

Using third-party trademarks in video games: Fair Use cases

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Permissible trademark uses in US Law: Lanham Act Fair Use

In United States, trademarks have a double regime as are protected by both state and federal law. Nevertheless, the primary source of protection is the Lanham Act, contained in Section 15 of the U.S. Code.

According to section 32 (1) (a) - 15 U.S. Code § 1114, liability arise on anyone “*who shall, without the consent of the registrant—(a) use 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...*”.

The rule of thumb for using another's trademark is to have the “consent of the registrant” in terms of section 32 (1) (a) that defines what is an “actionable use”, that's to say, seeking and obtaining proper authorization from the trademark owner.

Although, even when not expressly authorized, trademark law allows certain uses to be excused of liability under particular circumstances, mostly related to cases that do not amount to likelihood of confusion or dilution (which gave cause of action for trademark infringement under the Lanham Act).

The motives behind these “permissible uses” could be divided into a subset of doctrines of which are considered as “descriptive or classic fair use”, “nominative fair use” or other expressive uses of another's trademark. These uses are excluded from liability to safeguard free speech (as could be parody, art or commentary) or to protect marketplace competition values.

Due to the brief extension of this work, focus will be on fair use as a defense in its “expressive” variants, and on that grounds, if it could be a tool to allow video game developers the right to include unlicensed trademarks in their works, especially in genres that require certain authenticity or credibility, such as historic recreations, or “open world” simulations.

Descriptive or “Classic” Fair Use

Even as they both share a common ethos of limit intellectual property rights, trademark fair use differs from copyright as they are delineated by different elements and tests.

Traditionally, trademark descriptive fair use started in case law as a defense to limit mark owners' rights regarding the use of common words that had become subject of trademark, to avoid extending those rights to the use of its original meaning. Doing so would result in depriving language of essential words and idioms of common usage, impairing its fluidity.

The classic formulation of fair use defense allows someone to use a third party trademark to describe its own products or services, if that use is in good faith, and when those trademark has a descriptive meaning in addition to its secondary meaning as a trademark.

In that spirit, the Lanham Act provides in section 33 (b)(4), equivalent to 15 U.S.C. 1115(b)(4), interpretative guidelines to define the fair use defense elements.

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; (15 U.S. Code § 1115 - Registration on...)

Although the law establishes fair use as a defense against incontestable registration, some courts use this section to justify their decisions involving registered marks that are not incontestable. In US Law, achieving “incontestability status” implies that the mark is immune to

challenge, except if it has become a generic term for the goods or services in connection with the trademark, or if it has been obtained by fraud, or if it violates antitrust laws. Incontestability may be declared under Section 15 of the Lanham Act after five years of consecutive use since the date of the federal registration.

Typically, a descriptive fair use case is when a trademark is used to describe products or services rather than as the primary function of trademark as an indication of the source of the products or services ([Fair Use of Trademarks \(Intended for ...\)](#)), which is usual when the trademark has a descriptive meaning as well as a secondary meaning as a brand.

In *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, the trademark at issue was “microcolor” used for the plaintiff in advertisements of its line of “permanent makeup” products, “micro color” was as well an incontestable trademark, registered previously at the USPTO by the defendant.

SCOTUS reversed the Ninth Circuit decision against fair use based only on the likelihood of confusion, and ruled “*... that some possibility of consumer confusion must be compatible with fair use, and so it is. The common law's tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.*” ([KP Permanent Make-Up, Inc. v. Lasting...](#)). Until this holding, courts had stated that a defendant is foreclosed of invoking descriptive fair use when the mark’s owner proved that the use of the mark was likely to cause confusion. As a result of the Court decision, the burden of proving likelihood of confusion was placed with the mark owner, opening the door to consider it as another factor to be balanced when deciding the lawful use of a trademark.

A three-step test for descriptive Fair Use was articulated in “Dessert Beauty, Inc. v. Fox”.

Nominative Fair Use

As descriptive fair use is limited to the description of a party's own products, it had proved to have a narrow scope to encompass other circumstances, such as when the trademark is employed to refer to a third party brand, product or service. Nominative fair use was developed as a mean to allow the use of another's trademark to refer to the trademark owner's actual goods and services associated with the mark.

The original formulation of this doctrine was enunciated by the Ninth Circuit Court in “New Kids on the Block v. News America Publishing, Inc”. The facts surrounding that case involved the once famous “New Kids on the Block” and two newspapers that were sued, among other things, for trademark infringement for their use of the band's name in a contest. The defendants had conducted a poll asking their readers to vote for “their favorite member of the New Kids on the Block”. Articulating a three-step test, the court found that the newspapers were not liable, as their use qualified as a “nominative fair use”.

Under the “New Kids” standard, a defendant asserting nominative fair use has to meet three requirements ([Westberg 1994](#)):

- 1) the product or service in question is not readily identifiable without use of the trademark.
 - 2) the mark is used only as much as is reasonably necessary to identify the product or service
 - 3) the use of the mark does not suggest sponsorship or endorsement by the trademark owner
- Related to the first prong, in “*Playboy Enterprises Inc. vs Welles*”, (where the use of the trademark “playmate of the year” by the former playmate Terri Welles in her website was in question), the Court ruled that individuals can not be forced to use “*absurd descriptive phrases*” just to avoid trademark liability ([Playboy Enterprises, Inc. v. Terri We...](#)).

Expressive uses of trademarks

Trademarks have come to play such a ubiquitous role in our modern culture, that sometimes it is simply unavoidable their mention to conjure up in our minds an accurate representation of their associated meanings.

Some of these uses involve referring to a trademark in a critical, unflattering or parodic context, that may be deemed as dilution or tarnishment by the mark owner, and therefore, will not be authorized. Likewise, some subtle parodies may be prone to be considered confusing for consumers, whom can be mistaken on the source of origin of the goods or services.

In both scenarios, trademark owners have incentives to silence the expression or mitigate the damages by suing for trademark infringement. Moreover, those with deep pockets who can afford the costs associated with this kind of lawsuits could strategize to rely upon the threat of expensive litigation, as a dissuasive mechanism to force a settlement, before a judge have a say on the matter.

The courts have the delicate task to strike a balance between the protectable discourse under the First Amendment, (necessary to preserve free speech values, free flow of information, art and social commentary), and intellectual property holder's rights that propulse innovation.

2 .Use of third party trademarks in video games

Video games have evolved from simple mechanics without enough creative elements beyond gameplay functional aspects, to complex works that constitute a modern form of interactive narrative, reaching the status of an art form protected by First Amendment's provisions.

In a landmark decision ruled in "*Brown v. Entertainment Merchants Ass'n*", the Supreme Court held that video games have the same free speech protections as other "expressive works" ([Brown v. Entertainment Merchants Ass'...](#)), and therefore, the fair use defense afforded to expressive uses in trademark litigation is available.

In *Rogers v. Grimaldi* the Second District Court elaborated a two-step test that sets a threshold of artistic relevance for First Amendment-protected-use of trademarks. It consists of two prongs asking whether the trademark use is 1) artistically relevant to the defendant's work or 2) if is purportedly misleading to consumers about the source of the goods or services, as it would be a misrepresentation, reverse pass off or affirmative suggestions of endorsement ([Rogers, Ginger v. Grimaldi, Alberto and MGM/UA Entertainment co.](#))

This argument has a strategic importance for those games that aspire to recreate some aspects of the real world on a historical or geographical context, and to do so in a realistic and authentic way need to evoke real-life trademarks or logos. Those uses could be very profitable for the mark's owner, who could negotiate and authorize them through licensing agreements, or even for the game developer, who is able to sell advertisement or product placement within the virtual world. The games pertaining to this genre are regarded to be "open world", as they allow players to more or less freely roam and explore a virtual environment, that could be fictional or a recreation of a place in a particular period of time (such as the Assassins Creed's saga, or Battlefield historic war reenactments).

Some developers go even further and use real settings to model an open world, methodically researching maps or actual photographs and translating them into game features, to capture the desired "look and feel". That is the case of Ubisoft's "Watchdogs2", set in a carefully stylized version of San Francisco, that even renders virtual recreations of actual landmarks that can be visited and photographed within the game.

Similar and related to the genre of "virtual worlds" are the "sandbox" games, which allows even a greater freedom to modify surroundings to the player's will, with minimal to no limitations; and "MMORPG" (acronym for massively multiplayer online role-playing games), where players interact in real time with other players in a persistent world, which continues to exist even while the player is offline.

Besides locations, trademarks could be used to accurately depict in-game objects, such as weapons or vehicles which was the case at issue in "*Electronic Arts, Inc. v. Textron, Inc., et al.*", Electronic Arts as the publisher of Battlefield 3, seek declaratory judgement that their in-game reproduction of Textron's military helicopters was not trademark infringement, based on First Amendment grounds of the expressive merit of the video game.

Without demerit to the artistic nature of the game, the Court found that consumers might have been confused about the relationship of collaboration or endorsement of Textron in the game design. ([Electronic Arts, Inc. v. Textron, Inc...](#)) Failing the second prong of Rogers test, the case was privately settled afterward.

In *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, Grand Theft Auto: San Andreas producer RockStar was sued for trademark infringement for its recreation of the look of a real-world strip-club, naming it "Pig Pen" instead of the actual "Play Pen" brand. GTA series are known to be parodic and irreverent games settled on fictional cities that resemble real US cities, GTA San Andreas takes place mostly in "Los Santos" that emulates real world "Los Angeles". In the Ninth Circuit Court own words: "*Los Santos, of course, mimics the look and feel of actual*

Los Angeles neighborhoods. Instead of “Hollywood,” “Santa Monica,” “Venice Beach,” and “Compton,” Los Santos contains “Vinewood,” “Santa Maria,” “Verona Beach,” and “Ganton.” Rockstar has populated these areas with virtual liquor stores, ammunition dealers, casinos, pawn shops, tattoo parlors, bars, and strip clubs. The brand names, business names, and other aspects of the locations have been changed to fit the irreverent “Los Santos” tone. (...) To generate their vision for Los Santos, some of the artists who drew it visited Los Angeles to take reference photographs. The artists took pictures of businesses, streets, and other places in Los Angeles that they thought evoked the San Andreas theme.” ([E.S.S. ENTERTAINMENT 2000, INC., d/b/a Playpen, Plaintiff-Appellant, v. ROCK STAR VIDEOS, INC., e/s/a MMM Rockstar Games, Inc...\)](#)

The case was dismissed applying the Rogers test, finding that Rockstar’s fictional Californian city and its locations were a parody that fulfilled the artistic relevance of the first prong and that the use of “Pig Pen” was neither misleading nor evidentiary of endorsement by the plaintiff, and therefore, the video game was entitled to protection by the First Amendment.

In this context, where the use of trade dress or trademark is crucial to provide players with the feeling of a highly realistic environment and an immersive experience, the *Rogers vs. Grimaldi* test provides an outlet for unauthorized artistic usage that fit into the expressive fair use defense, acknowledging that licensing is not the only admissible way that a brand can be featured in an interactive work. Otherwise, the looming threat of liability would have chilling effects on artistic expression, as video games industry practices are risk-averse.

Even though, businesswise is a highly risky move that should be carefully evaluated. Being fair use a defense, it does not shield the developer from liability *ex ante*, and it’s only to be determined afterwards on trial, in a really expensive and time consuming litigation process. As Professor Greenspan explains “*After the case is brought, the law now grants the offending company the opportunity to argue the merits of fair use. This means that a company plainly operating in the traditional boundaries of fair use is still open to litigation and therefore open to the associated costs and bad publicity associated with a copyright litigation. In short, the decision to use copyrighted material in a game under the protection of fair use poses a risk and should be weighed heavily.*” ([Greenspan 2013](#))

Resources

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