

# From Battlefields to Basketball Courts: Real World IP Issues Arise From Realistic Video Games

by Steve Kramarsky

One unexpected consequences of the current pandemic has been—of all things—an increased focus on video games. The industry is thriving as people working from home turn to games to relax or suddenly take notice of what their children have been doing in their downtime. Many adults may be seeing for the first time what modern video games actually look like—and how far game environments have come.

One of the most notable trends in video game hardware over the past several years has been the increase in graphics processing power available at relatively low cost. With that technological advance has come a substantial increase in detail and realism in certain kinds of games, where a “cinematic” experience has been the proverbial Holy Grail—notably some sports games, simulators, and military-style shooters. But when such realism is the goal, designers may face legal challenges along with the technical ones. One challenge in depicting something distinctive from the real world is that somebody probably already owns it. The better the digital copy, the more “real” the virtual world will feel, but also the more likely it is to infringe some existing right or rights.

For example, a realistic NBA basketball game has to include LeBron James. But, under a host of different laws including NY Civ. Rights L. §50, Mr. James has the right to control the use of his image, and his team and the NBA own the logos on his jersey and even things you might not think of, like the graphics on the floor of the court. To address those issues, video game companies enter detailed licensing agreements with the real-world entities their games simulate. Thus, Mr. James (like every NBA player) has given the NBA the right to license his likeness to third-parties, and the NBA has granted that license to various game-makers. So he can be in the game.

But how real can he be? Mr. James has distinctive tattoos. They are creative works; someone made them; someone owns the copyright in them. Can they be in the game? Recently two New York courts addressed intellectual property issues in conflict with video game realism and reached the same conclusion in two different contexts—copyright (tattoos on virtual basketball players) and trademark (trademark and trade dress issues around virtual AMC Humvees). The cases are worth a brief examination.

## Copyright Infringement and Virtual Tattoos

In *Solid Oak Sketches v. 2K Games*, 2020 WL 1467394 (S.D.N.Y. March 26, 2020) plaintiff Solid Oak Sketches, the exclusive licensee of various tattoos that appear on NBA players, sued 2K Games for

depicting those tattoos on virtual players in its basketball games. Solid Oak alleged that those realistic depictions were a public display of the tattoos in violation of Solid Oak's exclusive rights under 17 U.S.C. §106 (the Copyright Act). Defendant moved for summary judgment, and the court granted the motion on three different grounds: de minimis copying, implied license, and fair use.

The opinion is lengthy and carefully reasoned, and it is worth reading because at least two of these topics—de minimis use and implied license—are somewhat unsettled in New York copyright law and the guidance is welcome. The court found that 2K's use of the tattoos was de minimis (and thus not infringing) because it fell "below the quantitative threshold of substantial similarity." In other words, the court found that the depiction of the tattoos was so small, and so blurry during actual play, that they could not be "substantially similar" to the real versions—a threshold question for infringement.

In addition, the court held that the in-game use of the tattoos was de minimis—not only were they small on screen, they also did not form a major part of the game's marketing or game play. Solid Oak, 2020 WL 1467394, at \*6-7. ("[T]he Tattoos are not featured on any of the game's marketing materials" and "[w]hen the Tattoos do appear during gameplay (because one of the Players has been selected), the Tattoos cannot be identified or observed").

Further, 2K Games successfully argued that the artists who tattooed the players had given them an implied, non-exclusive license to display those works, which the players then passed on to the NBA and 2K Games. Defendants produced testimony from the tattoo artists themselves that they intended their work to become a part of the players' image and likeness and that they specifically understood their work would be depicted in advertisements and video games featuring the players. This, the court held, constituted an implied license from the artists to the players, which the players could sublicense at will, notwithstanding the supposedly "exclusive" rights of Solid Oak. Thus, even in a more detailed game where the tattoos were not so small and blurry as to be de minimis, Solid Oak's claim would have failed.

Finally, 2K Games prevailed on its fair use affirmative defense. The court relied primarily on the transformative nature of the "virtual" tattoos and the lack of market harm from 2K's use. It found that the difference in the function of the tattoos in the real world (creative expression) versus the virtual one (creation of a realistic game) demonstrated a transformative use. Additionally, the court noted that the tattoo images are "merely incidental" to the commercial value of the game because consumers do not buy NBA 2K video games for the tattoos. *Id.* at \*9-10. For those and other reasons the court upheld the fair use defense and granted summary judgment on all three grounds.

## The Distinctive Look of a Virtual Humvee

In *AM General v. Activision Blizzard*, 2020 WL 1547838 (S.D.N.Y. March 31, 2020), similar issues arose in a different legal context. AMG General, makers of the Humvee, brought claims against the makers of *Call of Duty*, a best-selling military video game, for trademark infringement and related state and

federal claims including trade dress, dilution, false advertising, and unfair competition.

AMG alleged that its distinctive Humvee vehicle design appeared throughout *Call of Duty's* gameplay and marketing material. Activision Blizzard did not dispute this. In fact, Activision admitted that “realism” is a selling point: the landscape, weaponry, vehicles, and overarching feeling of partaking in a real battle make the game one of the “most popular and well-known video game franchises in the world.” Unlike other entertainment companies, Activision had not sought a license before creating virtual Humvees. AMG sued, and Activision moved for summary judgment. The court granted Activision’s motion.

At the start, it is worth noting that AMG had a more difficult legal argument to make than Solid Oak. Copyright infringement, broadly speaking, requires only copying; the kinds of trademark and trade dress claims AMG asserted all require some likelihood of customer confusion. But the court expressed skepticism that any such confusion could occur. For example, in its analysis of customer sophistication, the court drily noted: “One problem for Plaintiff on this point is that the purchasers of Humvees—that is, some 50 militaries from around the world, including the U.S. Armed Forces—are not buying *Call of Duty* games, and vice versa.” *AM General*, 2020 WL 1547838, at \*10.

Of course, that is not AMG’s claim—AMG is not asserting that someone will pick up a copy of *Call of Duty* by mistake when they mean to buy a Humvee. Rather, AMG is asserting that consumers may be confused into believing that AMG either approved the game or is getting some promotional consideration from it. Essentially, AMG’s argument is that Activision should not be allowed to profit from its brand without paying for it, a well-established trademark concept called sponsorship confusion. Though AMG does not make video games, it could be harmed if consumers falsely believe *Call of Duty* is a licensed property.

But AMG’s claims faced another hurdle. Citing *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), the *AMG* court wrote: “Where the defendant’s product is artistic or expressive, courts have interpreted the Lanham Act narrowly in order to avoid suppressing protected speech under the First Amendment.” *AM General*, at\*4. The court found that Activision’s product had “artistic relevance” and thus qualified for enhanced protection. Under that standard, the court noted the finding of “likelihood of confusion must be particularly compelling” to outweigh the First Amendment interest.

Having made that determination, the court turned to “the venerable *Polaroid* factors” (including similarity, proximity, evidence of actual confusion, and good faith) to determine likelihood of customer confusion. Based on the court’s limited view of what could constitute actionable confusion in this case, the court found that only one of the eight *Polaroid* factors—purported evidence of actual confusion based on an AMG survey showing that some consumers believed AMG sponsored *Call of Duty*—weighed in AMG’s favor.

Importantly, despite Activision’s admission that it replicated the Humvee with the “intention that

consumers would recognize it” the Court saw little similarity in its use, noting that “Plaintiff’s purpose in using its mark is to sell vehicles to militaries, while Defendant’s purpose is to create realistically simulating modern warfare video games for purchase by consumers.” *Id.* at \*7. The court thus held that the virtual vehicle was not similar to the real one, at least for trademark purposes.

Further, the court held that, even if “a modicum of confusion might be present,” Activision must prevail under the Rogers balancing test. In short, the importance of realism to artistic expression has a First Amendment dimension that trumps the limited trademark or trade dress concerns AMG demonstrated. “If realism is an artistic goal,” the court wrote, “then the presence in modern warfare games of vehicles employed by actual militaries undoubtedly furthers that goal.” *Id.* at \*10. The court therefore granted summary judgment against AMG.

## Keeping It Real

These two cases arose in different legal contexts but demonstrate a common theme: judicial recognition of the importance of realistic elements in artistic works (including video games) and that the manner of *use* of those elements is a key factor in determining whether that inclusion is actionable. AMG’s claims failed, in large part, because the court was not convinced its vehicle manufacturing business would be impacted by Activision’s video games; Solid Oak’s claims failed because 2K Games used its tattoos only incidentally, to create realistic player models, not to compete in the tattoo business.

As is often the case, these early decisions are relatively straightforward, but there remain questions at the margins. LeBron James has an “implied license” to display the tattoos on his body, but how far does that license go? If Mr. James decided to divorce one of his tattoos from his image—say by selling a tee-shirt bearing those designs—could he be sued? Similarly, the court found AMG’s Humvee was integral to a “realistic” battlefield experience and seemed unconvinced that AMG was suffering any real commercial harm; but what of a more famous and well-established consumer brand, less integral to the experience? Would Coca-Cola have fared any better at keeping its products off the virtual battlefield? As graphics continue to improve and photorealism becomes the norm, these kinds of questions will become even more complex. These decisions show that the facts—particularly the nature of the allegedly infringing use—matter.

This article first appeared in the *New York Law Journal* on May 18, 2020. Stephen M. Kramarsky, a member of Dewey Pegno & Kramarsky, focuses on complex commercial and intellectual property litigation. Mark Brodt, a registered patent agent employed with the firm, provided substantial assistance with the preparation of this article.