

Trademark Claims Against Virtual World Strip Club Denied on 1st Amendment Grounds

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A court has ruled that incorporating into a video game a virtual strip club with a similar look and feel to the real thing has artistic relevance and that similarities between the real and virtual strip clubs were not explicitly misleading. Thus, the court found that the First Amendment provided a defense to the alleged trademark infringement in this case. However, it ruled that a nominative fair use defense did not apply because the game did not replicate the mark in question. Instead, the designers purposefully changed the name and look. Although it is possible that somewhat different facts may have produced a different result, the principles here are likely to apply to other virtual world and video game trademark disputes. These principles may be particularly relevant to video games and virtual worlds that include depictions of actual buildings or businesses, including “mirror worlds.”

Background

Grand Theft Auto: San Andreas

Rockstar Games, Inc. (“Rockstar”) manufactures and distributes the video game *Grand Theft Auto: San Andreas* (the “Game”). The Game includes elements of a driving game and a third-person shooter. The Game features “open world” game play in which players can freely roam a virtual world.¹ In the Game, the user plays the role of a gang member, Carl “CJ” Johnson. The user controls each of CJ’s actions, including walking, jumping, and discharging firearms, among others.



¹ A virtual world is computer-based, persistent, simulated environment through which users interact with each other and/or the environment via avatars. An avatar typically is a customizable (2D or 3D) visual representation of a character through which the user interacts with the virtual world.

The Game is set in the fictional state of San Andreas, which includes three metropolitan cities: Los Santos, San Fierro, and Las Venturas (based on Los Angeles, San Francisco, and Las Vegas, respectively). Los Santos mimics the look and feel of actual Los Angeles neighborhoods. While Los Angeles has “Hollywood,” “Santa Monica,” “Venice Beach,” and “Compton,” Los Santos contains “Vinewood,” “Santa Maria,” “Verona Beach,” and “Grantown.” To capture the true-to-life feel, Rockstar populated Los Santos with virtual liquor stores, gun dealers, pawn shops, tattoo parlors, bars, and of course, strip clubs.

In the process of developing the Game, some of the artists visited Los Angeles to take reference photographs. The artists took pictures of businesses, streets, and other places in Los Angeles. They used the photographs as inspiration in creating the fictional city of Los Santos. One neighborhood that they created is the fictional “East Los Santos,” representing East Los Angeles. East Los Santos includes a virtual strip club known as the “Pig Pen.” This strip club was inspired by a real strip club in East Los Angeles known as the Play Pen Gentleman’s Club (“Play Pen”).

Play Pen Gentleman’s Club

The Plaintiff, ESS Entertainment 2000, Inc. (“ESS”) operates the Play Pen. The Play Pen building has a stone façade, a valet stand, large plants and gold columns around the entrance, a pole sign nearby, with a trio of nude silhouettes above its logo, and a six-foot black iron fence around the parking lot. The Play Pen’s logo consists of the words “Play Pen” and “Totally Nude,” with a silhouette of a nude female dancer around the first “P.” There is no set form for the silhouette. As used in different circumstances, different artists draw various versions of the silhouettes, which are subject to the owners’ approval.

The California Action

ESS filed a complaint against Rockstar in the U.S. District Court for the Central District of California. The complaint asserted that Rockstar’s depiction of Pig Pen in San Andreas infringes ESS’s trademark and trade dress concerning Play Pen. Specifically, ESS asserted four claims against Rockstar:

- trade dress infringement and unfair competition under section 43(a) of the Lanham Act, 15 U.S.C. §1125(a);
- trademark infringement under the California Business and Professions Code §14320;
- unfair competition under the California Business and Professions Code, §§17200 et seq.; and
- unfair competition under California common law.

Rockstar sought summary judgment on all of ESS’s claims and asserted affirmative defenses of (i) nominative fair use and (ii) First Amendment protection.

Fair Use Defense

There are two “fair use” defenses to trademark or trade dress infringement. The first fair use defense, which was not addressed by Rockstar, is the “classic fair use” defense. This defense may be applied where the defendant has used the mark to describe only his own product, and not that of the plaintiff. *Cairns v. Franklin Mint*, 292 F.3d 1139, 1151 (9th Cir. 2002). Specifically, the classic fair use defense applies where a mark has a primary meaning and a secondary meaning, and has been used in its primary descriptive sense instead of its secondary trademark sense. *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 905 (9th Cir. 2003). The second fair use defense is the “nominative fair use” defense. This defense

may be applied where the defendant used the mark to describe the plaintiff's product (e.g., for purposes of comparison, criticism, or point of reference).

The court found that while the creators of the Game drew inspiration from the Play Pen, they had “purposely changed the names, building designs, and overall look and feel of the real-world place[]” to create the cartoon-style world of San Andreas and did not use the mark to describe the plaintiff's product.²

The court stated:

defendants' intention in creating the Play Pen was not to identify [criticize, or refer to] plaintiff's service, but only to describe their own product. The Game clearly reflects this intention. Based on the evidence in the record, the court concludes that defendants are not entitled to assert a nominative fair use defense.

First Amendment Defense

For an artistic work, the First Amendment protects the artist against trademark infringement, provided use of the mark has *some artistic relevance* to the work, unless the public interest in avoiding consumer confusion outweighs the public interest in free expression. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 900 (9th Cir. 2002) (citing *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989)). ESS did not contest that a video game such as San Andreas qualifies as an artistic work. However, ESS argued that the use of their mark did not have artistic relevance to the Game. In particular, ESS contended that a realistic portrayal of East Los Angeles could have easily been achieved without the use of the mark. The court disagreed, stating:

defendants' use of the Play Pen trade dress and mark satisfies this standard. Defendants' aim in creating East Los Santos was to evoke an image of East Los Angeles, but to tweak that image to fit the overall “look and feel” of San Andreas, as well as the narrative of a city overrun by gangs, drug dealers, and prostitutes. Any visual work that seeks to offer an artistic commentary on a particular subject must use identifiable features of that subject so that the commentary will be understood and appreciated by the consumer. Here, defendants incorporated distinctive elements of the Play Pen name, logo, and trade dress, perhaps not to identify the Play Pen itself, but to create a locale that players would readily recognize as the Game's version of East Los Angeles. Because defendants' artistic objective was to construct an “East Los Angeles”-like neighborhood in San Andreas, and not to produce an exact replica of East Los Angeles, it was unnecessary for defendants to copy everything about Play Pen[.] ...*Rogers* simply requires that defendants' use of the trademark or trade dress bear *some* artistic relevance to the work. San Andreas satisfies this test. (Emphasis in the original.)

With respect to consumer confusion, the court noted:

Although Rockstar Games has advertised San Andreas nationally, ... none of these advertisements feature images of Pig Pen. The Pig Pen does not appear in any promotional literature for San Andreas, nor does it appear on the exterior packaging of the Game. ...Even [after purchasing the Game], there is no guarantee that a consumer will actually see the Pig Pen. ...It is possible to play the Game for many hours and accomplish all the set missions without ever entering or passing the Pig Pen.

² In addition to the differences in the names of Play Pen and Pig Pen, the district court stated that the Pig Pen building is a “totally different, color, shape, and structure than the Play Pen building,” that the Pig Pen excluded several architectural features found at the Play Pen, and had differently configured parking lots. The court further noted that although both clubs have pole signs, the signs have different color schemes, and the Play Pen sign has a trio of nude silhouettes above the logo and a separate “totally nude” sign below while the Pig Pen pole sign has none of these.

ESS contended primarily that the use of the Play Pen trademark and trade dress in the Game explicitly misled consumers about who might have endorsed San Andreas. In support of this contention, ESS relied on evidence (e.g., a consumer survey) intended to show that the presence of Pig Pen in the Game creates a “likelihood of confusion” as to whether the Game was supported or sponsored by ESS. However, the district court gave this evidence limited weight, stating:

when First Amendment interests are implicated, the *Rogers* “explicitly misleading” standard applies, not the traditional “likelihood of confusion” test.

Under the “explicitly misleading standard,” the district court found that:

[The evidence presented by ESS] demonstrates that the Pig Pen presents a low likelihood of confusion regarding the Play Pen’s sponsorship or endorsement of the Game – much lower, in fact, than the survey in *Rogers*. Rather than undercutting defendants’ position, therefore, [the survey results presented by ESS] support their contention that Pig Pen does not explicitly mislead consumers into believing that Play Pen approved, or participated in making, San Andreas.

Thus, the district court found that the Game was an artistic work, that the use of Pig Pen within the Game had some artistic relevance to the work, and that the presence of Pig Pen in the Game did not explicitly mislead consumers. Based on this analysis, the district court granted summary judgment for Rockstar based on the First Amendment defense to the trademark infringement claim.

The Ninth Circuit’s Legal Analysis

On appeal, the Ninth Circuit affirmed both the district court’s denial of the nominative fair use defense and its grant of summary judgment based on the First Amendment defense.

Nominative Fair Use Defense

The Ninth Circuit confirmed that the nominative fair use defense protects those who use the trademark of another for comparison, criticism, or reference, and not to describe their own product. Since Rockstar’s “Pig Pen” is not identical to ESS’s “Play Pen” mark or trade dress, the Ninth Circuit held that Rockstar had not created Pig Pen for purposes of comparison, criticism, or reference to Play Pen. As such, it affirmed the district court’s finding that Rockstar was not entitled to the nominative fair use defense.

First Amendment Defense

With respect to the First Amendment issues, the Ninth Circuit stated:

We have adopted the Second Circuit’s approach from *Rogers v. Grimaldi*, which “requires courts to construe the Lanham Act ‘to apply to artistic works *only* where the public interest in avoiding consumer confusion *outweighs* the public interest in free expression.’” *Walking Mountain*, 353 F.3d at 807 (emphasis in original) (quoting *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989)). 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.’” *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002) (quoting *Rogers*, 875 F.2d at 999). Although this test traditionally applies to uses of a trademark in the title of an artistic work, there is no principled reason why it ought not also apply to the use of a trademark in the body of the work.

Artistic Relevance

In addressing ESS's contentions that Pig Pen is not artistically relevant to the Game under the *Rogers* test, the Ninth Circuit stated:

ESS's objections, though factually accurate, miss the point. Under *MCA Records* and the cases that followed it, only the use of a trademark with "no artistic relevance to the underlying work *whatsoever*" does not merit First Amendment protection. *Id.* (emphasis added) (quoting *Rogers*, 875 F.2d at 999). In other words, the level of relevance merely must be above zero. It is true that the Game is not "about" the Play Pen the way that Barbie Girl was about Barbie. But, given the low threshold the Game must surmount, that fact is hardly dispositive. It is also true that Play Pen has little cultural significance, but the same could be said about most of the individual establishments in East Los Angeles. Like most urban neighborhoods, its distinctiveness lies in its "look and feel," not in particular destinations as in a downtown or tourist district. And that neighborhood, with all that characterizes it, *is* relevant to Rockstar's artistic goal, which is to develop a cartoon-style parody of East Los Angeles. Possibly the only way, and certainly a reasonable way, to do that is to recreate a critical mass of the businesses and buildings that constitute it. In this context, we conclude that to include a strip club that is similar in look and feel to the Play Pen does indeed have at least "some artistic relevance." *See id.*

Explicitly Misleading

With regard to ESS's argument that the use of "Pig Pen" was explicitly misleading (rather than just creating a "likelihood of confusion"), the court stated:

Both San Andreas and the Play Pen offer a form of lowbrow entertainment; besides this general similarity, they have nothing in common. The San Andreas Game is not complementary to the Play Pen; video games and strip clubs do not go together like a horse and carriage or, perish the thought, love and marriage. Nothing indicates that the buying public would reasonably have believed that ESS produced the video game or, for that matter, that Rockstar operated a strip club. ...It also seems far-fetched that someone playing San Andreas would think ESS had provided whatever expertise, support, or unique strip-club knowledge it possesses to the production of the game. After all, the Game does not revolve around running or patronizing a strip club. Whatever one can do at the Pig Pen seems quite incidental to the overall story of the Game. A reasonable consumer would not think a company that owns one strip club in East Los Angeles, which is not well known to the public at large, also produces a technologically sophisticated video game like San Andreas.

On appeal, ESS further argued that the open world game play of San Andreas permits players to spend as much time as they want in the Pig Pen club and, as such, may consider the Pig Pen club a significant aspect of the game. The court dismissed this argument, stating:

[F]ans can spend all nine innings of a baseball game at the hot dog stand; that hardly makes Dodger Stadium a butcher's shop. In other words, the chance to attend a virtual strip club is unambiguously *not* the main selling point of the Game.

Ramifications for Other Video Games and Virtual Worlds

Although the facts and rulings in *Rockstar* dealt specifically with real and virtual strips clubs in the context of a virtual world video game, this decision likely will have broader implications for trademark disputes concerning video games and virtual worlds. Given a different set of facts, the analysis and the results may be different than those in *Rockstar*.

Scope of First Amendment Defense

One set of questions to consider is, in the context of video games and virtual worlds, when does the First Amendment defense apply and how far do those protections extend under the *Rogers* test?

Artistic Work

One threshold criteria for the First Amendment defense to apply is that the allegedly infringing activity must involve an artistic work. In *Rockstar*, there was no dispute that the Game was an artistic work. Indeed in many cases, it may be easy to show that the video game or virtual world is an artistic work. However, in some cases this may be subject to debate. For example, if a game includes an exact replica of a building or business, is it an artistic work?

Perhaps if the exact replica is generated by a photographer taking a picture of the building, it could be argued that the photo is an artistic work. But, what if the photo is automatically generated by satellite imagery. Is that an artistic work? This question may not be merely hypothetical, as some mirror worlds may use such technology. If a particular work does not qualify as an artistic work, then the First Amendment test may not apply.

Artistic Relevance

Assuming the work is an artistic work, then the Ninth Circuit made clear that the First Amendment defense applies unless there is *no* artistic relevance. This is a pretty low threshold. But given the right facts a trademark owner may successfully argue this point.

Explicitly Misleading

Assuming there is some artistic relevance, then the First Amendment defense applies unless the use explicitly misleads as to the source or the content of the work. The Ninth Circuit considered several factors in determining whether the usage was explicitly misleading. These factors include:

- How related to and/or important to the game was the allegedly infringing content? Is it central or incidental?
- Does the allegedly infringing content lead the public to believe that the trademark owner provided expertise, support, or unique knowledge related to the trademark in the production of the game?
- Would the provider of the good and/or service associated with the trademark reasonably be expected to possess the technological sophistication to produce the allegedly infringing game or content?
- What is the relative fame of the mark and the allegedly infringing game or content?

On the facts in this case, the court found that these factors favored *Rockstar*. However, this is the prong of the test with perhaps the greatest potential for different facts to lead to a different result.

For example, what if in another game, the actual trademark (or one very similar) was used instead of a purposefully different one? What if, the operation of a strip club (or other business) was more central to the game? For example, *Leisure Suit Larry* is series of video games where the object is to meet women at various locations within the game. Therefore, running or patronizing strips clubs could play a much more significant role in such a game. As another example, what if the allegedly infringed trademark was associ-

ated with an in-world electronics store in which a character could acquire electronic gadgets to use in the game? Might these different facts impact the applicability of the First Amendment defense?

While the facts of *Rockstar* gave rise to a First Amendment defense, it seems clear that cases involving variations of these facts likely will occur. Whether the results will differ remains to be seen. **It is important to understand that just because Rockstar was successful in asserting a First Amendment defense, it is not a given that this defense will prevail in all cases where a likeness of a real world business is used in a virtual world or video game.** It is important, if you are contemplating such a use, to consult with a knowledgeable attorney to minimize the risk that your activities will result in a trademark or trade dress infringement claim.

Implications for Mirror Worlds

Mirror worlds are a growing phenomena in virtual worlds and elsewhere. Mirror worlds, as the name implies, are virtual environments that recreate (or mirror) real world places with a heightened level of accuracy and realism. For example, a mirror world of Los Angeles might incorporate at least the more famous structures, buildings, geographies, and possibly even citizens to provide users with a feeling of actually being in L.A. A mirror world may be developed as an independent virtual world, or may be incorporated into a larger virtual world that includes more than just the mirror world content. Mirror worlds have many uses, but in general they enable a realistic preview, virtual tour and/or interaction with a real world place, without getting on a plane.³

Applicability of First Amendment Defense to Mirror Worlds

While designers and/or providers of mirror worlds may initially be encouraged by the decision in *Rockstar*, it is not clear that the First Amendment analysis applied by the Ninth Circuit would *necessarily* yield the same result in all cases (e.g., if the facts differed).

For example, one difference could be that in mirror worlds the buildings are likely to be more exact replicas of real world buildings/businesses instead of purposefully different as were the real and virtual strip clubs in *Rockstar*. Additionally, mirror worlds may include buildings and other structures that may themselves be or include famous trademarks, including buildings that have been registered as trademarks. Further, the experience of viewing some of these famous trademarked buildings may be more central to the experience of a mirror world. It is possible that an owner of a trademarked building might argue that the mirror world content is not an artistic work and/or that a more prominent role does “explicitly mislead” consumers as to the involvement of trademark holders in the mirror world. These and other factual differences might result in a different result than that reached in *ESS v. Rockstar* with respect to the First Amendment test.

Applicability of Nominative Fair Use to Mirror Worlds

Even if the First Amendment defense is not viable for a mirror world operator, then a nominative fair use defense might be. Recall that the court in *ESS v. Rockstar* found that nominative fair use *did not apply* because *Rockstar* did not use *ESS*’s trademark. Rather, it made its club look purposefully different. If a mirror world copied a trademarked building, then this defense might be available for consideration.



³ Twinity (www.twinity.com) is social mirror world in public beta that has recreated over 50,000 buildings in Berlin, Germany, using satellite photos available via Google Earth and other services, and photographs of the actual buildings. Near Public (www.nearpublic.com) is another social mirror world, and will include (when it launches in 2009) a recreation of London, UK, that Near Public claims is the most accurate 3D portrayal of a city ever produced as a virtual world. Other mirror worlds in earlier stages of development include Playce (www.playce.com), and eRepublik (www.erepublic.com/en), both of which are more gaming-oriented than Twinity and Near Public. Some have argued that Google Earth is more mirror world than atlas. See, e.g., http://www.ogleearth.com/2008/04/google_earth_at_1.html.

To prove nominative fair use, a defendant must satisfy three requirements: (1) “the plaintiff’s product or service in question must be one not readily identifiable without use of the trademark;” (2) “only so much of the mark or marks may be used as is reasonably necessary to identify the plaintiff’s product or service;” and (3) “the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.”⁴ In the context of mirror worlds, some of the important aspects of this analysis will likely include the focus of the game or world, the fame of the mark at issue and whether something else could be used instead, and how often and prominently the mark is used. In contrast to the First Amendment test considered in *ESS v. Rockstar*, the nominative fair use defense may be approached using the more traditional “likelihood of confusion” standard, and not the higher “explicitly misleading” standard of the *Rogers* test. Of course, it should be noted that this nominative fair use defense has only been explicitly adopted in five Circuits (though it appears as a specifically enumerated defense in the new trademark dilution statute).

Conclusion

Rockstar and other cases make clear that the law in this area is still evolving. Many more trademark disputes likely will arise with the increasing popularity of video games and virtual worlds, and specifically mirror worlds. As is typically the case with trademark infringement, any analysis applied by a court will be fact-specific, and all of the circumstances for any given use should be considered before any conclusions are reached. As such, it is advisable to obtain a preliminary evaluation of the risks involved in including trademarked content within a virtual world or video game, as well as advice concerning precautionary measures that may be taken to reduce or eliminate these risks.

Pillsbury’s Virtual World and Video Games team continues to monitor cases in this area and provide subsequent client alerts. If you would like to ensure that you receive any subsequent alerts on these issues, please email meggan.maromonte@pillsburylaw.com. Should you have any questions on the *Rockstar* case or trademark issues in virtual worlds and video games, please feel free to contact us.

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⁴ *Mattel Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 809 (9th Cir. 2003).