

March 2020

VIDEO GAMING / E-GAMING LAW UPDATE

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Main Quest

Can My Video Game Infringe Someone's Trademark?

The use of third-party trademarks in video games is not a new phenomenon. In fact, conflicts between game developers and trademark owners have existed for almost as long as the medium itself.¹ Now, however, as games continue to become more realistic, and with the rise in popularity of augmented reality games (in which gaming elements are superimposed over the real world) rise in popularity, concerns regarding unauthorized uses of trademarks in video games are likely to increase. Given the inherent uncertainty of lawsuits involving the interaction between artistic expressions and trademark rights, predicting whether a certain use will be permitted is difficult for both trademark owners and game designers. In this article, we discuss the current legal landscape regarding the interaction of the First Amendment and trademark rights, as well as the recent history of trademark infringement actions against video games specifically, and provide strategies for both game developers and trademark owners to navigate these uncertain legal waters.

Use of Trademarks in Artistic Expression: The *Rogers v. Grimaldi* Test

First Amendment protections for video games as expressive works are now well-established.² The test employed by most courts when determining whether the use of a trademark as part of an artistic expression infringes on a party's rights comes from the 1989 Second Circuit decision in *Rogers v. Grimaldi*.³ In *Rogers*, the Second Circuit considered whether the film *Ginger and Fred* infringed various rights, including trademark rights, owned by the famous dancer Ginger Rogers. In deciding that Ms. Rogers' trademark rights were not infringed, the Second Circuit declared that use of a trademark in an artistic work is actionable only if the use of the mark (i) has no artistic relevance to the underlying work or (ii) explicitly misleads consumers as to the source or content of the work.⁴

¹ In perhaps one of the most well-known examples, in 1982 Universal City Studios sued Nintendo (which at the time was still a newcomer to the U.S. market) claiming that the game Donkey Kong infringed Universal's trademark rights in the King Kong movie franchise. See, e.g., *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 746 F.2d 112 (S.D.N.Y. 1984).

² See *Brown v. Entertainment Merchants Assoc.*, 564 U.S. 786 (2011) (holding that video games constitute protected speech under the First Amendment and therefore are accorded the same protections as any other form of artistic expression).

³ 875 F.2d 994 (2d Cir. 1989).

⁴ A split exists among courts about what the "explicitly misleading" prong requires. While some courts have held that it means the defendant must overtly suggest sponsorship or approval beyond mere use of the mark, other courts have found this prong satisfied where substantial confusion can be shown. Compare *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235 (9th Cir. 2013) with *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366 (2d Cir. 1993).

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This two-pronged analysis has come to be known as the *Rogers* test, and in the 30 years since *Rogers* was decided has been adopted by the majority of courts that have confronted this issue.⁵ However, a recent decision out of the District of Colorado questioned the utility of the *Rogers* test and proposed its own method for balancing trademark rights against First Amendment interests. In *Stouffer v. National Geographic Partners, LLC*,⁶ the court reasoned that because the Tenth Circuit has never formally adopted the *Rogers* test, it was free to modify the test as it saw fit. The *Stouffer* court decided that the appropriate question to determine Lanham Act liability in cases involving artistic expression is whether the junior user had a “genuine artistic motive for using the senior user’s mark,” and proposed a number of questions to consider in order to determine the junior user’s motives.⁷

Thus while the *Rogers* test requires courts to conduct an independent analysis of the artistic relevance of the trademark in the work, the test set forth in *Stouffer* asks courts to conduct a subjective analysis of a party’s motives. Whether the Tenth Circuit will adopt the *Stouffer* test, thereby setting up a circuit split, or *Stouffer* will be overruled in favor of the traditional *Rogers* model remains unclear.

Recent Video Game Trademark Litigation

As the above discussion makes clear, the determination of whether an artistic use of a trademark violates the Lanham Act is extremely fact-specific, and requires a case-by-case analysis; nonetheless, examining prior cases sheds light on what facts may be relevant to the analysis and what arguments courts have found persuasive.

Several trademark infringement lawsuits brought against video game publishers in the last several years provide insight on how

courts handle such cases. For example, in 2008, E.S.S. Entertainment, the owner of a well-known strip club in Los Angeles called the “Play Pen,” brought a lawsuit against Grand Theft Auto publisher Rockstar Games for its depiction of the “Pig Pen” strip club in a game.⁸ Applying the *Rogers* test, the Ninth Circuit held that Rockstar’s use of the well-known club was artistically relevant to its portrayal of the fictional city of San Andreas (which was based largely on East Los Angeles) and no evidence was found that consumers would be misled to believe that the strip club and video game company were connected.⁹

More recently, several companies have filed lawsuits against the publishers of realistic shooter games that incorporate real-world vehicles and weapons. For instance, in 2012, the manufacturer of Bell Helicopters alleged that Electronic Arts (EA) was violating Bell’s trademark rights in connection with EA’s use of the Bell Helicopter in its *Battlefield 3* game.¹⁰ Although the case ultimately settled, the court denied EA’s motion to dismiss Bell’s trademark infringement claims, noting that because the game and the advertising and marketing efforts supporting it featured Bell helicopters with “particular prominence,” the court could not determine that the use of the mark was not explicitly misleading.¹¹

Similarly, the makers of the Humvee military vehicle sued Activision Blizzard in 2017 for the game company’s depictions of Humvees and related marks in its *Call of Duty* series of games.¹² Both sides have moved for summary judgment, and the applicability of the *Rogers* test has become a central element of the case. The court has yet to resolve the motions. Industry participants and trademark owners should pay close attention to the outcome, as it could shape the application of the *Rogers* test in the video game context going forward.

⁵ For example, the Fifth, Sixth, Ninth, and Eleventh Circuits have all formally adopted some version of the *Rogers* test, as have district courts in the Seventh Circuit.

⁶ 400 F.Supp.3d 1161 (D. Co. 2019). These questions ask: (i) if the senior and junior users use the mark to identify the same kind, or a similar kind, of goods or services; (ii) to what extent the junior user has added his or her own expressive content to the work beyond the mark itself; (iii) if the timing of the junior user’s use in any way suggests a motive to capitalize on popularity of the senior user’s mark; (iv) in what way the mark is artistically related to the underlying work, service or product; (v) if the junior user has made any statement to the public, or engaged in any conduct known to the public, that suggests a nonartistic motive (this question relates to the “explicitly misleading” prong of the *Rogers* test); and (vi) if the junior user made any statements in private, or engaged in any conduct in private, that suggests a nonartistic motive.

⁷ See *id.* at 1179.

⁸ *E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095 (9th Cir. 2008).

⁹ The Grand Theft Auto series was also involved in a highly publicized right of publicity lawsuit brought by actor and singer Lindsay Lohan. See *Lohan v. Take-Two Interactive*, Index No. 0156443/2014 (N.Y. Sup. Ct. 2014). Although related to trademark issues and the *Rogers* analysis, right of publicity concerns fall outside the scope of this article. We will address the intersection between rights of publicity and video games in a future edition of this newsletter.

¹⁰ See *Electronic Arts, Inc. v. Trexton Inc.*, 3:12-cv-00118-WHA (N.D. Cal. 2012).

¹¹ See *Electronic Arts, Inc. v. Trexton Inc.*, 2012 WL 3042668 (N.D. Cal. July 25, 2012).

¹² See *AM General LLC v. Activision Blizzard, Inc.*, 1:17-cv-08644-GBD (S.D.N.Y. 2017).

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Strategy Guide

While predicting in the abstract how a court will view any particular trademark use in a video game is difficult, video game publishers and trademark owners can employ a number of best practices to either reduce the risk of liability or better protect their marks.

Video game publishers should pay particular attention to the two prongs of the *Rogers* test and take steps to ensure that any marks used in their works are relevant in some way to the artistic expression contained therein and do not explicitly mislead consumers. In connection with the test's second prong, publishers should confirm that a mark is not prominently featured or highlighted in the game or used in its advertising more than necessary to convey the nature of the game. Publishers also should consider the use of a non-affiliation disclaimer where appropriate, recognizing that courts are split on the efficacy of trademark disclaimers. Additionally, publishers should keep in mind the potential for the application of the new test put forth in *Stouffer* and understand that their subjective motives in using a

mark may be examined. To this end, publishers should select marks purely for their artistic relevance to the work and not as a means to make a game more commercially successful or associate it with a desirable brand. Finally, when a third-party mark is integral to a game, the publisher should consider obtaining a license from the trademark owner or, failing that, revising the game to eliminate the need to directly reference the trademark.

For their part, trademark owners should also keep in mind the *Rogers* factors when evaluating a potential infringement suit against a video game publisher. Focusing on evidence that shows consumer confusion or that supports a position that the mark has no artistic relevance in the game can go a long way to establish an infringement claim (or defeat a motion to dismiss and secure a favorable settlement). Additionally, trademark owners who are able to do so may want to consider bringing a claim in the Tenth Circuit if they believe they could more easily establish improper motives under the district court's *Stouffer* test.

Side Quests

Recent judicial decisions and enacted statutes or regulations that are likely to impact the video game industry

PTAB Decisions

CG Technology Development, LLC v. Fanduel, Inc., Draftkings, Inc., Bwin.Party Digital Entertainment PLC, No. 19-1261 (Fed. Cir. 2019)

- On December 17, 2019, the Federal Circuit upheld a PTAB decision invalidating claims in CG Technology Development's video game system patent, despite its finding that the PTAB defined a key claim incorrectly.
- The putative patent at issue described a video game system with personalized wireless controllers that allow for custom operation of an interactive video system based on a user's

personal data, including authorizing certain types of interaction based on the age of the player.

- The Federal Circuit took issue with the PTAB's construction of the "authorize play based on age" claim in CG Technology's patent, finding that the PTAB erred in failing to distinguish a feature of the patent that authorizes play based on age versus merely adjusting play based on age.
- However, even with a proper claim construction for the "authorize play based on age" claim, the Federal Circuit affirmed, holding that the PTAB's error was harmless because the claims in the patent were obvious.

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Federal Court Decisions

Heidbreder v. Epic Games, Inc., No. 19-cv-348-BO (E.D.N.C. Feb. 3, 2020)

- On February 3, 2020, the District Court for the Eastern District of North Carolina granted the motion of Epic Games, the maker of "Fortnite," to send a putative class action lawsuit to arbitration.
- The lawsuit alleges that Epic Games let hackers steal players' credit card information and left players open to cybersecurity vulnerabilities and attacks despite assurances to the contrary.
- Epic Games sought to arbitrate these claims based on the end user license agreement (EULA) entered into by players when they registered for an account in the game.
- The court agreed with Epic Games, holding that the EULA constituted a valid contract and the named plaintiff was bound by its terms to arbitrate claims such as the one at issue in the suit.
- The court further rejected several arguments made by the plaintiff, finding that (i) the plaintiff's minor son had both apparent and actual authority to act as his agent in agreeing to the EULA, (ii) whether the data breach claim fell within the scope of the arbitration provision was a question for the arbitrator to decide and (iii) the arbitration provision was neither procedurally nor substantively unconscionable.

iLife Technologies, Inc. v. Nintendo of America, Inc., No. 3:13-cv-4987-M (N.D. Tex. Jan. 17, 2020)

- On January 17, 2020, the District Court for the Northern District of Texas overturned a \$10.1 million verdict against Nintendo of America for patent infringement.
- iLife sued Nintendo in 2013 for patent infringement based on iLife's patented motion sensor technology, which is used to monitor babies' movements to prevent Sudden Infant Death Syndrome. iLife claimed Nintendo's use of motion sensor technology for the Nintendo Wii and Wii U infringed on iLife's patent.
- Judge Barbara M.G. Lynn granted Nintendo's motion for judgment as a matter of law, holding that the underlying patent at issue was invalid because it only claimed an abstract idea (the idea of using a computer to collect and analyze information

through a mathematical algorithm) and did not add anything new to the idea of motion sensor technology. Accordingly, the court found that the claim was invalid under 35 U.S.C. § 101 and the Supreme Court's decision in *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014).

Estavillo v. Blizzard Entertainment, Inc., No. 5:19-cv-05540-EJD (N.D. Cal. Dec. 5, 2019)

- On December 5, 2019, the District Court for the Northern District of California dismissed claims brought against Blizzard Entertainment alleging violations of the Americans with Disabilities Act (ADA) in connection with Blizzard's digital storefront.
- Plaintiff Erik Estavillo alleged that Blizzard violated the ADA and a similar California state law by banning him from the Overwatch online chat function and then refusing his request for a refund for over \$300 spent on the Overwatch game and related loot boxes.
- Mr. Estavillo, who suffers from depression, OCD, panic disorder and Crohn's disease, claimed that he relies heavily on video games such as Overwatch for communication with others since his ailments make it difficult for him to leave the house.
- After Blizzard banned Mr. Estavillo from the chat function because of his "abusive" behavior, the company denied his attempt to recover his game expenditures. Mr. Estavillo alleged that Blizzard's failure to explicitly disclose information about returns and refunds in the digital storefront and in the EULA violated the ADA because the digital storefront is a "public accommodation."
- The court dismissed the federal claims, holding that Mr. Estavillo's complaint did not demonstrate that the ADA applies to Blizzard's digital storefront. Although the court acknowledged prior cases holding that websites are subject to ADA requirements, it distinguished those cases because the websites therein were heavily integrated with physical store locations, whereas Mr. Estavillo did not allege any facts showing that Blizzard's digital storefront was heavily integrated with any physical store.
- The court declined to exercise supplemental jurisdiction over the California state law claim and remanded that claim to California state court.

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New litigation filings and proposed legislation and regulations that may lead to important legal developments in the video game industry

Washington State Legislation Aimed at Clarifying Status of Gambling Apps

- In January 2020, both chambers of the Washington Legislature introduced bills that, if passed, would explicitly provide that social gaming apps that allow users to make in-app purchases but do not cash out any earnings or winnings collected from the game would not constitute “gambling” under the state’s anti-gambling laws.
- In essence the bills would shield developers of certain apps from financial liability under the state laws that permit individuals who have lost money in connection with illegal gambling to recover that money from the owner or beneficiary of the gambling operation.
- The state introduced the bills in response to the Ninth Circuit’s decision in *Kater v. Churchill Downs Inc.*, 886 F.3d 784 (9th Cir. 2018), which overturned a dismissal of a class action against Seattle-based Big Fish Games, holding that the company’s games could constitute illegal online gambling under Washington’s laws.
- A hearing occurred on January 28, 2020, to consider the bills, which are still pending in both the Washington House and Senate.

Epic Games Inc. v. Sick Picnic Media LLC et al., No. 1:19-cv-11215 (S.D.N.Y. Dec. 06, 2019)

- Fortnite publisher Epic Games Inc. filed a complaint in the Southern District of New York seeking a declaratory judgment that the “Pump It Up” emote dance in Fortnite does not infringe upon Sick Picnic Media’s copyright or trademark rights.
- Epic Games introduced the Pump It Up emote, which turns a player’s avatar into a jack-o-lantern to perform a dance set to music copyrighted by Epic Games, as part of a Halloween-themed release that was available for one day prior to Halloween 2019.
- According to Epic Games, the defendants have claimed the Pump It Up emote infringes on their trademark and copyright rights related to a character known as the “Dancing Pumpkin Man” — which purportedly is known for wearing a plain black unitard and a jack-o-lantern on his head while dancing to music in front of a graveyard background.

- This case is the most recent in a series of litigations involving copyright claims related to Fortnite emotes. Epic Games previously faced lawsuits from actor Alfonso Ribeiro over the Carlton dance move that Mr. Ribeiro popularized while portraying Carlton Banks on “The Fresh Prince of Bel-Air,” as well as from a YouTuber known as The Backpack Kid over the popular floss dance. Plaintiffs in both of those cases withdrew their lawsuits following the Supreme Court’s decision in *Fourth Estate Public Benefit Corp. v. Wall-Street.com*, 139 S. Ct. 881 (2019), as the plaintiffs had not yet received a copyright registration covering the claimed dances and thus lacked standing to bring copyright infringement suits.

Ubisoft Entertainment SA v. Yousician Oy, No. 19-2399 (Fed. Cir. 2019)

- On November 15, 2019, Ubisoft filed a brief in the Federal Circuit in support of its appeal of the decision of the District Court for the Eastern District of North Carolina finding a Ubisoft patent invalid.
- The patent at issue relates to a video game that teaches users how to play the guitar by assessing the user’s performance, determining what the user needs to improve by changing the difficulty level of the game and then creating mini-games to improve skills.
- The district court held that the patent was invalid under *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014), because it does not describe how the game performs the steps listed above. The district court compared the game’s process to that of a music teacher and held the patent invalid without more detail.
- Ubisoft argues that its patent is not directed to an abstract idea, but rather recites a technological improvement in musical instruction. Ubisoft claims the game eliminates human subjectivity by providing objective assessments of a user’s skills and that its patent targets deficiencies in human musical instruction, such as high costs and time requirements as well as variable quality issues. According to Ubisoft, the district court overgeneralized its patent and a proper review of the patent would show that it is not directed to an abstract idea.
- Ubisoft also argues in its brief that even if its patent were directed at an abstract idea, the patent contains an inventive or novel concept, and thus the district court erred in its *Alice* analysis.

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Contacts



Anthony J. Dreyer
Partner / New York
212.735.3097
anthony.dreyer@skadden.com



James Y. Pak
Counsel / Palo Alto
650.470.3197
james.pak@skadden.com



P. Anthony Sammi
Partner / New York
212.735.2307
anthony.sammi@skadden.com



David M. Lamb
Associate / New York
212.735.3421
david.lamb@skadden.com



Jordan Feirman
Counsel / New York
212.735.3067
jordan.feirman@skadden.com



Andrew K. Patrick
Associate / New York
212.735.3291
andrew.patrick@skadden.com

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One Manhattan West / New York, NY 10001 / 212.735.3000
525 University Avenue / Palo Alto, CA 94301 / 650.470.4500