc., 426 F.3d 1001, 1010, 75 U.S.P.Q.2d 1570 (8th Cir. 2005) (differentiating between "confusion-of-source cases" and "confusion of sponsorship"); Star Indus., Inc. v. Bacardi & Co. Ltd., 412 F.3d 373, 384, 75 U.S.P.Q.2d 1098 (2d Cir. 2005) (differentiating between confusion between two competing products and "affiliation confusion"); Therma-Scan, Inc. v. Thermoscan, Inc., 295 F.3d 623, 630, 63 U.S.P.Q.2d 1659 (6th Cir. 2002) (differentiating between "palming off" and "confusion of sponsorship"); Team Tires Plus, Ltd. v. Tires Plus, Inc., 394 F.3d 831, 835, 73 U.S.P.Q.2d 1473 (10th Cir. 2005) (holding that "the relevant confusion under trademark law is not limited to confusion of consumers as to the source of the goods, but also includes confusion as to sponsorship or affiliation, such as a consumer's mistaken belief that a retailer is part of a larger franchising operation").

¹³² Frosty Treats, Inc. v. Sony Computer Entertainment Am., Inc., 426 F.3d 1001, 1010, 75 U.S.P.Q.2d 1570 (8th Cir. 2005) (holding that customers' degree of care is of less importance in a sponsorship confusion case); Therma-Scan, Inc. v. Thermoscan, Inc., 295 F.3d 623, 630, 63 U.S.P.Q.2d 1659 (6th Cir. 2002) ("The significance of [the confusion] factors ... varies with the form of trademark infringement at issue."); King of the Mountain Sports, Inc. v. Chrysler Corp., 185 F.3d 1084, 51 U.S.P.Q.2d 1349 (10th Cir. 1999) ("While we consider these factors to determine whether a likelihood of confusion exists regardless of whether the trademark infringement suit involves source or sponsorship confusion, the weight afforded to some of the factors differs when applied in these separate contexts. ... [I]n the rare, pure sponsorship action, other factors -- such as the relation in use and the manner of marketing between the goods or services and the degree of care likely to be exercised by purchasers -- have little importance.").

¹³³ AMF Inc v. Sleekcraft Boats, 599 F.2d 341 (1979).

determining whether confusion between goods is likely, the Ninth Circuit currently looks to the following 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 lines¹³⁴

These factors are neither exhaustive nor exclusive.¹³⁵ The Ninth Circuit has a flexible attitude towards application of the confusion factors.¹³⁶ It recognizes that not all the factors are equally important or even relevant in each case and notes that it is often possible to reach a conclusion with respect to the likelihood of confusion after considering only a subset of factors.¹³⁷ We briefly turn to each factor and begin to apply them to trademark use in Second Life.

a. Strength of the Mark

First, the strength of a trademark is determined based on how distinctive the mark is, the more distinctive the mark then the stronger it is.¹³⁸ There are four types of protectable marks: arbitrary, fanciful, suggestive, and descriptive.¹³⁹ Arbitrary and fanciful represent the strongest of the marks while suggestive and descriptive are weaker. In fact, to be protectable as a descriptive mark the mark must acquire secondary meaning which translates into the public being able to see

¹³⁴ Sleekcraft, 599 F.2d 341, 348-49.

¹³⁵ E. & J. Gallo Winery v. Gallo Cattle Co., 955 F.2d 1327, 1338, 21 U.S.P.Q.2d 1824 (9th Cir. 1992)

¹³⁶ Cohn v. Petsmart, Inc., 281 F.3d 837, 841, 61 U.S.P.Q.2d 1688 (9th Cir. 2002) ("These factors are flexible, merely guiding the analysis of the overall likelihood of confusion")

¹³⁷ Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1054, 50 U.S.P.Q.2d 1545 (9th Cir. 1999) ("Where the two marks are entirely dissimilar, there is no likelihood of confusion. 'Pepsi' does not infringe Coca-Cola's 'Coke.' Nothing further need be said.")

¹³⁸ Sleekcraft, 599 F.2d at 349.

¹³⁹ Abercombie & Fitch Co., v. Hunting World, Inc., 537 F.2d 4 (2d. Cir. 1976).

the descriptive mark and associate with a single source. Therefore, a mark that is merely descriptive will not be protected without this association.¹⁴⁰

The type of mark used within Second Life would likely weigh in on the infringement analysis. If the mark was extremely strong and was on the arbitrary or fanciful end of the spectrum then it is more likely that this would weigh in favor of protection for the user. However, if the mark were suggestive or descriptive it might be more difficult for a Second Life user to prove secondary meaning. Another consideration would be if the mark is only seen within Second Life. If the mark has not achieved notoriety outside of Second Life, it might be challenging to persuade a Court that the entire public at large could associate the mark with one source. The user would likely argue that perhaps the majority of users within Second Life could associate the mark with a single source, but it is yet to be determined whether the Court would find this sufficient. In sum, the strength of the mark would weigh wholly on the analysis. The stronger the mark, the more likely the Court would entertain an infringement analysis for the use of a mark in Second Life.

b. Proximity of the Goods

The second factor, proximity the goods, would be the next step in the likelihood of confusion analysis. This factor looks to the likelihood that consumers will associate the goods, if closely related, even though such an association does not exist.¹⁴¹ For example, complementary products, goods marketed to the same class of consumers that “are similar in use and function” are more likely to create a consumer association.¹⁴² Turning to the analysis, this factor would have to be determined on a case by case basis. In the first scenario of a virtual vendor selling his

¹⁴⁰ Carter-Wallace, Inc. v. Procter & Gamble Co., 434 F.2d 794, 802, 167 U.S.P.Q. 713 (9th Cir. 1970) (holding that secondary meaning has been called association, nothing more).

¹⁴¹ Sleekcraft, 599 F.2d at 350

¹⁴² Id.

or own mark and branding it with a federally-registered, real world mark, it is possible that a Second Life user could see the virtual product as complimentary to a real-life product. This is also true for the second scenario where a real world user rips off a life established in Second Life. It breaks down to whether users are accustomed to the marks. If a Second Life user in real-life wears Adidas, they are more likely to see products bearing the Adidas marks in Second Life as complimentary and would likely acquire such products for their avatar. Moreover, even products in different forms can be considered complementary.¹⁴³ Therefore, Adidas shoes from real-life and an Adidas shirt within Second Life might very well be deemed complementary.

c. Similarity of the Marks

Next, the third factor, similarity of the marks, requires the court to look at the marks based on sight, sound, and meaning as they are encountered by persons in the marketplace.¹⁴⁴ Similarity is a crucial factor in the likelihood of confusion inquiry.¹⁴⁵ Although courts may examine a mark's appearance, sound, and meaning separately, they emphasize the overall impression the mark gives in the marketplace.¹⁴⁶ In the case of identical marks found in Second Life and the real world, this factor would weigh heavily in favor of the owner of the marks because it is likely they are identical. If the marks are not exactly identical then this factor might be argued either way.

¹⁴³ See e.g., Standard Brands, Inc. v. Smidler, 151 F.2d 34, 37 (2d Cir. 1945) (finding vegetable tablets and vegetable juice complementary products).

¹⁴⁴ See e.g., Sleeper Lounge Co. v. Bell Mfg. Co., 253 F.2d 720, 722 (9th Cir. 1958).

¹⁴⁵ See e.g., Malletier v. Dooney & Burke, Inc., 454 F.3d 108, 117, 79 U.S.P.Q.2d 1481 (2d Cir. 2006) ("The similarity of the marks is a key factor in determining likelihood of confusion."); GoTo.com Inc. v. Walt Disney Co., 202 F.3d 1199, 1205, 53 U.S.P.Q.2d 1652 (9th Cir. 2000) ("The ... similarity of the marks ... has always been considered a critical question in the likelihood-of-confusion analysis."); Al-Site Corp. v. VSI Int'l, Inc., 174 F.3d 1308, 1330, 50 U.S.P.Q.2d 1161 (Fed. Cir. 1999) ("Similarity of the marks is a hallmark of consumer confusion."); Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Center, 109 F.3d 275, 283, 42 U.S.P.Q.2d 1173 (6th Cir. 1997) ("Similarity of marks is a factor of considerable weight.").

¹⁴⁶ Sports Authority, Inc. v. Prime Hospitality Corp., 89 F.3d 955, 962, 39 U.S.P.Q.2d 1511 (2d Cir. 1996) ("In deciding whether the marks are similar as used, we do not look just at the typewritten and aural similarity of the marks, but how they are presented in the marketplace.").

d. Evidence of Actual Confusion

The next factor, evidence of actual confusion, would then be analyzed by the Court. Showing actual confusion is the most persuasive factor for demonstrating confusion, it is also the most difficult to prove.¹⁴⁷ Courts require a substantial amount of evidence and the actual confusion itself must more than minimal.¹⁴⁸ To show actual confusion, a plaintiff may rely on anecdotal instances of consumer confusion or consumer surveys. Consumer surveys are often introduced as evidence of actual confusion.¹⁴⁹ Some courts conclude that failure to present a survey is itself evidence against a finding of confusion,¹⁵⁰ while others refuse to find the lack of survey to be probative.¹⁵¹ Surveying might prove to be an interesting endeavor within Second Life. Options for surveying within Second Life could include a trademark owner hiring Second Life users to “hand out” surveys to other users in an attempt to have users fill out surveys. Another option could be to program bots to appear in popular spots within Second Life and to prompt Second Life users visiting that world to fill out a survey. Finally, another option would be to post surveys on different structures throughout the Second Life environment in an attempt to collect survey data. Perhaps, business owners could give away free products to Second Life users who fill out the survey to induce them into taking the time to fill it out. While there appears to be creative methods to obtain survey data within Second Life, this would still be

¹⁴⁷ See Sleekcraft, 599 F.2d at 352; Autozone, Inc. v. Tandy Corp., 373 F.3d 786, 798 (6th Cir. 2004) (“Evidence of actual confusion is undoubtedly the best evidence of likelihood of confusion.” (quoting Wynn Oil Co. v. Thomas, 839 F.2d 1183, 1188 (6th Cir. 1988))).

¹⁴⁸ Id.

¹⁴⁹ See e.g., Playboy Enterprises, Inc. v. Netscape Communications Corp., 354 F.3d 1020, 1026 n.28, 69 U.S.P.Q.2d 1417 (9th Cir. 2004) (“Surveys are commonly introduced as probative evidence of actual confusion.”); Rust Environment & Infrastructure, Inc. v. Teunissen, 131 F.3d 1210, 1218, 45 U.S.P.Q.2d 1187 (7th Cir. 1997) (“Actual confusion can be shown by either direct evidence or by survey evidence.”); Sally Beauty Co. v. Beautyco, Inc., 304 F.3d 964, 974, 64 U.S.P.Q.2d 1321 (10th Cir. 2002) (holding that evidence of actual confusion may be introduced through surveys). See also Restatement (Third) of Unfair Competition § 23, cmt. c (“Consumer surveys can be helpful in establishing whether confusion is likely.”).

¹⁵⁰ Star Indus. v. Bacardi & Co., 412 F.3d 373, 75 U.S.P.Q.2d 1098 (2d Cir. 2005) (Plaintiff’s “failure to present its own consumer survey weighs against a finding of consumer confusion.”).

¹⁵¹ Boston Athletic Ass’n v. Sullivan, 867 F.2d 22, 32 n.9, 9 U.S.P.Q.2d 1690 (1st Cir. 1989) (declining to require survey evidence of actual confusion).

difficult to achieve and might be even more challenging to get a court to agree to adopt this information.

The result of the analysis of this factor depends on how entrenched in society Second Life becomes and how many businesses establish their presence there. If Second Life is known to the majority of the public, and more and more big businesses increase their activity and sales within the virtual world, it is more likely that actual confusion could arise. As a result of increased presences of large businesses in Second Life, people would see marks they were familiar with both in the real-world and in Second Life; resulting in confusion. Even if Second Life does not reach the mainstream, when newer users see famous marks used in Second Life, actual confusion might arise because they might question whether it is the actual mark or just a knock off within the virtual world. In sum, actual confusion, might be possible to meet, however the burden of surveying within Second Life presents many hurdles in obtaining proving this factor.

e. Marketing Channels Used

Next, the fifth factor, marketing channels used would be weighed upon. Some courts have held that where both parties use the Internet to sell their products, they are using the same channel of trade and that thus weighs in favor of confusion.¹⁵² The likelihood of confusion

¹⁵² See e.g., On-Line Careline, Inc. v. America Online, Inc., 229 F.3d 1080, 1086-87, 56 U.S.P.Q.2d 1471 (Fed. Cir. 2000) ; PACAAR, Inc. v. Telescan Technologies, L.L.C., 319 F.3d 243, 252-53, 65 U.S.P.Q.2d 1761 (6th Cir. 2003) ("Even in the absence of proof regarding Internet marketing's effect on consumer confusion, the district court's finding that using the Internet as a marketing channel increases the likelihood of confusion is not clearly erroneous."), *overruled in part on other grounds by* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111 (2004) ; Big Dog Motorcycles, L.L.C. v. Big Dog Holdings, Inc., 402 F. Supp. 2d 1312, 1331, 79 U.S.P.Q.2d 1187 (D. Kan. 2005) ("Certainly, the risk of a likelihood of confusion may increase if both parties use the Internet as a selling or advertising tool."); Pure Imagination, Inc. v. Pure Imagination Studios, Inc., 2004 U.S. Dist. LEXIS 23064 (N.D. Ill. 2004) ("While the Court declines to hold that the mere use of the Internet by both parties means that [the "area and manner of concurrent use"] factor weighs in favor of the trademark owner, under the facts of this case where both parties actively use the Internet to perform their services, this factor weighs heavily in favor of [plaintiff]."); Public Serv. Co. of New Mexico v. Nexus Energy Software, Inc., 36 F. Supp. 2d 436, 50 U.S.P.Q.2d 1317 (D. Mass. 1999) (finding "channels of trade" factor weighs in favor of plaintiff because both parties "compete on the Internet" even though their customer bases are in different geographic regions); Washington

increases if the products are advertised in the same places, sold for the same prices, sold in the same way, or sold to the same class of consumers.¹⁵³ The factor involves a comparison of “how and to whom the respective goods or services of the parties are sold.”¹⁵⁴

Similar to the other factors, the outcome of this factor would be contingent upon the facts of the case. In the first scenario of a virtual vendor selling his or her own product and branding them with a federally registered, real world mark, it can be argued that it depends on if the real world company has established a presence within Second Life. If for example, Apple has a large presence in Second Life and actively sells products and advertises within the virtual world, then this factor would likely weigh heavily in favor of Apple over an infringing defendant. If on the other hand, Apple had not established a presence in Second Life, and the Second Life user promotes his or her product with the Apple mark on it, then this factor would more than likely weigh in favor of the defendant due to the fact that the products would not be advertised in the same places, for the same prices, or sold in the same way to the same class of consumers.

Moreover, under the second scenario, where a real world vendor rips a brand of a Second Life vendor, this factor would likely weigh against confusion because the way the item bearing the Second Life established brand would be disseminated would be in a wholly different manner to real-life consumers. It would be a physical tangible object, while the Second Life mark would have been established on a virtual item.

Finally, under a third scenario, where a Second Life user establishes a mark within Second Life and then another Second Life user would use the mark without authorization, the

Speakers Bureau, Inc. v. Leading Authorities, Inc., 33 F. Supp. 2d 488, 499, 49 U.S.P.Q.2d 1893 (E.D. Va. 1999) (finding that "similarity of facilities used in business" factor favors plaintiff where both parties advertised and provided services on the Internet); Jews for Jesus v. Brodsky, 993 F. Supp. 282, 304-05, 46 U.S.P.Q.2d 1652 (D.N.J. 1998) (finding that "manner in which marketed" factor favored plaintiff because both parties used the mark in their domain names and those could be accessed from any Internet browser).

¹⁵³ Sleekcraft, 599 F.2d at 353.

¹⁵⁴ See, e.g., Leelanau Wine Cellars v. Black & Red, Inc., 502 F.3d 504, 519 (6th Cir. 2007).

owner of the mark might have the strongest case. The mark would be advertised within Second Life, used within Second Life, and distributed within Second Life. These circumstances weigh in favor of the owner of the mark because the same channels for distribution and advertising would be met. However, it should not go without notice that the Court might still pull the analysis out of the realm of Second Life and apply it to a reasonable consumer who might not be informed of Second Life. I would argue that in this situation the Court would have to apply a reasonable Second Life consumer standard for their analysis of this situation. While the fact that the court would have to adopt a narrow, specialized standard for Second Life cases, it would be extremely beneficial to have this standard for cases like this. In the future, courts would not have to question whether a reasonable consumer knows about Second Life or not. Under the reasonable Second Life consumer standard, it is presumed that the user knows about Second Life and understands the virtual community at least on a basic level.

f. Types of Goods and Degree of Care Likely to Be Exercised

Next, the types of goods and the degree of care likely to be exercised would be analyzed. This factor involves the inquiry of whether the products are high-end, expensive goods or less expensive, impulse-buy or retail goods.¹⁵⁵ The assumption made with this factor is that if the products are more expensive, the ordinary, reasonable consumer purchasing the items will be more sophisticated, or at least take more care and time in purchasing the items.¹⁵⁶ The extra time would result in more research and education of the consumer. Thus, it follows, that purchasers paying more money, or purchasing specialized goods are less likely to be confused. This

¹⁵⁵ *Sleekcraft*, 599 F.2d at 353

¹⁵⁶ See e.g., *Versa Prods. Co. v. Bifold Co.*, 50 F.3d 189, 204-05 (3d Cir. 1995) (discussing consumer sophistication in the context of trade dress infringement).

“ordinary, reasonable consumer” standard excludes the “indifferent” consumers but includes ignorant consumers.¹⁵⁷

Turning to the three scenarios, again the facts will be a strong determinant in how the Court looks to this factor. If a Second Life user were to rip the brand of a real-world vendor, this factor would likely weigh in favor of no confusion. If the item is expensive, the real-life consumer would likely be considered sophisticated by the Court. However, with regard to Second Life, and the use of Linden dollars, this item becomes less expensive due to the fact that one Linden dollar is only worth a fraction of one U.S. dollar. Therefore the consumer would be presumed to have taken less care in the Second Life purchase. The same result would likely occur in the second scenario where a real-life vendor rips a Second Life established brand. The price difference and the disparity between the substance and quality of the products would likely weigh against confusion. Finally, the third scenario where a virtual mark is used by another virtual user within Second Life, then this factor might weigh in favor of confusion. As long as the price is similar in Linden dollars, then a consumer could be confused by the two marks.

g. Defendant’s Intent

Seventh, the defendant’s intent in selecting the marks must be analyzed. Courts give significant weight to the intent of the alleged infringer.¹⁵⁸ There is a presumption that a defendant knowingly copied the owner’s mark and his intention was to deceive consumers and it is likely that the copier accomplished his goal.¹⁵⁹ Use alone is not enough to establish bad intent;

¹⁵⁷ Sleekcraft, 599 F.2d 353. See also Fleischmann Distilling Corp. v. Maier Brewing Corp., 314 F.2d 149, 156 (9th Cir. 1963) (“The law is not made for the protection of experts, but for the public--that vast multitude which includes the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearance and general impressions.” (quoting Stork Rest. v. Sahati, 166 F.2d 348, 359 (9th Cir. 1948))).

¹⁵⁸ See e.g., AmBrit, Inc. v. Kraft, Inc., 812 F.2d 1531, 1542 (11th Cir. 1986) (explaining that a defendant's intent "of deriving benefit from the reputation" associated with the mark could alone be enough to support a finding of likelihood of confusion); Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 263 (5th Cir. 1980) (same). See also Restatement (First) of Torts § 729 cmt. f (1938).

¹⁵⁹ Sleekcraft, 599 F.2d at 354.

the plaintiff must indicate that the defendant “intended the public to believe that the plaintiff endorsed or somehow supported its products or services.”¹⁶⁰ Good faith use does not necessarily make confusion less likely, but a court may consider it when directing the remedy if infringement is found ultimately.¹⁶¹

Turning to the scenarios, scenarios one, two, and three would likely be found in favor of the plaintiff because of the presumption of knowingly using the mark. For a Second Life user to implement or create a trademark in Second Life it takes a great deal of deliberate effort; one must create the design and product that the mark appears upon. This deliberateness would seemingly support a plaintiff’s case that the defendant intended to use the mark in an infringing capacity. This element would be difficult for a defendant who uses a mark without authority in Second Life due to the deliberate nature involved in either creating a mark in Second Life from scratch or from copying it from a real-life mark and pasting it within Second Life.

h. Likelihood of Expansion of Product Lines

Finally, the eighth factor considers the likelihood of expansion of product lines. In determining this factor, courts look to whether either party is likely to expand its business to produce the same goods as the other party.¹⁶² A strong possibility that either party will expand his business to compete with the other or be marketed to the same consumers will weigh in favor of finding that the present use is infringing.¹⁶³

Turning to our scenarios, it depends on how popular Second Life has become at the time of an action. If businesses have established strong presences within Second Life then it might be likely that a court could see a business expanding from the real-world into Second Life. If the

¹⁶⁰ Century 21 Real Estate Corp. v. LendingTree, Inc., 425 F.3d 211, 227 (3d Cir. 2005).

¹⁶¹ See, e.g., Davis v. Walt Disney Co., 430 F.3d 901, 904-5 (8th Cir. 2005). This could be the difference between the institution of an injunction versus a damages judgment, which could be quite expensive.

¹⁶² Sleekcraft, 599 F.2d at 354.

¹⁶³ Daddy’s Junky Music Stores, 109 F.3d at 287.

court would see that a business would expand into Second Life then it would more likely hold that the real world business could directly compete with a the Second Life user within Second Life. If this were the case, then the Court would likely find in favor of the plaintiff. Furthermore, in terms of a Second Life user v. another Second Life user, the Court would more than likely find in favor of the plaintiff. The two would be producing the same goods as the other party and would directly compete and market to similar consumers within Second Life.

In sum, many factors would weigh into a court's likelihood of confusion analysis under these circumstances. The strength of the mark, how and where it is used will weigh heavily in the Court's analysis. Also, how popular Second Life is at the time of an action would weigh wholly upon the entire likelihood of confusion analysis

4. Dilution

Likelihood of confusion would not be the only infringement theory that business owners and entrepreneurs should be aware of - trademark dilution is also an issues. Trademark dilution has existed for over half a century and was added to the Lanham Act in 1996.¹⁶⁴ Federal dilution law protects famous marks from unauthorized uses that are likely to impair their distinctiveness or harm their reputation.¹⁶⁵ It enables owners of those marks to maintain their value as source indicators and as symbols of good will.¹⁶⁶ The theory of dilution can apply to Second Life use just as likelihood of confusion could. There are certainly famous marks being used throughout Second Life which as discussed above can be deemed in commerce.

¹⁶⁴ The Federal Trademark Dilution Act (FTDA) became effective in January 1996. See Hasbro, Inc. v. Clue Computing, Inc., 66 F. Supp. 2d 117, 126 (D. Mass. 1999), aff'd, 232 F.3d 1 (1st Cir. 2000). Interestingly, some courts have applied the injunctive remedies somewhat retroactively to diluting uses that occurred before the effective date of the statutes. Id. at 126-30 (enumerating other circuit holdings regarding the retroactivity of the FTDA).

¹⁶⁵ 2-5A, Gilson on Trademarks, § 5A.01.

¹⁶⁶ Id.

Federal dilution protection permits the owner of a famous mark to seek injunctive and in some cases monetary relief for the unauthorized use of a mark when such use “impairs the distinctiveness of the famous mark”¹⁶⁷ or harms the reputation of a famous mark.¹⁶⁸ At its core, the theory of dilution attempts to protect subsequent users from gradually decreasing the value of an established mark. In 2003 in Moseley v. V Secret Catalogue, Inc., the Supreme Court considered dilution for the first part as laid out in the then applicable Federal Trademark Dilution Act.¹⁶⁹ The Court delineated a very high burden of proof for plaintiffs by requiring a showing of “actual dilution.”¹⁷⁰ In 2005, Congress reversed Moseley¹⁷¹ by enacting the TDRA, which loosened the plaintiff’s evidentiary burden to a likelihood of confusion standard.¹⁷² To succeed under the TDRA, an owner would have to prove: (1) the mark is famous and distinctive; (2) defendant’s use of its mark is commercial; (3) defendant has used its mark in commerce; (4) defendant’s use began after plaintiff’s mark became famous; and (5) defendant’s mark is likely to cause dilution of the mark’s distinctive quality through blurring or tarnishment.¹⁷³ In order to

¹⁶⁷ Trademark Dilution Revision Act of 2005 (15 U.S.C. § 1125(c)).

¹⁶⁸ 15 U.S.C.A. § 1125(c)(2)(C) (2010).

¹⁶⁹ Moseley v. V. Secret Catalogue, Inc., 537 U.S. 418 (2003) (holding that “actual dilution must be established”), superseded by statute, 15 U.S.C.A § 1125(c).

¹⁷⁰ Id.

¹⁷¹ See, e.g., Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 477 F.3d 765, 766 (2d Cir. 2007) (noting that Moseley’s actual dilution standard was superseded by the TDRA).

¹⁷² Dougherty, *supra* note 1, at 793 (stating that the FTDA standard of actual dilution, as construed in Moseley, still applies when plaintiffs seek monetary damages for alleged dilution that occurred before the October 6, 2006 effective date of the TDRA); See Dan-Foam A/S v. Brand Named Beds, LLC, 500 F. Supp. 2d 296, 308 (S.D.N.Y. 2007) (“Because the TDRA’s relaxed likelihood of dilution standard applies only to pre-October 6, 2006 claims seeking prospective relief, actual dilution under Moseley still applies when a pre-October 6, 2006 claimant seeks monetary relief.”); see also Louis Vuitton Malletier v. Dooney & Bourke, Inc., 500 F. Supp. 2d 276, 282-83 (2d Cir. 2007). The TDRA changed the factors to determine fame and likelihood of blurring and denied protection to marks famous in a “niche” market. H.R. Rep. No. 109-23, at 8, 25 (2005). According to courts, however, because the majority of the FTDA remained intact, caselaw interpreting unchanged sections is still applicable. See Adidas Am., Inc. v. Payless Shoesource, Inc., No. CV 01-1655-KI, 2007 U.S. Dist. LEXIS 94192, at * 67-68 (D. Or. Dec. 21, 2007) (explaining that the TDRA did not “eliminate the requirement that the alleged diluter’s mark be identical, nearly identical, or substantially similar”).

¹⁷³ 15 U.S.C. 1125(c)(1) (2010).

receive money damages, the plaintiff must also show that defendant intended to trade on the plaintiff's reputation or willfully intended to dilute plaintiff's famous mark.¹⁷⁴

a. Whether the Mark is Famous

When considering a dilution claim, whether or not the mark is famous must be analyzed under the first factor. A mark is famous "if it is widely recognized by the general consuming public of the United States as a designation of source of goods or services of the marks' owner."¹⁷⁵ A mark must be truly prominent and renowned to meet the famousness element. In determining whether a mark is famous, thus qualifying for protection from dilution, courts are instructed to review a number of statutory factors:

1. The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties
2. The amount, volume, and geographic extent of sales of goods or services offered under the mark
3. The extent of actual recognition of the mark
4. Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.¹⁷⁶

The list of fame factors is nonexclusive and courts may consider other evidence in making determination of fame. For example, survey evidence of fame is very powerful and courts may comment unfavorably on the absence of survey data in dilution cases.¹⁷⁷ Courts need not discuss each factor,¹⁷⁸ and often the fame of the mark will not even be disputed.¹⁷⁹ It is likely that marks

¹⁷⁴ 2-5A, Glison on Trademarks, §5A.01.

¹⁷⁵ 15 U.S.C. § 1125(c)(2) (2010).

¹⁷⁶ 15 U.S.C. § 1125(c)(2)(A) (2010).

¹⁷⁷ TCPIP Holding Co. v. Haar Comme'ns Inc., 244 F.3d 88, 99 (2d. Cir. 2001)("Nor did TCPIP submit consumer surveys, press accounts, or other evidence of fame."); I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 47, 49 U.S.P.Q.2d 1225 (1st Cir. 1998) ("Consumer surveys could be used as evidence of such fame, but consumer surveys are absent from this case."); BigStar Entertainment, Inc. v. Next Big Star, Inc., 105 F. Supp. 2d 185, 218, 54 U.S.P.Q.2d 1685 (S.D.N.Y. 2000) (noting the "absence in this record of any consumer surveys documenting the extent of actual public identification of plaintiff's marks" in finding the marks not famous).

¹⁷⁸ See Times Mirror Magazines, Inc. v. Las Vegas Sports News L.L.C., 212 F.3d 157, 166, 54 U.S.P.Q.2d 1577 (3d Cir. 2000) ("It was not an abuse of its discretion for the court to omit explicit discussion of these factors in its analysis, because the majority of the other fame factors weighed in favor of finding the mark famous.").

¹⁷⁹ See, Moseley, 537 U.S. 418 (2003) (VICTORIA'S SECRET); Virtual Works, Inc. v. Volkswagen of Am., Inc., 238 F.3d 264, 57 U.S.P.Q.2d 1547 (4th Cir. 2001) (VW); Sony Computer Entertainment, Inc. v. Connectix Corp., 203 F.3d 596, 53 U.S.P.Q.2d 1705 (9th Cir. 2000) (PLAYSTATION); Federal Express Corp. v. Federal Espresso, Inc.,

of large corporations which are wholly recognizable by the public will be deemed famous as courts have previously held.¹⁸⁰ This factor is strong for large corporation plaintiffs who have used marks for a great period of time. Conversely, this factor would be weak for those users who have just established a presence within Second Life. The outcome of a dilution action with regard to Second Life would surely depend upon if the mark is famous or not just like cases not concerning Second Life.

b. Defendant's Use of Mark is Commercial

Next, the court would have to turn to the second factor to see whether the defendant's use of the mark was commercial. As discussed above¹⁸¹, commercial use is still a grey area of the law. However, it can be argued that if a Second Life business owner is using the mark and seeking to realize profits from the mark or gain popularity from that mark then the use is commercial. Business owners when bringing dilution actions to enforce their marks should always argue that it is commercial use. These owners are the ones suffering harm and could likely prove that another unauthorized user's use of the mark could destroy their goodwill over time.

c. Defendant's Use of mark in Commerce

Thirdly, the Court would have to look at whether or not the mark has been used in commerce. Like the second factor and as discussed above, this is another unsettled area of the

201 F.3d 168, 53 U.S.P.Q.2d 1345 (2d Cir. 2000) (FEDERAL EXPRESS); McNeil Consumer Brands, Inc. v. United States Dentek Corp., 116 F. Supp. 2d 604, 56 U.S.P.Q.2d 1758 (E.D. Pa. 2000) (TYLENOL).

¹⁸⁰ See e.g., Nike, Inc. v. Nikepal Int'l, Inc., 84 U.S.P.Q.2d (BNA) 1521, 1526 (E.D. Cal. 2007) (finding NIKE famous as defined by the TDRA); Nike Inc. v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1372 (S.D. Ga. 2003) (NIKE is famous) (FTDA); Ty, Inc. v. Perryman, 306 F.3d 509, 64 U.S.P.Q.2d 1689 (7th Cir. 2002) (BEANIE BABIES and BEANIES are "household words") (FTDA); Mattel, Inc. v. MCA Records, Inc., 296 F.3d 874, 63 U.S.P.Q.2d 1715 (9th Cir. 2002) (BARBIE "easily qualifies under the FTDA as a famous and distinctive mark"); Ford Motor Co. v. Ultra Coachbuilders Inc., 57 U.S.P.Q.2d 1356, 1364 (C.D. Cal. 2000) (finding that FORD and LINCOLN are "undoubtedly famous marks, as are their respective logos") (FTDA); Danjq LLC v. Sony Corp., 49 U.S.P.Q.2d 1341 (C.D. Cal.) (undisputed that JAMES BOND mark is distinctive and famous) (FTDA), *aff'd*, 165 F.3d 915 (9th Cir. 1998); Toys "R" Us, Inc. v. Akkaoui, 40 U.S.P.Q.2d 1836 (N.D. Cal. 1996) (TOYS "R" US family of marks)

¹⁸¹ See supra Use in Commerce.

law. Mark owners are likely to argue that any use within Second Life is certainly a use in commerce. Second Life is a virtual world where users can realize real profits. Courts would likely find real-world use of Second Life marks as use in commerce and should find the same for any use of a mark within Second Life.

d. Defendant Used Mark After it Became Famous

Fourth, the court will turn to whether the defendant's use of the mark was after it became famous. This factor would be contingent upon whether the mark is in fact deemed famous and if use of a mark within Second Life was truly use. It is likely that if a mark is in fact determined to be famous, then any use within Second Life after the mark became famous would be considered use as discussed previously, and therefore would result in the factor weighing in favor of plaintiffs in a dilution action.

e. Blurring & Tarnishment

Finally, the Court must determine whether the defendant's mark is likely to cause dilution of the mark's distinctive quality through blurring or tarnishment. Blurring involves the "whittling away of an established trademark's selling power and value through its unauthorized use by others upon dissimilar products."¹⁸² 15 U.S.C. § 1125(c)(2)(B) defines blurring as an association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.¹⁸³

Blurring focuses on the fact that a trademark is used to designate a source of a product or service and the goodwill or customer loyalty it engenders.¹⁸⁴ A consumer would trust that all

¹⁸² Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc., 875 F.2d 1026, 1031 (2d Cir. 1989) (plaintiff Mead Data claimed, under the New York dilution statute, that defendant Toyota's use of the trademark LEXUS for luxury automobiles was diluting its LEXIS mark for on-line legal research services. The Second Circuit rejected the claim, holding that LEXIS was distinctive only within a narrow universe of sophisticated purchasers and that no significant blurring was likely).

¹⁸³ 15 U.S.C. § 1125(c)(2)(B) (2010).

¹⁸⁴ 2-5A, Gilson on Trademarks, §5A.01.

products labeled as Apple would in fact come from Apple. However, a simple mental association between the junior and senior marks is not enough to establish blurring; under the statute dilution by blurring is an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”¹⁸⁵ The consumer must associate the famous mark with the junior user’s goods such that the strength of the famous mark is reduced, or associate the famous mark “less strongly or exclusively” with products associated with that mark.¹⁸⁶ Statutory blurring factors include:

1. The degree of similarity between the mark or trade name and the famous mark.
2. The degree of inherent or acquired distinctiveness of the famous mark.
3. The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
4. The degree of recognition of the famous mark.
5. Whether the user of the mark or trade name intended to create an association with the famous mark.
6. Any actual association between the mark or trade name and the famous mark.¹⁸⁷

Next, still under this last factor, the Court must look to tarnishment. Tarnishment occurs when a famous mark is linked to products of a weaker quality, or is portrayed in an unwholesome or unsavory context.¹⁸⁸ Federal law defines dilution by tarnishment as “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation the famous mark.”¹⁸⁹

There are seemingly two types of tarnishment cases under the case law. First, is straight forward, an association with a poorer quality product.¹⁹⁰ The second type involves injury from

¹⁸⁵ 15 U.S.C. § 1125(c)(2)(B) (2010).

¹⁸⁶ *Id.*

¹⁸⁷ 15 U.S.C. 1125(c)(2)(B)

¹⁸⁸ 2-5A, Gilson on Trademarks, §5A.01.

¹⁸⁹ 15 U.S.C. 1125(c)(2)(C)

¹⁹⁰ *Deere & Co. v. MTD Prods, Inc.*, 41 F.3d 39, 43 (2d Cir. 1994) (defining one of the two traditional types of tarnishment as when "the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product"). See, *e.g.*, *Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1457 (9th Cir.

having a mark portrayed in an unflattering or unsavory way.¹⁹¹ These cases involve puns or parody of trademarks and courts have been concerned not only with tarnishment of a trademark owner's reputation, but also tarnishment of the persona of the trademark itself.¹⁹²

Second Life business owners must be aware of blurring and tarnishment as the fifth factor in the dilution analysis. In the context of blurring and tarnishment, real-world and Second Life business owners must be aware of several issues. First, business owners must look to see what types of goods they plan to use the mark on. If a Second Life owner attempts to make and sell Apple beds, it is likely that Apple would prevail on a blurring count. While it is unlikely that reasonable consumers would not believe Apple is making beds, it could lead to the Apple mark being diluted over time. In the tarnishment realm, if a Second Life owner were to produce virtual i-Pods using the Apple mark, this might not result in tarnishment. However, if the Second Life business owner made Apple sex toys in Second Life, then Apple might have a stronger claim for tarnishment due to the fact that these items could bring down the goodwill of the company.

Second, prospective business owners must spend a lot of time determining whether or not the mark they are using is famous. It would not be advantageous to rip another's mark, but if the owner is going to do so they must bear in mind if the mark is famous or not. Use of a famous mark will lean heavily towards dilution.

1991) (finding dilution because "if the Star Award looks cheap or shoddy, ... the Oscar's distinctive quality as a coveted symbol of excellence ... is threatened"). Cf. *Clinique Labs., Inc. v. DEP Corp.*, 945 F. Supp. 547, 562 (S.D.N.Y. 1996) (claim that a product is a "cheap knockoff" without showing of shoddy or unwholesome quality insufficient to succeed on claim of tarnishment).

¹⁹¹ See, e.g., *Deere*, 41 F.3d 39, (use of mutilated form of John Deere's logo preliminarily enjoined under New York dilution statute).

¹⁹² See *Williams v. Columbia Broadcasting Sys., Inc.*, 57 F. Supp. 2d 961 (C.D. Cal. 1999) (rejecting argument that dropping, shooting, and running over plaintiff's clay figure Mr. Bill tarnished the mark's reputation by glorifying violence; no likelihood of confusion found); *National City Bank v. National City Window Cleaning Co.*, 134 U.S.P.Q. 54, 180 N.E.2d 20 (Ohio Ct. App. 1962) (court notes that defendant's name "would have a tendency to tarnish the trade name that the plaintiff established and used to the extent that it would lose some of its valuable luster."), *remanded on other grounds*, 174 Ohio 510, 190 N.E.2d 437, 137 U.S.P.Q. 575 (1963).

In summary, both business owners in Second Life and the real world must be aware of dilution claims. Their use of other's marks might bring about federal claims for dilution. Conversely, they should be prepared to enforce their rights with dilution claims if they find either real world or Second Life businesses using their marks without authorization.

III. Trademark Enforcement

Owners of marks in Second Life and the real-world alike must be prepared to enforce their rights that they have acquired with their marks. First, monitoring and policing unauthorized use of their marks is essential. Business owners can hire counsel or an employee to effectively search for uses of their mark within Second Life. This could involve searching through the in-world search feature or traveling to different events and islands to see if their mark is being used. Moreover, business owners could try to enlist seasoned Second Life veterans to report any uses of the mark during their regular Second Life use and travels. As compensation maybe the business owners could give these Second Life free products or pay them in Linden dollars. It is imperative that mark owners police and monitor the use of their mark to ensure that their rights are being enforced.

A second way to enforce their mark is to effectively use the mark. Second Life owners want to be sure that they establish a presence within Second Life and do everything possible to have success. The more often the mark is seen, the easier it will be to establish use and gain trademark rights. Moreover, if the mark happens to be descriptive, the only way to gain secondary meaning is to become so popular that users only associate the mark with your product and not others. Furthermore, by using the mark the business owner is engaging in a form of free advertising. It would be advantageous for up and coming businesses to disseminate free versions of their product in an attempt to get popularity. Once users become accustomed to seeing their

mark and gain a desire to obtain the item bearing the mark, they might be more likely later to buy it. Through mass dissemination the owner would effectively establish use which could not only help them obtain trademark rights but it would also be good for business.

A third way for Second Life business owners to enforce their marks is through the use of Cease & Desist communications. These communications are at their core, letters to unauthorized users demanding they halt their use of the owner's mark. These letters would result from the effective policing and monitoring efforts. If an unauthorized use is seen, the owner of the mark should hire counsel and ask the attorney to draft and send a letter. The goal of the letter is to hope that the infringing user will cease use due to the threat of litigation.

Fourthly, business owners can contact Linden and demand takedown in the hopes that Linden will take down any infringing user's item that bears the owner's mark. This might get controversial because of Linden Lab's Terms of Service which gives up any role in determining intellectual property rights and just agrees to respect any rights the courts or laws recognize. However, if the mark is first created by one business in Second Life, the mark is theirs and take down should be completed.

Also, business owners can file suit under any of the theories discussed above¹⁹³. Business owners must be aware that litigation is costly and they should weigh the benefits and costs of taking this route. It would be advisable to first issue a cease and desist letter or try to settle the matter before filing a complaint.

Finally, while it is not required that owners register their marks in order to receive trademark protection, it might still be advisable to do so. Registering a mark confers nationwide priority rights effective from the U.S. application filing date. Moreover, registration will result in the mark being listed on search reports obtained by people conducting searches. Additionally,

¹⁹³ See supra Likelihood of Confusion & Dilution.

registration is evidence of the registrant's ownership rights, shifting the burden of proof to anyone challenging those rights, and in some circumstances it can be conclusive evidence of such rights. Registration is required for increased remedies against counterfeiters and gives federal courts jurisdiction to hear infringement claims. Finally, a mark owner can use U.S. registration as basis for foreign applications should the owner seek to enforce and use its mark outside the borders of the United States. If a business owner wishes to obtain the utmost protection of an original, registerable mark, it is advisable for them to register it.

IV. Protective Measures

Virtual business owners in Second Life must be informed of ways to protect themselves from complaints against them. First, these owners should perform trademark searches before ever using any mark. Searches will let the owner know if the mark they have created already exists, what type of items it is used on, and where it is used. Anybody can do a "knock out" search for free by using the United States Patent and Trademark Office website¹⁹⁴. However, it would be advised that if an owner is seriously considering adopting and using a mark, to enlist a trademark search company to perform a comprehensive search yielding all available information regarding the owner's proposed mark. While this search form could cost a few hundred dollars it would provide the most information and peace of mind when implementing the use of a new mark.

Secondly, if a business owner sees that their use of a mark within Second Life is an infringing use or if they receive communication from a mark owner that their use is an infringing one, they might want to consider outright abandonment of the mark. The downside is, by abandoning the mark the owner is relinquishing any rights to it, but the upside is they might be

¹⁹⁴ <http://www.uspto.gov/> (last visited April 25, 2010).

able to avoid a potentially expensive lawsuit on account of their use. This is something to be considered on a case by case basis.

VI. Conclusion

Second Life is an exciting place for business. Businesses should take advantage of this alternative medium to reach new customers and establish a presence in the virtual community. Nevertheless, the use of trademarks within Second Life and other virtual worlds is going to be something courts wrestle with in the near future. As the use of these virtual landscape increases, so will the actions that make their ways into the courts. It would be wise for the court to tackle issues regarding virtual communities such as Second Life now, as a way to establish standards to implement for later actions. As technology increases, one can only assume that the amount of users who participate in virtual communities will rise as well. With court promulgated standards readily available, perhaps virtual world users will be able to tailor their conduct in accordance with these rules. As a result, actions concerning virtual communities could even be diminished.