

Brand New Game

Burgeoning in-game ad market raises interesting legal issues

Gaming represents the fastest growing segment of online entertainment, increasing at the astounding rate of 25 percent per year, and it is projected that by 2010 real-time game advertising will generate more than \$3 billion in annual revenues. As a result, companies are shifting their strategies to capitalize on this new medium by placing in-game advertisements in online games.

While product placement in online games is a win-win situation for advertisers and developers alike, its novelty may usher future legal disputes in the absence of trademark licenses that carefully address the ownership rights of graphics and trademarks. First, the way a company uses its trademark may not be appropriate for the game's appearance. As such, a developer may have to manipulate the trademark to make it fit, and this creates a question of ownership: Does this new in-game image belong to the trademark owner who licensed out the mark, or does it belong to the developer who not only changed the image into computer code but may have also altered the image?

If the licensing contract does not provide for such a situation, it is not automatically clear which party would prevail in litigation. The company may claim trademark protection because the in-game image is based on its trademark. And if consumers can relate the manipulated image back to the product, then the trademark holder may



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the development company may win the rights to continue using the trademark.

Second, online games are protected by copyright—owned by either the developer or publisher (depending on the former's clout). The game's owner may choose to present a company's trademark in a novel way by animating a logo to coordinate with game play or by turning a product into a character. As such, the software developer may hold the rights to reproduce this new animation. It is likely that future litigation will turn on the issue of whether the new graphic has been merely assembled or transformed from its original form. If the developer's animation transformed the original trademark, meaning the developer has applied creative and innovative changes to create the new image, the

company may not have the right to reproduce the new logo. Ironically, in such a situation, the trademark owner would be required to obtain permission from the development company that was originally paid to integrate the mark. However, if a court deems the reproduced graphic to be merely an assembly of the original, meaning the only modifications are those required to change the form of the mark from image to code, then the trademark holder may re-use the new graphic without the risk of copyright infringement litigation.

Lastly, there could be issues with quality control. Under trademark law, a mark owner can lose the right to its trademark if it fails to exercise quality control after licensing the mark to a third party, such as an ad developer. The trademark holder is required to ensure that the trademark is not used to deceive the public about the quality of goods or services represented by the mark. The difficulty is that developers decide when and where ads will go based on the architecture of the games, and thus they have enormous influence over how the mark is presented. If a developer were to use a trademark in a misleading way and the trademark owner failed to remedy the presentation of the mark, the owner could lose rights to the mark.

It is unclear where the law stands on such issues because product placement in online gaming is still a relatively novel concept. Accordingly, trademark owners must ensure that ownership issues are clearly enumerated in any trademark license contract. If developers and trademark owners take steps to make certain that their legal interests are properly protected, then online games will have immense opportunities to interact with a global audience that traditional methods could never before reach.

Does this in-game image belong to the trademark owner or the developer who changed it into computer code?

have a strong claim of ownership over the graphic.

On the other hand, computer code is borne out of the architectural capacity of the developers building the graphic and coding it into the game. One could argue that the trademark holder simply supplied the original graphic, while the development company built the manipulated graphic into a computer-coded environment. Consequently, if the trademark holder fails to claim ownership of the manipulated graphic within a certain period of time, a court may determine that the holder has abandoned its trademark. If the trademark in the manipulated graphic is abandoned and the development company establishes exclusive and active use of the graphic,

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