

Intellectual Property Rights Enforcement in Virtual Environments
Tamiko Franklin (SL: 'Juris Amat')
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I realized when preparing for this lecture that the title of this discussion may be a little misleading.

First we don't specify the nature of the IPRs that will be discussed...I will basically be discussing enforcement of copyrights that originate either from content created using the tools provided by an OSP (online service provider) or trademark rights originating out of use in connection with offering services and products for sale in virtual worlds.

Second, the title implies that we will discuss only enforcement activities actually taking place in virtual worlds...actually although we will thoroughly cover in world enforcement and management tools we will also discuss real world remedies and the effects of registration or the lack thereof on the availability of the same.

So if I were you right now I would be asking myself where do all of these international agreements fit into this picture? If we're talking about rights that originate via use of the service then it's clear that the law of the jurisdiction where the company providing the service is located will govern, namely federal and state laws relating to intellectual property rights and in addition the terms of service of that VE provider.

It is however these international agreements that have especially in the area of copyright law defined the scope of the rights that are referred to in the Terms of Service agreement and generally the many federal laws that were and are being enacted to codify the provisions of these international agreement around the world.

Because there is currently no distinction between regulations of intellectual property in virtual worlds, which exist on the internet, and the internet itself... this discussion will refer to regulations governing intellectual property supranationally and online.

So lets get to it...first we'll talk about the scope of copyright and trademark rights online generally and how this may translate to virtual environments by default, then I'll discuss the enforcement of unregistered and registered rights arising out of virtual worlds.

The scope of copyright and trademark rights online generally

Copyright

The protection of copyright and related rights covers a wide range of human creativity. Much of the creative content that fuels electronic commerce is subject to such protection under the most important international copyright convention, the Berne Convention, [65]. Under Berne copyright protection

covers all "literary and artistic works." This term covers all kinds of forms of creativity, such as writings, both fiction and non-fiction, and includes scientific and technical texts and computer programs; databases that are original due to the selection or arrangement of their contents; musical works; audiovisual works; works of fine art, including drawings and paintings; and photographs.

e-commerce has had a tremendous impact on the system of copyright and related rights, and the scope of copyright and related rights affects how e-commerce evolves. The definition of rights, which determines their scope, is a key issue, as intellectual property is neither more nor less than the sum of the rights granted by law. Perhaps the most basic right granted under both copyright and related rights is the right of reproduction, which under the Berne Convention covers reproduction "in any manner or form." [78] This right is at the core of e-commerce, because any transmission of a work or an object of related rights presupposes the uploading of that work or object into the memory of a computer or other digital device. In addition, when the work or object is transmitted over networks, multiple copies are made in the memory of network computers at numerous points. It is therefore necessary to determine how the reproduction right applies to such copies. I've heard the internet described as "the world's biggest copy machine." [68]

So..regarding reproduction rights...WIPO treaties require Member states to provide two types of protection. The first is anti circumvention and the second is providing legal support to rights management systems.

The Digital Millennium Copyright Act enacted by the US in 1998 implements the WIPO treaty and heightens penalties for producing circumvention measures and (more applicable to our discussion) extends the reach of copyrights while limiting the liability of Online Providers so long as they comply with certain requirements concerning the provision of legal support to rights management systems. This is why ISPs and OSPs are required to provide a designated copyright agent and information regarding copyright infringement aka take down notices.

Back to protection under the WIPO treaty and the terms "rights management information" that is defined as information identifying the work, the author of the work, the owner of any right in the work, and any numbers or codes that represent such information, when any of these items of information is attached to a copy of a work or appears in connection with the communication of a work to the public."

This is where we begin to meet terms that have been translated into intellectual property rights enforcement and management tools within virtual environments. In the Second Life virtual world, right management information can be seen by scrolling over an item. This action allows the scroller to access information regarding an objects owner and its origin.

Likewise Rights management systems operate on the basis of electronic data, that is attached to the works and objects. [84] The data may in addition to identifying the author or performer, the rights holder or owner, and the name

of the work or object itself, further describe the terms and conditions for its use. In virtual worlds this exists in the form of the object permission system that allows for an objects creator to regulate whether the item may be copied, transferred or modified.

Under the WIPO treaties, Member States must provide adequate and effective legal remedies against the deliberate removal or alteration of such information, and against the dissemination of works, performances or phonograms from which such information has been removed or altered, where these acts are performed with at least reasonable grounds to know that they will induce, enable, facilitate or conceal infringement. This enhances the ability of rights holders to exploit their property on the Internet, and allows consumers to rely on the accuracy of the information they receive.

So we've established that Thanks to the Berne Convention, copyright owners are no longer forced to register in the US in order to obtain limited protection for their works and under the terms of the DMCA, thanks to the WIPO treaties, online Service Providers are obligated to 1) provide information for a designated copyright agent to whom notices of infringement must be sent and 2) to establish a system to respond to notices that they receive alerting them to infringing material in order to avoid liability for contributory infringement.

There is a big BUT....and that is that in the United States REGISTRATION IS REQUIRED IN ORDER TO BRING AN ACTION BASED ON COPYRIGHT INFRINGEMENT WHETHER CRIMINAL OR CIVIL

So lets investigate the remedies which do exist for unregistered copyrights. The first is under the terms of service for the provider of the virtual environment, in my example Linden Lab.

As you can see from the slide they provide the details of what must be contained in a copyright infringement notification to their designated agent as well as the required methods of delivery and relevant details.

So far we've only addressed copyrights, what about trademarks? Well again we have to start from the beginning of the story. Namely the scope of the right.

Trademarks are an important tool of commerce, which enable consumers to identify the source of a product, and to link the product with its maker. The exclusive right to the use of the mark, which can last indefinitely, allows the owner to build goodwill and a reputation for its enterprise and to prevent others from misleading consumers by falsely associating themselves with a business that they have no authorized connection with.

There are five basic international agreements which attempt to harmonize the protection of trademarks and to simplify registration internationally — the Paris Convention, the Madrid System, the Trademark Law Treaty (TLT), the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Community Trade Mark System (CTM).

Unlike copyrights the acquisition, regulation, and implementation of protection of trademark rights is primarily left up to nations. This is because up until recent history as trademark protection was restricted geographically to the areas where the trademark is, depending on national laws, either used or registered.

The internet has changed that, however international trademark law has yet to catch up.

In some countries, including the United States, trademark protection depends on prior use of the mark in that country, and the question arises whether use on the Internet can satisfy these types of use requirements and, if so, what kind of use online would qualify.

[\[232\]](#) In most of the use based jurisdictions trademark owners must show that their trademark was actually present in that market, for example by proving actual sales or other commercially motivated relationships with customers in a particular country. [\[](#)

Determining whether the use of a sign, logo, or mark on the Internet has produced a commercial effect in a particular country, and whether such use can be deemed to have taken place in that country, is generally made on the basis of relevant circumstances.

For some guidance on what constitutes relevant circumstances we can turn to, in the US, case law on the subject, and supranationally, to the provisions of the **WIPO joint recommendation on the protection of marks on the internet**, that for example, provides a detailed but non-exhaustive list of factors, which can be relevant for determining whether a mark has commercial effect in a particular member state, as follows:

- doing or planning to do business in a Member State;
- character and level of commercial activity carried out in a Member State;
- location of customers;
- use of a "territorial disclaimer" stating that the goods or services offered are not available or only available in particular Member States;
- actual delivery of goods or services to customers located in a Member State;
- specific language use on the Internet site;
- prices indicated in the currency of a Member State;
- address or contact information in a Member state;
- interactivity of the website; and
- registration of the website under a country code top level domain.

The question for us is how do those factors apply to uses not only online but

specifically within virtual environments. Well, lets speculate. In our example of an online service provider, Linden Lab hosting access to a virtual world, Second Life, we have an OSP located in California, a TOS that by its own terms is governed by the laws of the state of California and users accessing the Service from computers located all over the world.

I'm no California attorney but if theres one present I'd love to hear whether they think that a client located in Brazil, offering products for sale via the internet but only in the virtual world of the Service by doing so has acquired common law trademarks rights in California?

Or whether it would be required of that client that not only did they offer their product for sale in California, because of the location of the server, but that they actually sold their products or services to an actual physical person located in the state of California?

For everyone else out there like me, licensed outside of California, think about it...if a client offers a service and or products for sale in the virtual world and has actually sold their products or services within your state whether that would be sufficient for establishing common law trademark rights. I would argue yes, but who cares what I think right?(would that establish interstate commerce?) What if no sale were completed, could it still be reasonably argued that the right exists? On what basis? Would we have to demonstrate that individuals within that state access the Service and on what grounds could that information be requested from the Service?

Enforcement of unregistered rights

The low level of internationalization of trademark rights does not really help us in answering these question in fact the questions become more difficult if we extrapolate use out of the virtual world and onto the internet as such, where there is often no single jurisdiction to which use can be traced.

Anyway....In the US the use of a trademark in connection with the sale of goods and services in commerce provides the owner with certain limited rights even though the trademark is unregistered, so there is no registration requirement for trademark protection. This is especially true once consumers view the brand name as an indication of the products source.

As we've discussed the primary limitation on enforcement of unregistered trademarks is that the rights established by use are limited to the geographic area in which the mark is used. In the case of use of a brand on the Internet however it is likely that the geographical area would be confined to those places where actual sale of products and services can be demonstrated.

So in the event of infringement the owner of an unregistered trademark that is used solely online faces serious enforcement obstacles. If the owner is located in the US these issues are initially related to gaining access to the information required to attempt to enforce their limited common law right. For example in order to initiate an action in their state court for trademark

infringement they would require information and data corresponding to the holder of the account that is infringing their brand. As far as dragging them to court is concerned. Good luck proving jurisdiction over someone who isn't located in that same state, especially if you don't live in California and Good luck basing a subpoena to the Service to obtain that information on a common law trademark right that requires exactly the information being sought in order to prove its existence.

If that owner is not located in the US and they do not hold a federal registration their problems are practically insurmountable, they would require access to information on 1) the location of sales of products and users of their services in order to identify the extent and potential jurisdiction where they may have limited rights and 2) information and data corresponding to the holder of the account that is infringing their brand and they have no basis on which to support their request for such information.

Many providers allow for both trademark and copyright infringement notices to be sent to the attention of their designated agent. Linden Research however does not explicitly. So in order to react to infringement of an unregistered trademark right in world an owner would require legal assistance from a specialized LOCAL attorney from the very beginning. This would result in much more expense than simply filing an application for US trademark registration.

It is always possible to apply for trademark registration at the time of infringement; however perhaps you will discover at the time of application filing that there is a preexisting mark that prevents your registration. Uh oh... right?

Ok so other enforcement options of unregistered trademark and copyright owners are dispute resolution by LL under the TOS. Under subsection 5.1 LL has the right but not the obligation to resolve disputes between users of the Service. I would be careful in drafting a complaint to Service not to mention legal arguments and grounds. I would take care to characterize the infringement as a violation of community standards or the like because if you read the clause you'll see that they should not base their decisions on legal arguments or claims.

This brings us to abuse reports an extremely helpful tool in terms of IPR enforcement in world as it allows you to capture the most important information regarding the infringing act or object, including the slur location of the abuse.

Lets try to tie all this litigation stuff together

So we've said that in the United States copyright registration is a prerequisite for bringing a copyright infringement lawsuit. The forum is basically set, we'll be in federal court. A trademark owner in the United States however has options they can always sue in state court and may be able to initiate a federal court claim; there's no registration

requirement for federal court trademark infringement litigation. Granted its much easier proceed if you have a registered mark.

Now, the benefits of federal trademark registration in the context of infringement litigation A federal registration also gets you a shortcut in court; namely you don't have to prove the mark is valid, that you are the owner, or that you have continuously used the mark in [interstate commerce](#). If these things cannot be demonstrated to the court, your case may be dismissed at the outset.

With a federal trademark registration, it is possible to recover an infringement award for triple the amount of your actual damages, plus attorneys fees if someone infringes your mark. Although rare, because such an award requires a showing of [willful trademark infringement](#), it is for exactly the most flagrant abuses of your mark that you would like to have the power to recover maximum damages, and doing so is only possible with a registration.

Only those with valid federal registrations are allowed to use the ® symbol ("encircled R") providing constructive notice that the mark is claimed as an exclusive right. As such, the defendant cannot claim innocent infringement, thereby avoiding monetary damages. Use of the encircled R also tells the world that you value and will protect your intellectual property rights.

First, the U.S. Patent and Trademark Office will refuse to register any marks which are confusingly similar. Second, your mark will appear on trademark searches when businesses contemplate adopting a mark that is similar to yours.

Btw ANOTHER BENEFIT OF TRADEMARK REGISTRATION IS THAT Cybersquatters, or those who would register your trademark as their own domain name on the Internet, may or may not be infringing your trademark rights, However, regardless of whether or not they are infringing, a trademark registration in any country is sufficient to have Internic (Interet's Network Information Center) to put a hold on a domain name until a court decides what to do.

Also the registration may be filed with U.S. Customs Service to prevent importation of infringing foreign goods.

Copyright owners will be eligible to receive "statutory damages" and "legal costs and attorneys' fees" from an infringer if their registration occurred in a timely manner. A timely manner means that the copyright registration was filed prior to an infringement taking place or within three months from the publication date of the work. If the infringement occurs prior to the effective date of copyright registration or after the three-month grace period then the copyright owner will not be entitled to receive statutory damages and legal costs and attorneys' fees. The effective date of copyright registration is the date when the Copyright Office receives the complete registration application that consists of the

application, fee and deposit copies.

The significance of statutory damages is that it permits an award of special damages in a successful infringement lawsuit and negates the duty of the copyright owner to prove actual damages. The reasons why a copyright owner may elect to receive statutory damages rather than actual damages is that in many instances proving actual damages is very difficult or the profits of the infringer are very small. The statutory damages that will be awarded is discretionary and will depend upon how willful and harmful the infringement was usually the more deliberate and more damaging the infringement the greater the award. Furthermore, the legal costs in any copyright infringement lawsuit, particularly attorneys' fees, are extremely expensive. By registering the work in a timely manner the court also has the discretion to award attorneys' fees and legal costs to the copyright owner.

I'm leaving the subject of injunctions and California trademark to Stephen Wu who will be presenting on Trademark infringement in VWs I believe in September.

Now, I'd like to go over the highlights of a case concerning infringement of IPRs originating in virtual environments *Eros v. Simon*. First you should know that the DMCA contains a provision that allows users to subpoena information from a Service provider for the purpose of initiating an infringement claim.

The Plaintiffs in this case brought suit against several defendants claiming that they infringed copyright and trademark laws by making, selling, and offering for sale unauthorized copies of Plaintiffs virtual products within SL and using Plaintiffs trademarks in violation of the applicable laws, namely the Lanham Act and the Copyright Act. Eros, as you may be aware, is engaged in the sale of adult themed virtual objects for use within SL. Eros filed an application to obtain trademarks registration for the Eros mark on or about June 11, 2007. Eros filed applications for copyright registrations for the Eros Items with the Copyright Office on or about June 22, 2007. Other parties to the suit included DE Designs, RH Designs, LE Cadre Network, Nomine, as well as Pixels Dolls and Pixel Chaps.

The Defendants, Rase Kenzo aka Thomas Simon, and John Does 1-10 were accused of 1) falsely designating the origin of the unauthorized copies of the Plaintiffs items which were sold by the Defendants, and making false and misleading representations of fact in the course of selling those items. These were the accusations made against the defendants under the Lanham Act, governing trademarks and other designations of the source of goods, for unfair competition and false description of origin. The defendants were also charged with counterfeiting for using in interstate commerce, without the consent of right holders, reproductions, counterfeits and copies of trademarks designs, in connection with the sale, offering for sale and advertisement of goods similar or highly identical to the goods to which Plaintiffs affixed their

mark. These allegations were made in addition to the copyright infringement claim made by Plaintiffs.

The outcome of the case was a judgment by consent, where the named defendant ultimately agreed to pay plaintiffs restitution for the profits derived from the unauthorized copying and distribution of their merchandise. Simon, the named defendant represented that this amount represented the total he received from the unauthorized copying and distribution of the plaintiffs merchandise and that he destroyed all unauthorized copies of plaintiffs merchandise that remained in his possession. Simon was ordered to allow access to the complete transactional history of all PayPal accounts he owned, operated or controlled as well as the transactional records maintained by Linden Research associated with his use, of any and all SL accounts he owned, operated or controlled.

So there you have it, crime doesn't pay, and contrary to common belief, those pesky kids can uncover the identity of infringers at the end of the episode.

This should be no surprise as it is possible to subpoena Internet service providers, such as PayPal and Linden Labs, for the identity of infringers reasonably believed to be in violation of intellectual property laws.

If your case involves the Service it may also be an option to invoke the arbitration clause in subsection 7.3 of the TOS.

Finally, it's in my experience a relatively effective approach to IPR enforcement inworld to issue cease and desists notecards. You should be aware however that in so doing you run the risk of the infringer refusing the note, particularly if they are intentionally infringing. So its always a good idea to name the note something beginn..like a message for so so or whatever. Also it may be necessary to activate an account simply for delivery of these notes otherwise you may become a bit infamous and your notes systematically refused.

Licensing rights is also a good alternative measure to infringement litigation and a good option for managing unregistered rights in exchange for a micropayment what I like to call micro licenses can be negotiated so that someone who is otherwise infringing would become an authorized distributor of goods protected under trademark and copyright laws for doing this again the in world permission system can be helpful.

Its easier to bring an action for breach than for infringement in many cases where there is an unregistered IPR.

That's all folks...