The Reproduction of Trademarks in a Virtual World

I. Introduction

This paper seeks to explore the way trademark law applies to the depiction of marks in virtual worlds. This topic was inspired by the ruling in E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.[1], (the "GTA Case"), where the court found that defendant video game maker was not liable for trademark infringement where it created an in-game parody version of plaintiff's strip club. The finding of a First Amendment defense limited to the parody context, while a good outcome for game developers, leaves them with little guidance as to whether the reproduction of an actual trademark in a virtual world would be similarly protected.

This paper seeks to clarify how the existing law of trademark infringement and the defenses thereto might apply to such a circumstance. If a game designer seeks to immerse the user in a realistic digital world, should that designer feel free to recreate the marks that permeate the real world as a way of increasing the reality of the digital world? As explained below, such a use would likely be protected.

A. The Grand Theft Auto: San Andreas Case

In the GTA Case, defendant Rock Star Videos, Inc. ("Rock Star") was the creator of the highly popular series of Grand Theft Auto video games, including the disputed game: "Grand Theft Auto: San Andreas." In these games, the defendant created "dystopic, cartoonish cities modeled after actual American urban areas."[2] As the court pointed out, despite Rock Star's disclaimer that the locations were fictional, the virtual cities mapped neatly to their real world counterpoints.[3] For example, in the San Andreas game the "fictional" cities depicted were "Los

[1] *E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.,* 547 F.3d 1095 (9th Cir. 2008).
[2] *Id*. at 1097.
[3] *Id*.

Santos," "San Fierro," and "Las Venturas;" which were modeled after Los Angeles, San Francisco, and Las Vegas, respectively.[4] Within the fictional "Los Santos," the neighborhoods mapped to actual Los Angeles neighborhoods ("Hollywood," "Santa Monica," "Venice Beach," and "Compton," were replaced by "Vinewood," "Santa Maria," "Verona Beach," and "Ganton").[5]

The depictions of these neighborhoods were made realistic with the aid of reference photographs taken by the artists responsible for the game design during a visit to Los Angeles.[6] The reference photographs included pictures of businesses, streets, and other places around town that the designers thought evoked the theme of the game. In keeping with their choice of creating a parody world instead of a depiction of the actual Los Angeles, the designers created fictional businesses bearing fictitious names and marks. In at least one case, however, they chose to create a direct parody of an actual business, including its name, storefront, and associated marks. The fictional strip club: the "Pig Pen" was allegedly a parody of the real world strip club: the "Play Pen Gentlemen's Club."[7] The Pig Pen logo and virtual building were allegedly modeled after Play Pen's real world logo and building.[8]

Plaintiff E.S.S. Entertainment, Inc. ("ESS") took issue with Rock Star's "Pig Pen" and filed suit in the district court asserting, among other state law claims, trade dress infringement and unfair competition under §43(a) of the Lanham Act.[9] As the court summarized it, "[t]he heart of ESS's complaint [was] that Rockstar [had] used Play Pen's distinctive logo and trade

[4] *Id*.
[5] *Id*.
[6] *Id*.
[7] *Rock Star*, 547 F.3d at 1097.
[8] *Id*.
[9] *Id*. at 1098.

dress without its authorization and [had] created a likelihood of confusion among consumers as to whether ESS has endorsed, or [was] associated with, the video depiction."[10]

Rock Star moved for summary judgment, asserting both a nominative fair use defense based on the fact that it was using the marks in the game as a parody, referencing the plaintiff's marks, and a First Amendment defense based on the fact that the marks were used in an artistic work, and that whatever confusion resulted would be outweighed by concerns about free speech.[11] Alternatively, Rock Star argued that the Pig Pen depiction did not create a likelihood of confusion.[12] The district court and the Ninth Circuit both rejected the application of the nominative fair use defense to this case. That defense, the appellate court noted, applies when the defendant has used a mark or trade dress identical to plaintiff's to describe the plaintiff's product, for the purposes of comparison, criticism, or simply as a point of reference.[13] In this case the parodied mark and trade dress were not identical and were therefore not eligible for the defense.[14]

The First Amendment defense, however, was successful in both the district court and the Ninth Circuit. The Ninth Circuit summarized the Second Circuit test from *Rogers v. Grimaldi*, which the Ninth Circuit had previously adopted:

> The specific test contains two prongs. An artistic work's use of a trademark that otherwise would violate the Lanham Act is not actionable "'unless the [use of the mark] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless [it] explicitly misleads as to the source or the content of the work.[15]

[10] *Id*.
[11] *Id*. at 1099.
[12] *Rock Star*, 547 F.3d at 1098.
[13] *Id*. (citing *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002); *Mattel Inc. v. Walking Mt. Prods*., 353 F.3d 792, 809 (9th Cir. 2003); *New Kids on the Block v. News America Pub., Inc*., 971 F.2d 302, 306 (9th Cir. 1992)).
[14] *Id*. at 1099.
[15] *Id*. (citing *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 902 (9th Cir. 2002).

The Ninth Circuit found that the game was artistic, and that the *Rogers* test therefore applied.[16] In analyzing the first prong, the court found that the game met the minimal threshold for protection by the First Amendment, (only uses with "no artistic relevance to the underlying work whatsoever" will not receive protection), and that the inclusion of a strip club with a similar look and feel to the original did have at least some artistic relevance.[17]

The second prong of the *Rogers* test focuses on whether the use in question would lead consumers to think that the plaintiff was somehow behind the defendant's use, or that it sponsored defendant's product.[18] Applying this test, the court found no indication that the buying public would make such a connection.[19] The court found insufficient similarities between the two products to justify the conclusion that consumers would infer sponsorship or affiliation (outside of what the court characterized as the "lowbrow" form of entertainment that both Grand Theft Auto and the Play Pen offered).[20]

The court focused on the fact that, even though the player/consumer could enter and patronize the virtual strip club, such activity was only incidental to the overall story of the game.[21] The court also noted that there was no evidence that the user would think that ESS had contributed its strip-club expertise to the design of Rock Star's virtual club.[22] Closing by addressing ESS's argument that a player could conceivably ignore the storyline and spend all of

---

[16] *Id.* at 1099-1100.
[17] *Id.* at 1100.
[18] *Rock Star*, 547 F.3d at 1100.
[19] *Id.*
[20] *Id.* It should be noted, however, that the court was addressing the issue at the summary judgment stage, and was therefore dealing with a limited factual record. *See* William McGeveran, *Four Free Speech Goals for Trademark Law* Media & Ent. L.J., Vol. 18, 2008 (Minnesota Legal Studies Research Paper No. 08-09), *available at* SSRN: http://ssrn.com/abstract=1104465 (criticizing the available trademark defenses and pointing out the costs and practical difficulties facing a defendant attempting to assert them).
[21] *Rock Star*, 547 F.3d at 1100.
[22] *Id.*

their time in the Pig Pen, the court made the apt analogy that a fan could chose to spend all nine innings of a baseball game at the hot dog stand, but that choice would hardly make Dodger Stadium a butcher shop.[23]

B. The Case Envisioned by This Paper

The holding in the GTA Case is a good one for game developers, especially Rock Star, who features parody versions of real places in many of its successful Grand Theft Auto games. But how far can this holding be extended? What if Rock Star hadn't had an overall strategy of creating a parody world? What if they didn't bother fictionalizing the names of the cities? What if they hadn't bothered fictionalizing the name, logo, or appearance of the virtual strip club? Would courts be as willing to extend protection to such a use? Should they be? That is the circumstance that this paper will examine.

The analysis here will make use of a hypothetical very much like the GTA Case, except that the creator of the virtual world has chosen to replicate the world more accurately by choosing to recreate identical copies of the likely plaintiff's marks; not parody versions. Going forward, the analysis will focus on a hypothetical game designer ("GD") who has created a new game ("The Square") in which the players can walk around and interact with other users and the environment in New York's Times Square. In creating that virtual Times Square, GD has recreated with a high degree of accuracy the many stores, signs, and advertisements that fill Times Square. As a result, GD has depicted hundreds of trademarks, including those of the hypothetical plaintiff: McDonald's. McDonald's has objected to the inclusion of a highly realistic virtual version of its Times Square location without its consent. Players of The Square can view the façade of the restaurant, walk in the doors, see the counter and menu, order food,

[23] *Id*. at 1101.

and sit in a booth to eat. All of this takes place virtually and involves only the virtual exchange of virtual money.

In this hypothetical, the users of The Square are able to enter the virtual McDonald's and interact with the restaurant. What they are not able to do, however, is spend real money to buy products or services in that restaurant. What if, as a part of the game, GD allowed users to pay real money to purchase in-game virtual items? The ability to do so would change the analysis in a couple of ways. First, the ability to buy goods in the virtual McDonalds might increase the likelihood that a reasonable consumer, under the second prong of the First Amendment defense, would be mislead about the source of the game. Even the most savvy gamer might be mislead by the ability to spend money at the virtual McDonald's. Second, the sale of items in-game might switch the focus of whether the marks are being used as source identifiers from the game as a whole to the individual items being sold in the virtual world. This paper will not address the application of trademark law to an in-game economy, but it is clear that the exchange of real money for real goods or services would complicate the analysis.

II. Application of Trademark Law to The Square

In the GTA Case, the court disposed of the plaintiff's claims by finding a defense under the First Amendment, and therefore did not reach the issues of confusion[24] or nominative fair use. In the interest of a full analysis, this paper will address those issues before returning to the First Amendment defense. Before addressing confusion or defenses thereto, it is worth discussing whether this case might be one, like the keyword advertising cases, where the defendant might advance a "use in commerce" threshold argument.

---

[24] The court didn't perform a full confusion analysis, but the second prong of the *Rogers* test comes close, requiring the court to make at least a limited inquiry into the likelihood that consumers would infer sponsorship or affiliation.

A. Trademark Use / Use in Commerce

The first step in the analysis will be to ask whether our hypothetical game designer defendant would be successful in arguing that the display of trademarks in-game is not a "use in commerce", and as such is not an infringing use. This argument finds its roots in the language of sections 32 and 43(a) of the Lanham Act. Section 32 states that any person who "uses 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 . . ." can be held liable for such use.[25] Focusing on the "uses in commerce" part of that language, the Ninth Circuit in *Bosley* stated that for a use to be infringing, it must be in connection with a sale of goods or services.[26] That court, in holding that the defendant's use of the plaintiff's mark in a domain name for a website critical of the plaintiff was not infringing, stated that:

> [l]imiting the Lanham Act to cases where a defendant is trying to profit from a plaintiff's trademark is consistent with the Supreme Court's view that [a trademark's] function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his.[27]

Thus, GD will likely want to argue that the representation of the trademarks in The Square is not a "use in commerce" as defined in the Act, and that it is therefore not infringing, despite any confusion that may arise.

---

[25] 15 U.S.C. § 1114(1)(a) (2006) (§43(a) states that "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, which is likely to cause confusion...shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.").
[26] *Bosley Med. Inst., Inc. v. Kremer,* 403 F.3d 672, 677 (9th Cir. 2005).
[27] *Id*. at 679 (internal quotations omitted).

Proponents of a Trademark Use threshold test for infringement have cited *Bosley* in support of their argument that courts have begun to adopt the test.[28] Critics of the Trademark Use test, however, question the assimilation of the use in commerce test into the broader Trademark Use argument, noting that the *Bosley* court's analysis of the preliminary use in commerce requirement was a shortcut for "a priori conclusions regarding confusion" and the speech issues implicated in the case.[29]

Whether on not Bosley serves as an example of a court applying a broader Trademark Use requirement, the argument for the Trademark Use requirement was not favorably received by the Second Circuit in its *Rescuecom* decision.[30] There, the district court held that Google's use of the plaintiff's marks as keywords for triggering advertising on its search results pages was not a "use in commerce".[31] The Second Circuit disagreed.[32] Google tried to analogize to the 1-800 Contacts case, in which the defendant's use was found to not be "in commerce" where the marks were used internally by the defendant's software to trigger pop-up ads.[33] The Second Circuit court did not accept the analogy, finding an important distinction in the fact that Google was displaying the marks to its ad-buying customers, and that it was actively suggesting marks for customers to buy.[34]

The failure of the "use in commerce" argument in *Rescuecom* did not mean that Google lost the case entirely. It just meant that the case could proceed past the motion to dismiss stage of litigation and on to the discovery process and motions for summary judgment. GD would

[28] Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 Iowa L. Rev. 1669, n48 (2007).
[29] *Id.* at 1650.
[30] *Rescuecom Corp. v. Google, Inc.,* 562 F.3d 123, 125 (2d Cir. 2009).
[31] *Id.* at 127.
[32] *Id.* at 131.
[33] *Id.* at 129-30.
[34] *Id.* at 130-31.

want to avoid having to engage in the very expensive discovery process, so any possible strategy that could result in such an early victory would be attractive. The question then is whether a court would see the use in our hypothetical like the court in *Bosley* saw the use of the mark in the URL, or whether it would see our use more like Google's use in *Rescucom*. The *Bosley* and *Rescucom* decisions might ultimately be inconsistent, reflecting differences in how the Ninth Circuit (*Bosley*) and the Second Circuit (*Rescucom*) view the status of the Trademark Use threshold test.

GD is not selling hamburgers. It is not selling French fries. McDonald's, while including games on its websites aimed at children[35], does not currently appear to be in the business of selling video games. McDonalds is definitely not in the business of creating virtual stores for selling hamburgers.[36] GD would argue that the Lanham Act, as stated by the *Bosley* court, was not designed to address this kind of use.[37] The Act was "expressly enacted to be applied in commercial contexts" and "does not prohibit all unauthorized uses of a trademark."[38] Here, GD is simply modeling the real world, and is not attempting to capitalize on McDonald's goodwill. This is especially true if, as with the GTA Case, the McDonald's restaurant is a small part of an expansive virtual world.

Unlike the *Rescuecom* facts, where Google was essentially selling the trademarks themselves to advertisers, the only thing that GD is selling is a video game. The players of The Square are not being diverted into the waiting arms of Burger King. They are experiencing a virtual recreation of a physical space that they could just as easily experience by walking outside,

---

[35] McDonald's Happy Meal Website, http://www.happymeal.com/; McWorld Website, http://www.mcworld.com/.
[36] Though, as will be addressed later, courts will consider the likelihood of a plaintiff bridging the gap to enter a new market as part of the likelihood of confusion analysis.
[37] *Bosley*, 403 F.3d at 679.
[38] *Id*.

or by buying a plane ticket to New York. The use in commerce argument is appealing in large part because it claims the ability to dismiss cases like this, in which proponents would say that no confusion is possible, so GD would be wise to make it.

The counter to this argument, however, is that the trademarks *are* part of what GD is selling. McDonald's would argue that GD is trading on its goodwill in order to sell video games, just like Google was trading on the goodwill of the mark owners in order to sell advertising. And while GD would say that the case should be dismissed because there is no possibility of confusion, McDonald's would say that, unlike the GTA Case, the user here is seeing an exact copy of a well known mark, so that there is a real danger of confusion as to sponsorship or affiliation.

It is this danger that makes it likely that a court facing these facts would probably not dismiss this case on the strength of a "use in commerce" argument. Proponents of the theory have said that trademark law was never intended to deal with this kind of case, and that the necessity of the theory was born of the expansion of trademark protection.[39] But unlike the keyword advertising context, the courts have applied traditional trademark law to the use of marks in artistic contexts and when evaluating protection of new markets. Like the court in *Rescuecom*, a court facing these facts would likely want to see the evidence of confusion (and would want to hear GD's defenses) before determining whether or not GD should be held liable.

B. Likelihood of Confusion

Assuming that the case of McDonalds v. GD proceeds to the summary judgment stage, the analysis then turns to the likelihood that the use of trademarks in The Square would cause consumer confusion. While courts have historically been reluctant to rule on confusion at this

[39] *See* Dogan & Lemley, supra note 27 at 1672-73.

stage, cases like *Rosetta Stone*[40] reflect a potential shift in favor of using a finding about whether a reasonable consumer could be confused to dispose of the case at this early stage.

This analysis requires the application of one of the multi-factor tests that have been adopted across the circuits. One question to be dealt with first is whether the court would be likely to give any special weight to particular factors given this unique context. The court in *GoTo.com* (an early case dealing with trademark infringement in the internet context) was willing to narrow the factors to the three it viewed to be most important.[41] There the Ninth Circuit began with its eight *Sleekcraft* factors: (1) the similarity of the marks; (2) the relatedness of the two companies' services; (3) the marketing channel used; (4) the strength of the plaintiff's mark; (5) the defendant's intent in selecting its mark; (6) evidence of actual confusion; (7) the likelihood of expansion into other markets; and (8) the degree of care likely to be exercised by purchasers.[42] Noting that "the eight-factor test is a pliant one, in which some factors are much more important than others," the court found that the most important factors in the internet context were (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the web as a marketing channel.[43] Subsequent courts, having had more time to consider consumer expectations in the internet context, have refined the application of the third factor.[44]

The justification for modifying or changing the weight of the factors in the internet context seems to have been driven in those early cases by the fact that the technology was new, and likely entirely foreign to the judges hearing the cases. While the argument might be made

---

[40] *Rosetta Stone Ltd. v. Google Inc.,* 730 F. Supp. 2d 531 (E.D. Va. 2010).
[41] *GoTo.com, Inc. v. Walt Disney Co.,* 202 F.3d 1199 (9th Cir. 2000).
[42] *Id*.
[43] *Id*. (citing *Brookfield Communs. v. W. Coast Entm't Corp.,* 174 F.3d 1036 (9th Cir. 1999).
[44] *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010); *Entrepreneur Media v. Smith*, 279 F.3d 1135, 1151 (9th Cir. 2002); *Therma-Scan, Inc. v. Thermoscan, Inc.,* 295 F.3d 623, 637 (6th Cir. 2002).

that video games would be equally foreign to the judiciary, the ease with which interactive video games may be analogized to movies or television should prove sufficient to allow the court to feel comfortable applying the factors without any significant modification.

One important exception will be where, in analyzing a nominative fair use case, the Ninth Circuit supplants the traditional confusion analysis with the factors for that defense.[45] In *Century 21*, the Third Circuit rejected the Ninth Circuit's approach, citing as support the Supreme Court's holding in *KP Permanent* that a defense can survive the existence of some confusion, and that the burden of proving confusion is on the plaintiff.[46] In that case, the Third Circuit was willing to limit the factors evaluated to those that made sense in the nominative fair use context, and also willing to limit the factors based on the facts of the case in front of them.[47]

The applicability of the factors in this case will be affected much more by the way in which the mark is being used than by the medium in which it is used. While acknowledging that the Ninth Circuit wouldn't perform the confusion analysis in a nominative fair use case, the *Sleekcraft* factors from that circuit are representative of the factors used in most circuits and will be used here. As indicated above, depending on the court and the facts of the case, different factors may be evaluated in each instance. For the sake of completeness, all eight *Sleekcraft* factors will be analyzed here.

1. Similarity of the Marks

In our hypothetical, the use in question is an exact replication of the McDonalds's trademarks, from name, to logo, to trade dress. GD may argue that the representation in the context of a game, consisting of a virtual world, displayed on a screen, should help ease the weight of this factor against him. He may argue that there is an important difference in the fact

---

[45] *See Tabari*, 610 F.3d at 1175.
[46] *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222-23 (3d Cir. 2005).
[47] *Id.* at 224-26.

that the mark is normally depicted in the real world, on signs, product packaging, billboards, television and radio ads. He may argue that the recreation in the game, despite the advanced graphics capabilities of modern gaming systems, will necessarily be distinguishable from the mark as used by McDonald's in the real world.

This argument was rejected by the Second circuit in *Virgin Enterprises Ltd. v. Nawab*.[48] In that case, the plaintiff used VIRGIN for consumer electronics retail stores and the defendant used VIRGIN for wireless communications products.[49] The district court found some merit in the argument that there were differences in the typeface and color of the two logos, allowing those small differences to tip this factor in favor of the defendant.[50] The Second Circuit rejected this argument, noting that "[a]dvertisement and consumer experience of a mark do not necessarily transmit all of the mark's features."[51] The Second Circuit focused on the fact that the reputation of a mark spreads in many ways that do not communicate all of the aspects of the mark.[52] For example, the typeface and color were not transmitted in radio broadcasts, or by word of mouth. Dismissing the small differences, the Second Circuit found that the marks were identical for the purposes of evaluating likely confusion.[53]

In our hypothetical, the differences between the representations of the mark in the real world and in the virtual world of the game are even more slight. Simply placing the mark in a different context does not change whether or not the mark is identical, and whatever argument that could have been made ten or even five years ago about the limitations on accuracy imposed by technology are now moot. There is no doubt that a user, encountering the marks at question

---

[48] *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141 (2nd Cir. 2003).
[49] *Id*. at 143-44.
[50] *Id*. at 149.
[51] *Id*.
[52] *Id*.
[53] *Id*.

here, using even the most dated equipment onto which modern games are released, would recognize that the marks are identical. More to the point, by choosing to make an accurate recreation of a real environment, GD wouldn't have any choice but to accept that this factor weighs against him in the likelihood of confusion analysis.

2. Relatedness of Two Companies' Products or Services

On first blush, it might seem ridiculous to argue that a hamburger restaurant is related to a video game. But as the Ninth Circuit established when it first marked the expansion of relevant confusion to include affiliation or mental connection in *Fleischmann*[54], context is very important. Focusing on the goal (determining likelihood of consumer confusion) it is important to look at how the consumers are likely to perceive the two companies, and the products or services that they offer.

Here, we are dealing with a company in McDonalds that markets directly to children. In fact, they have a website devoted to the happy meal[55] that includes a link to a site with several interactive video games[56], including an apparent virtual world called "Happy Grove" through which children can send their respective avatars on various McDonald's-branded adventures. Companies that on first inspection might seem to offer totally unrelated products and services may start to move towards each other in the mind of the customer when viewed in context. Given the fact that McDonald's creates or at least commissions video games to help sell happy meals to small children, it doesn't seem like such a large distance between the products offered by GD and McDonalds. And if this factor can't weigh in McDonald's favor unless it actually sells video games, the next factor certainly can.

---

[54] *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149 (9th Cir.), cert. denied, 374 U.S. 830 (1963).
[55] McDonald's Happy Meal Website, http://www.happymeal.com/.
[56] McWorld Website, http://www.mcworld.com/.

Taking a step back from the specific facts of this hypothetical, it seems likely that, in the increasingly interactive marketing world, more and more mark owners will be able to make a straight-faced argument that the products they offer, however dissimilar they may seem, are related to those of a game designer because of the use of interactive marketing efforts they undertake. When the discussion is expanded to include companies that incorporate brand merchandising into their product mix, that argument gains even more plausibility. Because McDonald's is selling a myriad of double-arched products, the likelihood that some of those products will be related to video games increases. If the product offering of a mark owner spreads widely across seemingly unrelated areas, the likelihood of a mental connection in the minds of the consumer becomes more likely.

3. Likelihood of Expansion into Other Markets

If a court were to decline to give weight in favor of the plaintiff for the previous factor, it seems very likely that they would give McDonald's credit for this one. As stated above, McDonald's undertakes substantial marketing efforts, including providing a Happy Meal-themed website and a website of branded games apparently aimed at young children. But McDonald's markets towards all age ranges. The Happy Meal may be aimed at young children, but the majority of the menu items target consumers of all ages. While video games are still viewed by many as being just for kids and teenagers, the Entertainment Software Association claims that the average age of a game player is 34.[57]

Given the overlapping audiences, and McDonald's use of video games to market their products to young children, it seems that a court would find a high likelihood of expansion into the video game sales market. Depending on the scope of expansion that the court finds likely, they may or may not give much weight to this factor. Important questions would need to be

[57] The Entertainment Software Association – Industry Facts, http://www.theesa.com/facts/index.asp.

answered about whether the production of a video game for advertising purposes is the same as being a full-fledged video game industry competitor.

This would likely be another context-heavy analysis, but if a game designer chose to incorporate the marks of a huge multi-national corporation, the chances of a court finding likely expansion into the video game market would increase. In the GTA Case, the plaintiff was a small corporation with almost no likelihood of expansion into the video game market, but if a game designer was attempting, like GD, to recreate the marks of large multi-national corporations, this factor might well tip in favor of that plaintiff.

4. Marketing Channel Used

The analysis of the marketing channels used by each party will again be a heavily context specific analysis. The court in *GoTo.com* focused on the fact that both parties used the web as a marketing channel, and that the web enabled the consumers to potentially see the marks at the same time.[58] The substance of this factor seems to be that two parties using the same or similar marketing channels are more likely to confuse a consumer than parties who advertise in completely different ways. If the consumer never encounters the two marks in question in the same context, then the likelihood that the consumer will be confused is diminished. As mentioned above, while courts had previously given extra weight to this factor when both parties were using the web as a marketing channel, more recent decisions have stepped back from this, even going so far as to credit the average web customer with more sophistication than their offline counterparts.[59]

Here we have the first factor that would almost certainly weigh in favor of our defendant. McDonalds would argue that video games are marketed in most (if not all) of the same channels

[58] *GoTo.com, Inc. v. Walt Disney Co.,* 202 F.3d 1199, 1207 (9th Cir. 2000).
[59] *Tabari*, 610 F.3d at 1178 ("Consumers who use the internet for shopping are generally quite sophisticated about such matters").

in which its products are marketed. And in that statement, McDonald's would be correct. But focusing on the purpose of this factor, it is important to consider the way in which the mark is being used by GD. The mark, as hypothesized here, would only be displayed in the game. It would not be used on the packaging, or in the advertisements. In short, it would not be used *as a mark*. This fact should shift the court's evaluation of this factor. The concern about consumers being confused when they encounter two marks in the same context is not present here. The consumer would not likely encounter the plaintiff's mark (as represented in the video game) in any marketing channel. Therefore, whether video games and hamburgers are being marketed in the same magazines, during the same television programs, or on the same websites is not relevant.

5. Strength of Plaintiff's Mark

In analyzing the strength of the plaintiff's mark in *Virgin*, the Second Circuit broke the analysis into two parts: inherent distinctiveness and acquired distinctiveness.[60] Where the mark in question was inherently distinctive, the court was willing to extend "broad, muscular protection to marks that are arbitrary or fanciful in relation to the products on which they are used."[61] The court explained the necessity of this protection in terms of the likelihood of confusion, concluding that the more arbitrary or fanciful the mark in relation to the product, the more likely the consumer will be confused when they see that arbitrary or fanciful mark used in another context.[62]

As with the marketing channel analysis, however, this protection makes the most sense when you are talking about a defendant that is using the mark as a source identifier, not as a reference to the actual mark owner and that mark owner's products. The best argument that

[60] *Virgin*, 335 F.3d at 147.
[61] *Id*.
[62] *Id.* at 147-48.

could be made by a plaintiff is that if they have a particularly distinctive mark, there is an increased possibility that the consumer, seeing the mark represented in the game, would form the mental association with that mark owner, and would therefore come to a mistaken conclusion about sponsorship or affiliation that would harm the plaintiff.

The Second Circuit's discussion of acquired distinctiveness in the context of "strength" of the plaintiff's mark focused on whether the defendant, given the widespread recognition of the plaintiff's mark, was attempting to create confusion by associating themselves with the plaintiff in the consumer's mind.[63] In the context of the video game, that argument may have some traction for the plaintiff. Given the potential actionability of confusion as to sponsorship or affiliation, a defendant that has used a widely known mark might, regardless of its actual intent, face a court that is willing to give additional weight in favor of the plaintiff when the plaintiff's mark is particularly strong with regard to acquired distinctiveness. In our hypothetical, McDonald's is a family name, and therefore not inherently distinctive. But GD would be unwise to try and convince any court that McDonald's had not acquired significant distinctiveness. As such, where a game designer chooses to reproduce a particularly strong mark, that game designer faces the possibility that yet another factor will be weighted against him in the likelihood of confusion analysis.

6. Defendant's Intent in Selecting the Mark

The courts in both *Virgin* and *GoTo.com* minimized the importance of intent or bad faith in the confusion analysis.[64] In *Virgin*, the Second Circuit stated that bad faith only comes in to play when determining the remedy, or possibly in tipping the balance where questions are

[63] *Id*. at 148.
[64] *GoTo.com*, 202 F.3d at 1208; *Virgin*, 335 F.3d at 151.

close.[65] The Ninth Circuit in *GoTo.com* declined to undertake the exercise of "rummag[ing] through the record in a quixotic attempt to determine" intent, noting that even if the defendant was "as innocent as a fawn" it would prove nothing with regard to confusion.[66]

While those quotations might suggest that GD wouldn't want to waste much time trying to argue this factor, given courts' obvious disdain, he nonetheless may want to consider putting forward an argument about intent. If a court limits the question of intent to whether or not he intentionally copied a mark that he knew to be a mark, then this factor would certainly weigh against him. Even if the court was willing to expand the inquiry to cover the question of whether he intended to confuse consumers, or intended to profit from the confusion, the best that he could do would be to convince the court that confusion was not intended, and that he was not a bad actor.[67] Those might be relevant in determining the appropriate remedy, but the court isn't going to overlook likely confusion just because GD proves that it was unintentional. Therefore, a game designer accused of infringement could at best get a court to ignore this factor, and at worst have a finding of bad intent added to those weighing against him.

7. Evidence of Actual Confusion

In a hypothetical scenario, it is dangerous to postulate about evidence of actual confusion. It is enough to say that this will be an important factor in the confusion analysis.[68] The ability of the plaintiff to show that users of the video game really were confused about whether or not the mark owner was affiliated with the game would be very difficult to overcome in the confusion

[65] *Virgin*, 335 F.3d at 151.
[66] *GoTo.com*, 202 F.3d at 1208.
[67] Although, given Professor Beebe's empirical evidence of the dispositive nature of bad faith, any defendant would be wise to do what he or she can to negate even the slightest hint of bad faith. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1628 (2006).
[68] *But See*: Beebe, 94 CAL. L. REV. 1581 (Providing empirical evidence that actual confusion may not be among the most common dispositive factors).

analysis. Given the degree to which consumers already assume association when marks are used in other contexts[69], this does not bode well for the game designer.

8. Degree of Care Likely to by Exercised by Purchasers

The confusion analysis could get interesting when it comes to this factor. In *Virgin*, the Second Circuit observed that, while retail consumers are "not expected to exercise the same degree of care as professional buyers," purchasers of cell phones and service plans are likely to give greater care than customers in a supermarket.[70] When turning to an analysis of video game consumers, the opposing sides will likely be able to find widely varying evidence about the degree of care.

On one hand, the plaintiff mark owner would likely argue that kids play video games, and that they are not careful consumers. However, because the mark here is not being used as a trademark, the plaintiff might want to bring in additional evidence to show that video game players do have the necessary degree of media savvy to make the leap to assuming that, because the mark is being reproduced in the game, the mark owner must sponsor or be affiliated with the game. In other words, while the plaintiff will have to argue that video gamers exercise a low level of care, they are more advanced in their assumptions about the relationships between corporations.

Conversely, the defendant in our scenario could either argue that the relevant consumers here do exercise a high degree of care, or that they won't make the necessary assumptions about sponsorship or affiliation to create confusion. The likely first step in this argument will be to paint a very different picture of the relevant audience. Even if you assume that the average age of a video gamer is mid-thirties, you need to also take into account the fact, as put forward by the

---

[69] *See Generally* Dogan & Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 Emory L.J. 461 (2005).
[70] *Virgin*, 335 F.3d at 151.

Entertainment Software Association, that the average age of the most frequent video game purchaser is 40 years old.[71] The logical conclusion is that you have a lot of parents buying the games for their children. So while the defendant would want to argue that game buyers are more sophisticated, we once again have to recognize that the mark is going to be encountered in a post-sale context, and look at the consumers who will be playing the games.

There are no doubt some interesting studies about the media literacy of young people, and probably some that focus on the subset of video game playing young people. The defendant will need to paint a picture that the relevant consumer exercises a high degree of care when interacting with these virtual worlds, and that they are sophisticated enough to understand that the mark owner didn't necessarily sponsor or approve of the use of its mark. That is quite a bit to pin on the relevant consumer, so the defendant will have its work cut out to prove that this element should weigh in its favor.

9. Summarizing the Factors

While the fact that we were discussing a relatively new context (video games) didn't call for a re-working of the factors, the fact that mark in question is not being used as a mark by the defendant to identify its own products might call for a re-working. The similarity of the marks, the marketing channel used, the defendant's intent, the evidence of actual confusion, and the degree of care all take on slightly different meanings when viewed in this different context. Even taking the type of use into account, the end result is likely the same. In a time of ubiquitous brands and merchandising, the plaintiff will probably be able to establish a likelihood of confusion where a game designer has reproduced the plaintiff's mark exactly within the video game. The likelihood that the relevant consumers will assume some sort of sponsorship or

[71] The Entertainment Software Association – Industry Facts, http://www.theesa.com/facts/index.asp.

affiliation is just too high to entertain the possibility that the plaintiff would fail at this point in the analysis.

C. Defenses

Having established that a court would probably find a likelihood of confusion, the burden shifts to GD to assert any defenses. GD will want to put forward both the nominative fair use and First Amendment defenses. Like the GTA Case[72], a court here would likely find that the First Amendment defense is available and the nominative fair use defense is not.

1. Nominative Fair Use

The nominative fair use defense, as set out by the Ninth Circuit in the *New Kids* Case, allows a commercial party to use a mark to describe the product or service that it represents.[73] To determine whether that defense should succeed, the Ninth Circuit said that three factors should be considered:

> First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.[74]

The Third Circuit, in *Century 21*, modified the nominative fair use test slightly.[75] There, the court found that the plaintiff must first prove a likelihood of confusion before the defense need be proven.[76] (The Ninth Circuit, on the other hand, has held that the three prong *New Kids*

---

[72] *E.S.S. Entm't 2000, Inc. v. Rock Star Videos, Inc.,* 547 F.3d 1095, 1098-1101 (9th Cir. 2008).
[73] *New Kids on the Block v. News America Pub., Inc.,* 971 F.2d 302, 308 (9th Cir. 1992).
[74] *Id*.
[75] *Century 21 Real Estate Corp. v. Lendingtree, Inc.,* 425 F.3d 211, 222 (3d Cir. 2005).
[76] *Id*. at 222, 225-226 (Narrowing the factors relevant to confusion in the nominative use context to four: (1) the price of the goods or services and other factors indicative of the care and attention expected of consumers when making a purchase; (2) the length of time the defendant has used the mark without

test replaces the traditional likelihood of confusion analysis.[77]) In addition, the court modified the first *New Kids* factor to include not just whether the use was necessary to describe the plaintiff's products, but whether the use was necessary to describe the defendant's products as well.[78] Lastly, the Third Circuit replaced the sponsorship or affiliation language in the Ninth Circuit's third prong with a test that doesn't implicate confusion at all, asking only whether "the defendant's conduct or language reflect the true and accurate relationship between plaintiff and defendant's products or services."[79]

In our hypothetical, this defense would likely be unsuccessful for GD in either the Ninth Circuit or the Third Circuit. The use here involves the recreation of a McDonald's restaurant in a virtual world, so GD would have a good argument that it using the associated trademarks is the only way to readily identify the restaurant, products, and services in question. Taking a broad reading of necessity, GD has a strong argument that the replication of McDonald's marks was necessary to create the virtual world that is GD's product. Additionally, because GD is not using McDonald's marks in advertisements or comparing his product to McDonald's products, it seems unlikely that this part of the test would be implicated.

Focusing on how the other *New Kids* factors would apply if this case were, like the GTA Case, to arise in the Ninth Circuit, we turn next to the question of whether GD only used so much of the mark as was necessary. This is a difficult question, because we have to establish what GD's goal was before we can say whether or not the amount used was more than necessary. In the *Mattel* case, the Central District of California applied this test to the use of BARBIE in a

---

evidence of actual confusion; (3) the intent of the defendant in adopting the mark; and (4) the evidence of actual confusion.).

[77] *Playboy Enters. v. Welles*, 279 F.3d 796, 801 (9th Cir. 2002).

[78] *Id*. at 222.

[79] *Id*.

song that referred to the trademarked product.[80] There, in the context of a parody, the use of the identical mark (the name "Barbie") was found to be not more than was necessary.[81] The court noted, however, that the defendants did not use the likeness or image of the dolls either on the CD packaging or in the video, and that the singers in the video did not resemble either Ken or Barbie.[82]

GD will have an uphill battle on this second factor, because it is difficult to define what is necessary to refer to a McDonald's restaurant. Should he only reproduce the façade? GD's argument will be that his goal was to replicate a completely interactive virtual version of Times Square. As such, the level of detail and interactivity of a modern game requires a completely faithful replication of not just the outside of the businesses, but the insides, down to the smallest detail. If the goal is to do a recreation of Times Square with as much detail as is technologically possible, then of course the replication of the entire mark, including words, pictures, logos, colors, trade dress, and product packaging will be necessary.

McDonalds, however, is likely to try and push the discussion in a different direction. They would likely argue that the necessity mentioned in the second of the *New Kids* factors limits the defendant to only as much as is necessary to identify the product or service. Necessity, they would argue, is a stringent test. They would say that GD could create a storefront and even restaurant in the game that is in the exact same location as the McDonalds, but strip it of its trademarks. Even if the court was willing to allow GD to make the restaurant a McDonald's, the plaintiff would argue that a generic font version of the name would be all that was necessary in

---

[80] *Mattel, Inc. v. MCA Records, Inc.,* 28 F. Supp. 2d 1120 (C.D. Cal. 1998) (affirmed on First Amendement defense, nominative fair use not reached in *Mattel, Inc. v. MCA Records*, 296 F.3d 894 (9th Cir. 2002)).
[81] *Id*. at 1142.
[82] *Id*.

order to signal to the user that restaurant in the game references the McDonald's in Times Square.

The difficulty in applying this second factor points to the fact that this case is different materially from those where the nominative fair use defense has been applied in the past. In *New Kids*, *Mattel*, and *Playboy*, the defendants' uses were of a trademarked work, either in audio or text format. Here, we are talking about the wholesale use of everything about the plaintiff's marks. The question turns, then, on whether that wholesale use is necessary. It seems unlikely, especially given the availability of the First Amendment defense, described below, that a court would find in favor of any defendant who has created an exact replica of a mark or marks in a virtual world.

Even if a court were to accept GD's argument that necessity should be given a broader reading, he would still have the third hurdle of the *New Kids* test to get over. As the decision in *Walking Mountain* shows, analyzing this third factor starts to look a lot like the likelihood of confusion analysis[83] GD has to hope that the court doesn't interpret any of his wholesale replications of McDonald's marks as suggesting sponsorship or affiliation.

Given the difficult arguments that GD would have to make, the most likely outcome would be that the court would find the nominative fair use defense unavailable, and then move, as the court in the GTA case did, to the First Amendment defense.

2. First Amendment

The court in the GTA Case, having found the nominative fair use defense inapplicable because the defendant had not used an exact copy of plaintiff's mark, moved on to analyze whether defendant's use was protected by the First Amendment.[84] In defining the test, the Ninth

[83] *Mattel Inc. v. Walking Mt. Prods.,* 353 F.3d 792, 811-812 (9th Cir. 2003).
[84] *Rock Star*, 547 F.3d at 1099.

Circuit in the GTA Case noted that, while the defense was initially applied in the context of a mark being used in the title of an artistic work[85], that there was no reason why it should not apply when the mark is used in the body of the work.[86] This is significant because, even though the court cites *Walking Mountain* as support for this expansion, that case did not apply *Rogers* to the body of the artistic work.[87] Instead, in a footnote explaining that they were avoiding the First Amendment issue by relying on nominative fair use, the Ninth Circuit expressed some doubt about whether the *Rogers* test would apply.[88] In the GTA Case, the Ninth Circuit made the leap in applying *Rogers* to the body of an artistic work without any analysis of whether there was anything that makes non-titular uses of trademarks incompatible with *Rogers*, stating only that "The parties do not dispute such an extension of the doctrine."[89]

Whether or not the extension of the *Rogers* test to non-titular uses was wise, the Ninth Circuit took that step in the GTA Case. If our hypothetical case arose in that circuit, the defense would be available. What needs to be determined then is whether the difference between our hypothetical case and the GTA Case has any bearing on the outcome of a First Amendment defense.

The test, as defined in *Rogers* and adopted by the Ninth Circuit, is as follows:

> An artistic work's use of a trademark that otherwise would violate the Lanham Act is not actionable "'unless the [use of the mark] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless [it] explicitly misleads as to the source or the content of the work.[90]

[85] *Rogers v. Grimaldi*, 875 F.2d 994, 998-999 (2d Cir. 1989).
[86] *Rock Star,* 547 F.3d at 1099.
[87] *Walking Mt. Prods.,* 353 F.3d at 808-09.
[88] *Id*. at n14 ("There may be something unique about the use of a trademark in the title of a work that makes non-titular uses of trademarks or trade dress incompatible with the Rogers test.").
[89] *Rock Star*, 547 F.3d at 1099.
[90] *Id*. (citing *Mattel, Inc. v. MCA Records, Inc.,* 296 F.3d 894, 902 (9th Cir. 2002).

The difference between the GTA Case and ours does not seem to affect the first prong of the test. If the depiction of a strip club in a virtual world was found to have artistic relevance, it is hard to imagine the depiction of a McDonald's restaurant being found to lack such relevance. The only possible difference is that, in choosing to create a parody, Rock Star may have increased the likelihood that a court would find some artistic relevance. There is additional power to an argument in favor of an artistic comment or statement when the use is a parody. For comparison, GD's straightforward recreation of the real world restaurant doesn't necessarily have any inherent artistic comment. The standard for artistic merit, however, is so low that it is hard to imagine a court holding that a virtual recreation of Times Square is not artistic.[91]

Given a slightly different factual scenario, however, this factor might come in to play. For example, GD could have used an existing photographic model as its virtual environment instead of recreating Times Square from scratch. In that case, the depiction of the marks in question would be photographic. But even in this scenario, the incorporation of the marks, whether created from scratch or lifted from a pre-existing model, would be in the larger context of a video game, which as has already been established, is recognized as an artistic work.[92]

The biggest difference between the GTA Case and our hypothetical would be in the application of the second factor. While the test looks to whether the defendant mislead the consumers about the source or content, the court in the GTA Case noted that mere use of a trademark alone cannot suffice to make such use explicitly misleading.[93] The court there considered things like the similarity of the products offered by the two parties, whether or not the

---

[91] It seems likely that, as long as a use is made in connection with an artistic work, and that the claim by the defendant that the use is artistic is not a transparent, post-hoc assertion of "art" in an attempt to excuse an attempt to free ride and cause confusion in a commercial context, that this first prong of the *Rogers* test will be satisfied.
[92] *Interactive Digital Software Ass'n v. St. Louis County*, 329 F.3d 954, 957 (8th Cir. 2003) (stating that video games "are as much entitled to the protection of free speech as the best of literature").
[93] *Rock Star*, 547 F.3d at 1100.

public would think that the plaintiff produced a video game (or whether the defendant had produced a strip club), the lack of evidence that the inside of the strip club was generic and did not indicate that the plaintiff had lent its strip club expertise to the design of the game, and whether or not the game revolved around the strip club.[94] The court noted that a reasonable consumer wouldn't think that a company that owns a strip club would also produce a game as sophisticated as GTA.[95] Lastly, the court focused on the fact that the strip club was such a small part of the overall game.[96]

Because this is a sort of likelihood-of-confusion light, we see many of the same considerations as we did in the confusion analysis above. In our scenario, some of these considerations in the First Amendment defense might swing differently than they did in the GTA Case. Our hypothetical envisions a large multi-national plaintiff, so the likelihood in the consumer's mind that such a company would create a game is much higher. Whether it is McDonalds, Disney, or any other large corporation, game creation as a marketing tool is not out of the realm of possibility.

This highlights a theoretical weakness in the second prong of the *Rogers* test. If it is an affirmative defense to infringement, and in light of the Supreme Court's holding in *KP Permanent* that defenses survive confusion[97], it is difficult to explain why an artist's freedom to speak should be influenced by the size and power of the mark-holder. As the Ninth Circuit noted in *Walking Mountain*, sometimes marks "transcend their identifying purpose and enter public discourse and become an integral part of our vocabulary."[98] In those circumstances, the court

---

[94] *Id*.
[95] *Id*.
[96] *Id*.
[97] *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.,* 125 S. Ct. 542, 550 (2004).
[98] *Walking Mt. Prods.,* 353 F.3d at 809 (quoting *Mattel, Inc. v. MCA Records*, 296 F.3d 894, 900 (9th Cir. 2002)).

noted, the marks "assume a role outside the bounds of trademark law."[99] If that is the case here, allowing the existence of confusion to impact the analysis seems wrong. The test speaks of a defendant who explicitly misleads, so maybe that calls for a focus on intent. But as the GTA Case illustrates, the Ninth Circuit is willing to perform a more nuanced analysis of confusion under this second prong.

Also different in our scenario, we are talking about a wholesale recreation of a place of business. Where as in the GTA Case, the inside of the strip club did not indicate the plaintiff's involvement, the McDonald's restaurant here is intended to be an exact replication. Because such things are not common in video games, this fact might lead to a conclusion in the consumer's mind that McDonald's must have contributed to the creation of the game. While this might weigh against GD here, this factor is focused primarily on source confusion, so we have to look at the bigger picture to decide whether the consumer is likely to be mislead about the source of the game.

As the Ninth Circuit noted in the GTA Case, the replicated establishment was a very small part of a very big virtual world. This would be no different in our case. The bigger the virtual world, the smaller part the plaintiff's marks become. Given a sufficiently large universe, it would be hard to see how a reasonable consumer could be confused about where the game came from. Additionally, the McDonald's would be only one of a number of wholly recreated establishments. Given that there would be numerous unrelated companies represented, the likelihood that the consumer would think that the game was produced by any one of them would be greatly diminished. The inclusion of so many competing corporations, given a sufficiently sophisticated construction of a reasonable consumer, might even be strong evidence that no one of them could be the producer of the game, given the inclusion of the competition.

---

[99] *Id*.

So long as the virtual world in question is large, and the hypothetical plaintiff's marks are a relatively small part of that world, it is unlikely that a court in the Ninth Circuit would find that the in-game use explicitly misleads consumers about the source of the game. As such, despite the differences between our case and the GTA case, it is likely that the use envisioned here would be similarly protected by a First Amendment defense.

Because the *Rogers* test has not been applied to non-titular uses outside of the Ninth Circuit, it is difficult to predict what kind of analysis other courts might apply. This defense is based on balancing the First Amendment right of free speech against any confusion-based harm[100], so the balance that each court chooses to strike could be different. Other courts, instead of performing the kind of nuanced confusion analysis done by the Ninth Circuit, might instead choose to limit the second prong of the *Rogers* test to an intent analysis. This reading would provide much greater latitude to artists, tipping the balance in favor of free speech.

D. Dilution

In addition to a claim for infringement in our hypothetical scenario, McDonald's is likely to bring claims for dilution by blurring[101] and by tarnishment[102]. One important requirement for both of these causes of action explains why this claim did not arise in the GTA Case: fame. Fame is defined as a mark that is "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner."[103] Given the factors delineated in the statute[104], it is unlikely that THE PLAY PEN would have qualified.

McDonalds, however, would have no problem. Nor would many owners of nationally recognized marks that any game designer might want to use as a reference to make the user's

---

[100] *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989).
[101] 15 U.S.C. §1125(c)(2)(B) (2006).
[102] 15 U.S.C. §1125(c)(2)(C) (2006).
[103] 15 U.S.C. §1125(c)(2)(A) (2006).
[104] 15 U.S.C. §1125(c)(2)(A)(i)-(iv) (2006).

experience more like the real world. In fact, it is likely that the owner of any mark that GD would want to reproduce in The Square would have a colorable argument for fame, just based on the ubiquity of images broadcast nationwide live from Times Square. So, assuming that the mark in question can clear the fame hurdle, the next step is to examine the two dilution causes of action separately to see if they would be of concern to GD.

1. Blurring

The elements for proving dilution by blurring are as follows: (i) The degree of similarity between the mark or trade name and the famous mark; (ii) The degree of inherent or acquired distinctiveness of the famous mark; (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) The degree of recognition of the famous mark; (v) Whether the user of the mark or trade name intended to create an association with the famous mark; and (vi) Any actual association between the mark or trade name and the famous mark.[105]

To return to our hypothetical, it looks like GD may be in serious trouble with respect to a dilution by blurring claim. The marks are identical. The famous mark may not be inherently distinctive, but its acquired distinctiveness is unquestionable. McDonald's is a fierce protector of its mark (even going as far as to sue a dentist for using the term "McDental"[106]), so it is safe to assume that they have exclusive use of the mark. GD is using the McDonald's marks to reference an actual McDonalds restaurant, so it is certainly intended to, and likely will create an actual association.

2. Tarnishment

[105] 15 U.S.C. §1125(c)(2)(B) (2006).
[106] *McDonald's Corp. v. Druck and Gerner, D.D.S., P.C., d/b/a McDental*, 814 F. Supp. 1127 (N.D.N.Y. 1993).

Tarnishment is an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark."[107] The textbook examples are associations with sex or drugs. The important point to note here is that the protection is pointedly limited to the creation of a new association in the consumer's mind between a new product or service and the famous mark. In our example, McDonalds might find out that users of The Square were able to encounter drug dealers or prostitutes on the sidewalk outside of the virtual McDonald's. Objecting to the association, McDonald's might attempt to bring a dilution by tarnishment claim. For reasons discussed immediately below, this claim would likely fail.

3. Exclusions

The saving grace for GD, however, is likely to come from one of the exclusions built in to the statute: fair use.[108] Under this exclusion, any fair use, including nominative or descriptive fair use, other than as a designation of source for the defendant, is excluded from the uses actionable as dilution.[109] The illustrative list of uses that are excluded under fair use includes "identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner."[110] GD's best argument, and the best argument against a dilution claim for any defendant game designer, would be that the representation of the mark owner's marks in the game is nominative fair use: identifying the actual owner's products or services.

The doctrinal justification for this exclusion applies in this context. Dilution is intended to prevent harm to the consumer's mental association with a famous mark. Blurring is prohibited to prevent a myriad of uses of a famous mark for different goods so as to simultaneously protect

[107] 15 U.S.C. §1125(c)(2)(C) (2006).
[108] 15 U.S.C. §1125(c)(3)(A) (2006).
[109] *Id*.
[110] 15 U.S.C. §1125(c)(3)(A)(ii) (2006).

the uniqueness created by the owner and to prevent an increase in transaction costs for the consumer who, previously having only one association, now has multiple associations and must sort through them to determine which product he or she wants. Tarnishment is prohibited to prevent a sordid use from dirtying-up the famous use.

Where, as here, the use of the mark not only isn't being used to create a new association, but arguably is reinforcing the existing association with the famous brand, there should be no cause of action for dilution by blurring.[111] The argument for extending the same exclusion to otherwise tarnishing uses seems to come down to the First Amendment. So long as the customer isn't forming a negative source-identifying association between the mark and some dreadful new product or service, the harm protected by dilution by tarnishment is not present. So while McDonalds might object strongly to its marks being placed into the context of a game full of sex and drugs and violence, it cannot be said that the consumer now thinks that there is a McDonald's for hamburgers and a McDonald's for sex, drugs, or violent video games.

III. Conclusion

The hypothetical use examined by this paper seems likely to be afforded the same protection as the parody use in the GTA Case. Despite whatever likelihood of confusion may be found, the First Amendment defense should still be viable, even given the use of the plaintiff's exact and entire mark. The constraints of this hypothetical ensure that the use is a small enough part of a large virtual world to avoid being misleading, which would undermine the defense. Likewise, the fact that the marks are not being used by the defendant to identify its own products enables a viable defense to any dilution claim. As was suggested early in this paper, however, a slight change to those parameters might undermine those defenses.

[111] *See*: *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 261-262 (4th Cir. 2007).