

# Is There A Second Life For Trademarks In Second Life®?

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## I. INTRODUCTION

Recent years have seen the development of online communities through which massive numbers of users can interact with each other and with the environment itself in ways that increasingly approach real-world interactions. Within such worlds, one can wander around virtual streets or into virtual buildings, buy a virtual newspaper, get into a virtual fistfight with another user's avatar, or simply change one's virtual clothes.

The new possibilities presented to users by virtual worlds are pertinent to the interests of trademark holders in two main ways: (1) They create new venues through which marks may be used to promote products or services; and (2) They open up new spaces of commercial activity, raising the possibility of trademark infringement dilution and publicity rights violations within the virtual realm.

## II. TRADEMARK OPPORTUNITIES IN VIRTUAL WORLDS

### A. Advertising and Marketing Space in Virtual Worlds.

Businesses have explored a variety of advertising and marketing opportunities in virtual worlds, including:

1. **Brand Placement.** Trademark holders may use virtual versions of traditional marketing spaces to proliferate their brand, such as by buying advertising space on virtual billboards and blimps. Brand owners may also establish a brand presence by purchasing land and/or buildings in virtual worlds on which they prominently display their mark(s). Companies as varied as Adidas, Sun Microsystems, and the NBA have purchased virtual headquarters in Second Life. Coca-Cola owns a virtual concert pavilion bearing its name (the "Coca-Cola pavilion"), and Wells Fargo bought its own virtual island, now named "Wells Fargo Stagecoach Island."
2. **Sale of Virtual Versions of Off-Game Products.** Many businesses have set up shop within virtual worlds to sell in-game versions of their products, including, for example, Nike, Dell, Toyota, American Apparel and Reebok. A virtual Scion car costs about 300 Linden dollars in Second Life, which translates roughly to one US dollar. A pair of customizable Reebok sneakers costs about

50 Linden dollars. These virtual sales can be used as marketing for sale of corresponding real world products. For example, users can click through Second Life to enter Reebok's retail website and purchase personalized sneakers matching their avatar's shoes.

3. **Cross-promotional Agreements.** Trademark holders may insert their mark into virtual worlds through cross-promotional advertisement with game developers. For example, Blizzard Entertainment, the developer of the game World of Warcraft, recently entered into a cross-promotional deal with soda manufacturer Mountain Dew. As part of the promotional campaign, Mountain Dew sponsored virtual "Battle-Bot pets" that World of Warcraft users could own and play within the game. In order to power the virtual pets, users had to purchase "Mountain Dew Game Fuel" by visiting the Mountain Dew website. At the same time, Mountain Dew sold World of Warcraft themed soda ("Game Fuel") in stores across the United States.

4. **Marketing Events.** Trademark holders may sponsor concerts, parties, and events that avatars can attend, in connection with promotional activities, or simply to display and proliferate their marks within the virtual world. For example, Advanced Micro Devices, Inc. (AMD) throws an annual "AMD Treasure Hunt" in Second Life.

5. **Virtual Marketing Campaigns.** Trademark holders may take advantage of norms of openness and user-creativity in virtual worlds to obtain free and widespread promotion of their mark.

An example of this approach to trademark in virtual worlds is exemplified by Coca-Cola's "Virtual Thirst" Campaign (<http://www.virtualthirst.com/>):

- a. The Virtual Thirst competition invited users to "create a virtual vending machine" for Coca-Cola products "that unleashed a refreshing and attention-grabbing experience, on demand." Entries were judged by an Advisory Panel of Second Life users, and were evaluated according to creativity, "cultural fit within Second Life," consistency with the Coca-Cola brand, potential value to Second life residents, and technical feasibility. The winner of the design competition received 500,000 Linden dollars and a trip to San Francisco.

b. Once the winning vending machine was selected, Coca-Cola built and launched it in Second Life. The competition was accompanied by two “launch events” at the “Coca-Cola Pavilion” on in Second Life that included, among other things, virtual musical concerts.

c. Coca-Cola marketed the campaign as a sign of its “openness” to the norms of social media, stating:

“The Coca-Cola Company has been in virtual worlds for several years - from Coke Studios, to World of Warcraft, to CC Metro, to Habbo Hotel, Coke has been exploring virtual space alongside its consumers. However, it was Coke’s entry into Second Life in 2007 that drew mass media attention - Second Life’s openness to user-generated content, and Coke’s openness to what residents were already doing with the brand led many to take notice. From the contest’s inception through the winning entry’s unveiling, Coca-Cola collaborated with residents in determining the concept, publicizing the entry period, judging the entries, and building the final winning entry to give back to the community.

#### **B. Virtual Trademarks & the Second Life Patent and Trademark Office**

1. The importance of intellectual property to commerce within Second Life is indicated by the establishment of the Second Life Patent and Trademark Office (SLPTO), an independent user-created service that offers protection of intellectual property. The SLPTO does not purport to be a legal authority; rather, it identifies itself as “a neutral third party where you can register dated information . . . about your creations,” that also provides “a suite of tools for content creators to protect their intellectual property . . . and add value to their products.”

2. The SLPTO offers private, time-stamped storage of evidence of creation, which might be relevant to a trademark dispute, or more likely a copyright dispute, despite the “Patent and Trademark Office” name.

3. Other services the SLPTO offers include automated DMCA notices, copyright applications, limited edition numbers, and individual item registration. An SLPTO representative stated in an interview: “Many Second Life creators do not have the means to afford the hourly rates of an attorney; we hope to automate some processes, such as DMCA notices and copyright applications.”

### **III. TRADEMARK INFRINGEMENT**

#### **A. Infringement of Virtual Trademarks**

1. In *Eros LLC v. Leatherwood*, No. 8:2007cvo1158 (M.D. Fla. 2007), Eros LLC, a business that programs, designs, and sells virtual adult-themed objects in Second Life, sued Leatherwood for making and selling unauthorized copies of its virtual products (in this case, an “animated” virtual bed), using Eros’ “SexGen” mark to misrepresent the copies as authorized and legitimate items created by Eros. Eros specified in its complaint that it uses the SexGen trademark in Second Life to sell and identify its products, which “have a reputation within [the virtual world] for performance, quality, and value,” and sought an injunction. Leatherwood defaulted.

2. In *Eros LLC v. Simon*, Case No. 1:2007cvo4447 (E.D.N.Y. 2007), Eros joined with other prominent merchants within Second Life to sue an individual who had taken advantage of a security flaw in the virtual world’s code to make thousands of duplicates of the plaintiffs’ products and sell them at virtual yard sales. The plaintiffs asserted that they used their marks to identify their virtual products, which had all developed reputations for quality, and that the defendant had been using their trademarks in violation of the Lanham Act.

a. Two of the plaintiffs had filed applications with the USPTO for federal trademark registration at the time: Eros LLC for its SexGen mark (No. 77202601), DE Designs for its DE Designs mark (No. 3222158).

b. The plaintiffs obtained a judgment by consent, ordering the defendant to:

(i) pay plaintiffs \$525 as restitution for profits he derived from the unauthorized copying and distribution of their merchandise.

(ii) represent to the court under penalty of perjury that he had destroyed any remaining unauthorized copies in his possession.

(iii) permanently cease copying, displaying, distributing, or selling any of plaintiffs’ merchandise.

(iv) disclose the names of any alternative accounts or future accounts to the plaintiffs.

(v) allow plaintiffs, by and through their attorney, access to copy and inspect the complete transactional history and all other records maintained by PayPal, Inc. accounts owned, operated or controlled by the defendant.

## B. Infringement of Brick & Mortar Trademarks

1. A virtual world user might design h/er avatar based upon a trademark or a celebrity's likeness, or name h/er avatar after a mark or celebrity. The law on whether and when this constitutes infringement will likely draw from other cases involving trademark protection of characters.<sup>1</sup>

2. In *Marvel v. NCSoft*, No. CV 04-9253 (C.D. Cal. Mar. 9, 2005), Marvel sued makers of the MMORPG "City of Heroes" for copyright and trademark infringement, alleging that the game "enables players to create customized avatars . . . that are nearly identical in name, appearance, and characteristics to characters belonging to Marvel." Marvel's complaint alleged that players could use the game's avatar-creation engine to create, for example, "a gigantic, green . . . Hero that looks, moves and behaves nearly identically to Marvel's character 'The Incredible Hulk' . . . [and] even name his or her 'creation' 'The Hulk.'"

The case settled in December 2005. The terms of the settlement were not disclosed. The character creation engine has apparently been left relatively intact, but game users report that NCSoft has been unilaterally removing look-a-like characters.<sup>2</sup>

3. Virtual world users may also use trademarks within their "profiles" to describe their avatars. Some trademark holders have taken the position that this constitutes infringement. For example, the Trump organization complained to Second Life provider Linden Lab about use of the Miss Universe mark in that virtual world by participants and winners of the "Miss SL Universe" pageant. Linden Lab subsequently sent out the following notice to the alleged infringers regarding removal of the mark from the users' profiles:

<sup>1</sup> See Michael Todd Helfand, *When Mickey Mouse Is as Strong as Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Characters*, 44 *STAN. L. REV.* 623, 641 (1992) (describing convergence of copyright, trademark, and unfair competition law into new body of law formulated solely to protect characters).

See also Anupam Chander and Madhavi Sunder, *Everyone's a Superhero: A Cultural Theory of "Mary Sue": Fan Fiction as Fair Use*, 95 *Cal. L. Rev.* 597 (2007) (describing several instances where trademark was asserted against "fanfiction" authors).

<sup>2</sup> See [http://www.gamegirladvance.com/archives/2005/02/01/city\\_of\\_copies\\_marvel\\_vs\\_nc\\_soft.html](http://www.gamegirladvance.com/archives/2005/02/01/city_of_copies_marvel_vs_nc_soft.html)

*Subject: Re: Notification of Trademark Infringement Received by Linden Lab*

We're writing to let you know about changes made to your profile in Second Life. Miss Universe L.P, LLP — the owner of the Miss Universe trademark — has complained about use of the Miss Universe trademark in the Second Life environment.

Linden Lab respects the rights of both Second Life residents and trademark owners. Accordingly, Linden Lab has removed uses of "Miss Universe" and "Miss SL Universe" from your Second Life profile. Please do not continue to use "Miss Universe" or "Miss SL Universe" in the Second Life environment.

Thank you for your cooperation.

Best regards,  
Linden Lab

4. In addition to trademark, avatars may raise publicity right issues, as recent video game cases suggest.

a. In *Kierin Kirby v. Sega of America, Inc.*, 144 Cal. App. 4th 47 (2006), the lead singer of the band Deee-Lite sued Sega for using her as the basis of a character in its video game *Space Channel 5*. Her complaint included claims of common law infringement of her right to publicity, misappropriation of her likeness under California law, and "false endorsement" under the Lanham Act, among others.

Kirby argued that the character's facial features, hairstyle, clothing style, and use of her signature phrase "ooh la la" (Sega's character was named Ulala) substantiated her claims. The California Court of Appeals held that "notwithstanding certain similarities" between Kirby and the character, "Ulala contains sufficient expressive content to constitute a "transformative work," which made the character protected by the First Amendment. Kirby therefore lost on summary judgment, and ultimately had to pay Sega \$608,000 in attorney's fees.

b. Similarly, in *Pesina v. Midway Manufacturing Company*, 948 F. Supp. 40 (N.D. Ill. 1996), a martial artist who provided his physical image to be used as a model for a character on the *arcade* version of the Mortal Kombat video game sued the game manufacturer for using his likeness in the *home* version of Mortal Kombat without his consent, bringing claims of common law publicity right infringement and violations of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

The court granted summary judgment to defendants, holding that use of Pesina's name, likeness or persona did not violate his publicity rights because there was no evidence that he was previously recognizable or that his name, likeness, or persona previously had commercial value, so that consumer confusion was highly unlikely.

5. Role-playing in virtual worlds implicates virtual settings, not just characters. Issues of trademark and trade dress may be implicated by "rooms" and "dungeons" within larger virtual worlds. For example, one might imagine a virtual fast-food restaurant that styled its interior design to look identical to a McDonalds without McDonalds' consent. How does one gauge infringement in a visual representation of a particular environment in the context of role-playing?

a. *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 444 F. Supp. 2d 1012 (C.D. Cal. 2006) may provide some hints on how a court might address issues related to trade dress in a virtual world.

(i) The plaintiff, owner of a brick and mortar strip club named "Play Pen," sued the maker of video game Grand Theft Auto for trademark and trade dress infringement because a strip club in the game named "Pig Pen" was loosely based on photographs of the "Play Pen."

(ii) On summary judgment, the court found Rockstar's use of E.S.S.'s trademark was "artistic" and not explicitly misleading, and was thus protected by the First Amendment. Citing *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989) and *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002), the court concluded that there was no way a reasonable consumer would confuse the small strip club with a company that "produces a technologically sophisticated video game." The court reasoned: "video games and strip clubs do not go together like a horse and carriage

or, perish the thought, love and marriage. Nothing indicates that the buying public would reasonably have believed that ESS produced the video game or, for that matter, that Rockstar operated a strip club."

6. The court's reasoning in *E.S.S.* may not extend to the context of virtual worlds like Second Life where "technologically sophisticated" virtual settings are easily user-created, and where many off-game businesses have established virtual versions of their stores or headquarters, heightening the chance of consumer confusion. In a less "open" world, however, where content is more controlled by the game developer and off-game businesses generally do not operate in that "world," the *E.S.S.* reasoning would likely still apply.

### C. Alternative Trademark Dispute Resolution

#### 1. Self-Help.

a. Holders of trademarks in traditional markets may consider starting "real" virtual stores that sell high quality products in order to take away the motivation of users to create and/or purchase amateur knockoffs.

b. Herman Miller's "Get Real" Campaign is an example of this form of self-help. When Herman Miller realized that virtual versions of its Aeron chairs were being sold on Second Life, the company hired a virtual world development company to produce licensed virtual versions of its products, to be sold in a virtual Herman Miller store. The company offered users a free virtual chair if they agreed to destroy "knockoff" chairs they had previously purchased.

2. Arbitration. The Second Life Bar Association, the in-game analog to the American Bar Association, is currently lobbying Second Life for an in-world arbitration scheme to settle intellectual property disputes. See Boris Shapiro, *Trademark Arbitration: A First Rate Future for a Second Life World*, 8 Chi.-Kent J. Intell. Prop. 274 (2009); John Bringardner, "IP's Brave New World," Law.com (Feb. 1, 2007).

## IV. SECONDARY LIABILITY

### A. Potential Grounds for Secondary Liability

#### 1. Liability for Hosting Infringing Content.

a. In *Marvel v. NCSoft*, for example, Marvel asserted that NCSoft “continuously and materially contribute[d] to their users’ direct infringement by . . . providing users with the keys to . . . the forum specifically created and serviced by Defendants to facilitate game play.”

b. Marvel further alleged that “because City of Heroes can only be played online and only by way of [NCSoft’s] servers,” game developers and administrators “are or should be aware of every infringing [avatar] that walks the streets of” the virtual world.

#### 2. Liability for Devices Facilitating Infringement.

##### a. Engines (internal to the virtual world).

Game developers and administrators may face claims of contributory liability for giving users “engines” that allow users to pull together disparate elements in a way that infringes trademark.

For example, in *Marvel v. NCSoft*, Marvel claimed that the character-generator engine in City of Heroes facilitated the creation of characters that violated its trademark. Marvel alleged not only that the character-generator engine “made it possible” for users to create avatars modeled on their trademarked characters, but also that “the very structure and flow of the Creation Engine leads the user to do precisely that.” The complaint noted that the engine did not allow the user to “start from scratch,” but instead “limits the consumer’s options and leads the user through a series of choices within the confines of categories that are specifically dictated by [NCSoft’s] software.”

##### b. Software (external to the virtual world).

In November 2006, a software program named “Copybot” was released outside of Second Life that could be used in-game to make copies of anything in the virtual world, including content created by other users. The software could also remove any copyright protection features the creators had attached. Second Life responded to user complaints by directing them to its DMCA takedown procedure in the event that their creations were pirated.

### B. Attempts to Limit Secondary Liability by Virtual World Developers

#### 1. Terms of Service Agreements / EULAs.

a. *E.g.* Second Life Terms of Service (<http://secondlife.com/corporate/tos.php>)

Account name: Specifies that users may not select account names that cause deception or confusion or violate trademark. Reserves the right to delete or change account name if these terms are violated.

Liability: Says that user is “fully responsible for all activities conducted through your account or under your account name”

#### 2. In-world Monitoring by Developer Staff; Unilateral Take-downs.

a. *There.com* has teams of employees that monitor all textures uploaded to screen for trademark-protected material.

b. *City of Heroes*, according to user reports, now removes or changes avatars that have the appearance or name of a known character (despite the court’s ruling in *Kirby v. Sega*)

#### 3. Institution of a Trademark Take-down / Notice Process.

a. Second Life has a notice procedure that individuals or corporations may use to notify them that there is infringing material in the world. Second Life’s trademark take-down policy statement says that Linden Labs “generally removes content that uses trademarked or celebrity material without apparent authorization, with or without giving notice to the object owner. This generally includes trademarked logos, trademarked brand names, and trade dress. . . Use of designer logos and brand names without permission, such as Gucci, Nike, Louis Vuiton, etc. are usually not acceptable.”

b. Second Life policy instructs trademark owners and celebrities who believe their rights have been infringed in the virtual world to “submit a notification of infringement in writing” to Second Life’s legal department:

“When submitting a notification of trademark or trade dress infringement, provide a copy of the relevant trademark or trade dress registration(s) from the U.S. Patent and Trademark Office. Please also provide the location in Second Life (the region name and coordinates or, if on a website, the URL) where you believe the infringement is occurring and the name of the Second Life Resident whom you claim is infringing.”

c. In addition, a Second Life resident may file an abuse report if s/he sees any other resident making unauthorized use of trademarked material in Second Life.

4. These take-down policies put game development and administration staff in the position of being de facto arbiters of trademark. It is unclear to what extent they account for whether a particular user’s use of a registered mark qualifies as infringement, is in actuality a fair use, or is being used “in commerce” before they remove the content.

## V. “USE IN COMMERCE”

### A. The Lanham Act

1. Under the Lanham Act, a person is liable for trademark infringement if s/he “use[s] 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 . . .” 15 U.S.C. § 1114(1)(a).

2. There are similar “use in commerce” thresholds for unfair competition and dilution. *See* 15 U.S.C. § 1125(a) (conferring liability upon “any person who . . . 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 that is likely to cause confusion) (emphasis added); 15 U.S.C. § 1125(c) (entitling owner of a mark to an injunction against a person who “at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark”) (emphasis added).

### B. What Constitutes “Use in Commerce” in Virtual Worlds?

1. Is virtually reproducing a trademark, but not offering actual goods/services in connection with the mark a “use in commerce” within the meaning of the trademark statute?

2. In *Marvel v. NCSoft*, the court granted NCSoft’s motion to strike Marvel’s contributory and vicarious trademark claims for failure to state a claim of infringement. The court stated that because Marvel did not allege that the game users used Marvel’s trademarks names in commerce in connection with any sale or advertising of goods and services, it failed to allege any primary infringement for which NCSoft could then be held contributorily or vicariously liable.

3. Business owners who operate their enterprises entirely within Second Life have received recognition of their marks, suggesting that a mark can be used “in commerce,” at least for services, even when all use of the mark occurs within a virtual world.

#### a. The Aimee Weber Avatar Trademark.

On November 11, 2008, the USPTO registered as a design mark the avatar (named Aimee Weber) that registrant Alyssa LaRoche uses in Second Life for her virtual content creation services (Registration No. 3,531,683; registered for “computer programming services, namely content creation for virtual worlds and three dimensional platforms” (Class 42)). The “specimen of use” provided was an image of an advertisement for content creation services that appeared on a virtual billboard on a virtual building in Second Life.

#### b. The SexGen and DE Design Marks.

(i) The USPTO has granted trademark registration to businesses that use their mark only within Second Life, to sell virtual items. *See, e.g.*, Eros LLC’s SexGen mark (Registration No. 3,483,253; registered for “providing temporary use of non-downloadable software for animating three – dimensional virtual characters” (Class 42)); and Michael Hester’s DE Designs mark (Registration No. 3,222,158; registered for “computer graphics services; graphic art design; graphic design services; graphic illustration services for others” (Class 42)).

(ii) Through litigation, Eros has successfully obtained protection of its SexGen mark, used only in businesses conducted entirely in virtual worlds. See *Eros LLC v. Leatherwood*; *Eros LLC v. Simon*. In *Eros v. Simon*, each plaintiff explained its uses of its particular marks, the majority of which occurred within the virtual world:

- Eros stated that it routinely promoted its products in Second Life by “placing advertisements and conducting promotional events within numerous virtual adult/social themed clubs within Second Life.”
- Pixel Dolls stated that it promoted its products throughout Second Life by advertising on in-world forums and by means of her website. The complaint attached an image of an advertisement displaying the “PixelDolls” mark.
- RH Designs asserted that it used its mark to sell virtual home furnishing accent pieces, by “announcing new product offerings in-world and by internet marketing.”
- DE Designs asserted that it promoted its virtual clothing by “placing classified advertisements in Second-Life-oriented publications and at various locations within Second Life.”
- Le Cadre Network stated that it used its mark to sell virtual shoes and boots, “by advertising in Second Life related publications such as *Second Style Magazine*, on an in-world radio station owned by the Le Cadre Network, and in various internet forums.”

**C. Commerce in Virtual Worlds.** The most important factor in determining the application of the Lanham Act will likely be the level and nature of commercialization in the particular virtual world, which will likely vary from virtual world to virtual world.

1. In *Bragg v. Linden Research, Inc.*, 487 F. Supp. 2d 593 (E.D. Penn. 2007), the court outlined various ways commerce exists in Second Life:

a. The plaintiff, Marc Bragg, brought suit against Linden Lab and its CEO, after Linden Lab took a parcel of virtual land away from Bragg and froze Bragg’s virtual account, “effectively confiscating all of the virtual property and currency that he maintained on his account with Second Life.” Linden Lab sent Bragg

an email explaining that he had improperly purchased the land through an “exploit.” Bragg subsequently filed a number of claims against Linden Lab, including: violations of state unfair trade practice and consumer laws; conversion; intentional interference with contractual relations; breach of contract; unjust enrichment; and tortious breach of the covenant of good faith and fair dealing.

b. On a motion to dismiss for lack of personal jurisdiction, the court held that jurisdiction did properly exist over the defendants because the marketing activities that the defendants engaged in with Bragg constituted “minimum contacts.” The court emphasized that these marketing efforts were “interactive” rather than “passive,” noting that “[o]nce inside Second Life, participants could view virtual property, read additional materials about purchasing virtual property, interact with other avatars who owned virtual property, and ultimately purchase virtual property themselves. Significantly, participants could even interact with defendant CEO’s avatar during town hall meetings that he held in Second Life on the topic of virtual property.”

c. The court’s opinion in *Bragg* may provide guidance on what “use in commerce” could look like in a virtual world. Although the discussion of virtual commerce is somewhat tangential to the ultimate holding, the court clearly described Second Life as a commercial space. Specifically, the court noted that:

(i) Users can buy, own, and sell virtual goods ranging “from cars to homes to slot machines.”

(ii) Users can create virtual goods according to their own designs and sell those for a profit.

(iii) The world’s developers recognize participants’ full intellectual property protection for the digital content they create in-game.

(iv) Users can purchase virtual land, make improvements to that land, exclude other avatars from entering onto the land, rent the land, and sell the land for a profit.

(v) Users can form contracts and business relationships in the virtual world.

(vi) Linden Lab marketed the world as a legitimately commercial space.

(vii) Linden Lab taxes virtual land.

(viii) The virtual currency in Second Life is bought and sold for real U.S. dollars, according to a set exchange rate.

(ix) There is a secondary market for virtual currency exchange facilitated by third parties such as eBay.

2. Whether a virtual world is commercial enough for a mark to be “used in commerce” within it may therefore depend on whether virtual currency and/or goods can be exchanged for real-world currency, and more generally, whether the point of the virtual world is purely recreational or if the virtual world serves as a place of commerce as well.

3. Even when virtual items are not purchasable directly through the game developer or partners of the game developer, there may still be strong secondary markets that might arguably meet the “use in commerce” threshold. Some types of secondary markets created by user-to-user off-game sale of virtual items with the help of third parties like eBay and Paypal include:

**a. Sale of Avatars.** In many games, especially those directed at gameplay, users earn virtual currency, develop skills, and gain property by playing and winning challenges and/or battles. Many users then attempt to sell these developed avatars. In some developing countries, businesses and gaming “sweatshops” have been set up to play and sell avatars. *See Antonio Hernandez, Individually and on behalf of all others similarly situated v. Internet Gaming Entertainment and IGE U.S. LLC*, 1:07-cv-21403-JIC (S.D. Fla. 2008) (a class action lawsuit claiming that such businesses are in violation of the EULA and TOS of the game World of Warcraft, to the detriment of other users).

**b. Sale of In-Game Objects / Real Property.** Users can buy and sell user-created property. They may also buy property created by real world companies. These purchases can be very high-value. In Project Entropia, a virtual island sold for \$30,000, and a space station sold for \$100,000. In Second Life, a virtual Amsterdam sold for \$50,000.

**c. Sale of In-Game Currency.** Some websites are set up to convert digitally earned currency to real world currency. Users can also trade currencies across games / worlds on such sites.

4. The extent to which virtual commerce is allowed to function depends in part on the policy of a particular virtual world’s developer with regards to sale of virtual items.

**a.** Various virtual worlds have End User License Agreements and/or Terms of Service that explicitly prohibit exchange of goods or avatars. Some prohibit any commercial activity related to the game.

**b.** Some virtual world developers, such as Sony (which owns MMORPG Everquest) and Blizzard (which owns Warcraft) have sent take-down notices to third-parties like eBay demanding that they halt secondary sale of virtual items, arguing that such sales violate their intellectual property rights (including their trademarks). *See Greg Sandoval, “eBay, Yahoo crack down on fantasy sales,” CNET News (Jan. 26, 2001), [http://news.cnet.com/2100-1017\\_3-251654.html](http://news.cnet.com/2100-1017_3-251654.html).*

**c.** It is unclear to what extent virtual world developers can enforce prohibitions on secondary sale. Their ability to do so may even be potentially limited by the First Amendment.

*In Kopp v. Vivendi Universal Games et al.*, No. 2:2006cv01767 (C.D. Cal. 2006), a user who created and sold guidebooks for online game World of Warcraft sued the game developers when Ebay suspended his account. Blizzard, Vivendi and the ESA sent repeated take-down notices to eBay, asserting that Kopp was infringing their trademarks and copyrights. Although Kopp routinely sent counter-notices, his account ultimately was suspended, and Kopp sued the companies for interfering with his business. He argued that because his book contained the disclaimer “this book is not an official guide” and stated that World of Warcraft was the property of Blizzard, “there was never any likelihood of confusion about whether the book was sponsored by or affiliated with [Blizzard],” and the book therefore did not “infringe, dilute, or tarnish defendants’ trademarks or other rights.” The parties ultimately settled, and Kopp was allowed to continue selling his guidebooks on eBay so long as he agreed to keep the disclaimer in the guide. Notably, the fact that Blizzard’s EULA stated that users could only use World of Warcraft for non-commercial purposes did not end up being a controlling factor in this case.

5. Second Life, in contrast to many other virtual worlds that retain the intellectual property rights to users’ in-game creations, explicitly states that users retain intellectual property rights to their designs, facilitating both in-game commerce and off-game secondary markets.

## APPENDIX A:

### Examples of Virtual Worlds

#### Virtual Worlds

Environmental, social, open, more user-generated content.

- **Second Life** ([www.secondlife.com](http://www.secondlife.com))
- **There** ([www.there.com](http://www.there.com))
- **The Sims Online** ([www.simsonline.com](http://www.simsonline.com))
- **Kaneva** ([www.kaneva.com](http://www.kaneva.com))
- **Active Worlds** ([www.activeworlds.com](http://www.activeworlds.com))
- **Project-Entropy / Entropia Universe** ([www.project-entropia.com](http://www.project-entropia.com) / [www.entropiauniverse.com](http://www.entropiauniverse.com))

#### For Teens

Similar to adult virtual worlds, but tailored to the teen demographic.

- **Habbo Hotel** ([www.habbohotel.com](http://www.habbohotel.com))
- **EGO** ([www.ego.com](http://www.ego.com))
- **Gaia Online** ([www.gaiaonline.com](http://www.gaiaonline.com))
- **Teen Second Life** (<http://teen.secondlife.com>)

#### For Children

Much more limited than adult virtual worlds – more static, much less user-generated content/ Some even limited to “chat” function, more developer-generated activities (i.e. games).

- **Club Penguin** ([www.clubpenguin.com](http://www.clubpenguin.com))
- **Webkinz** ([www.webkinz.com](http://www.webkinz.com))
- **BarbieGirls** ([www.barbiegirls.com](http://www.barbiegirls.com))
- **Animal Crossing** ([www.animal-crossing.com](http://www.animal-crossing.com))
- **Whyville** ([www.whyville.com](http://www.whyville.com))
- **Nicktropolis** ([www.nicktropolis.com](http://www.nicktropolis.com))

#### MMORPGs (Massive Multiplayer Online Roleplaying Games)

More closed than virtual worlds built for socializing. Much less user-generated content. More geared towards earning points, currency, or objects; completing missions; building avatars.

- **World of Warcraft** ([www.worldofwarcraft.com](http://www.worldofwarcraft.com))
- **City of Heroes** ([www.cityofheroes.com](http://www.cityofheroes.com))
- **Eve Online** ([www.eveonline.com](http://www.eveonline.com))
- **Everquest** ([www.everquest.com](http://www.everquest.com))
- **Ultima Online** ([www.ultimaonline.com](http://www.ultimaonline.com))
- **Final Fantasy XI** ([www.finalfantasxi.com](http://www.finalfantasxi.com))
- **Star Wars Galaxies** ([www.starwarsgalaxies.com](http://www.starwarsgalaxies.com))
- **Guild Wars** ([www.guildwars.com](http://www.guildwars.com))
- **Asheron's Call** ([www.asheronscall.com](http://www.asheronscall.com))
- **Tabula Rasa** ([www.tabula-rasa.com](http://www.tabula-rasa.com))

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