2018-2019 Saul Lefkowitz Moot Court Competition

Please note:

A. The Facts in this Opinion are fictional. The parties' names, their businesses, and their trademarks and registrations are not intended, and should not be understood, to refer to or reference any individual (living or dead) or any institution, extant or defunct. Any resemblance to any real person, organization, product or situation is purely coincidental.

   The Opinion below of the U.S. District Court for the Eastern District of Utopia is imaginary. Conclusions of law within the Opinion do not represent the opinion of the International Trademark Association ("INTA") or any of its members. No inference should be drawn about any actual person, organization, product or situation on the basis of any facts or conclusions of law in this Opinion. The Opinion was drafted without knowledge of any person's claims with respect to any trademarks or other claims of rights that are the same as or similar to those mentioned in the Opinion, and INTA takes no position with respect to any person's ownership of, or rights to, such trademarks or other claims of rights.

B. Frequently, issues in a case that conceivably could be appealed are not. This Circuit, like most, will not entertain arguments that are not fairly comprehended within the formal "Issues on Appeal," which in this case are:

ISSUE NO. 1:

Did the District Court err in finding that Plaintiffs own rights in the SKELETRON trademark and SKELETRON Character design mark?

ISSUE NO. 2:

Did the District Court err in finding that the SKELETRON trademark and SKELETRON Character design mark are not famous under 15 U.S.C. § 1125(c)?

ISSUE NO. 3:

Did the District Court err in finding that Defendant's use of the SKELETRON trademark and SKELETRON Character design mark did not infringe Plaintiffs' trademark rights?

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF UTOPIA

SKELETRON ANIMATION PRODUCTIONS, LLC and LUCIFER L. LYONS Plaintiffs, *vs.* CYBER SKULL SECURITY, INC. Defendant.	:	*Civ. Dkt.* 18-1251

Vaughan, R.

Plaintiffs, Skeletron Animation Productions, LLC and Lucifer L. Lyons (together, "Plaintiffs"), filed suit against Defendant, Cyber Skull Security, Inc. ("Cyber Skull" or "Defendant"), under 15 U.S.C. § 1125, alleging trademark infringement and dilution. In the lawsuit, Plaintiffs allege that Defendant is using Plaintiffs' SKELETRON trademark and SKELETRON Character design mark in connection with an augmented reality program for detecting cybersecurity events, and that such use is likely to dilute the fame of these marks, and is likely to cause confusion, or to cause mistake, or to deceive as to an affiliation between the parties, or as to the origin, sponsorship, or approval of Defendant's program by Plaintiffs. Defendant denies these allegations and further denies that Plaintiffs owns any rights in the asserted marks.

After a one-week trial on the merits, and for the reasons set forth hereafter, the Court denies Plaintiffs' claims for relief.

FINDINGS OF FACT

1. Skeletron Animation Productions, LLC ("SAP") is organized in the State of Utopia, with a principal place of business at 1000 High Top Lane, Edenville, Utopia 20481.

2. Lucifer L. Lyons ("Lyons") is a billionaire residing at Pacifico Cliffside Avenue, Edenville, Utopia 072574, who founded SAP.

3. Cyber Skull is incorporated in the State of Utopia with a principal place of business at 151 Crestview Street, Sun City, Utopia 30313.

PLAINTIFFS: SKELETRON ANIMATION PRODUCTIONS AND LUCIFER LYONS

4. SAP was founded in 1982 by Lyons at the ripe age of 18. Then living on the entire third floor of his parents' mansion, Lyons spent his waking hours mastering the art of video games. So consumed by his gaming life, he designed multiple genres of games that quickly became cult classics. One such game was called SKELETRON. Released in 1984, the SKELETRON video game was a role-playing dark fantasy game in which the player assumes the role of an evil sorcerer named "Skeletron." Tens of millions of copies of the game were sold between 1984 and 1988.

5. Over the years, and despite his evil personality and scary physical traits, the "Skeletron" character transcended Lyons's video game, appearing in box office hits such as *Skeletron at Summer Camp* (1985), which reaped $25 million during its first weekend and sold out theaters all over the country from June through September, and *Skelly and Dreddy: Out of the Dark* (1986), which also featured horror film star "Dreddy Drewger", pulled in over $30 million during its premiere weekend. Sales of the videocassette versions of the films also netted tens of millions of dollars, and *Skelly and Dreddy: Out of the Dark* won the 1986 Golden Gore Award for best horror film, which was received by Lyons at the awards event. The

SKELETRON name and image were ubiquitous throughout the 1980s, appearing on billboards and in horror movie magazines throughout the United States.

6. "Skeletron" also appeared in a long-running animated TV series titled "Skary Town," which focused on a town of happy elves that farmed the land, built their own houses, and lived happily and peacefully. "Skeletron" and his pair of evil rabbit twins attacked the elves' peaceful town every week and stole their crops. The show ran every weekday at 4pm from 1985 until 1995.

7. Behind all of this activity was Lyons, who turned out to be quite the savvy businessman and surrounded himself with a network of top corporate, entertainment, and intellectual property lawyers. He controlled all of the merchandising rights from the films, games, and TV series, and all of the trademark rights in the SKELETRON trademark and SKELETRON Character design mark.[1] Tens of millions of dollars of SKELETRON-branded merchandise, including the very popular plush toy "SkeleTubby," was sold around the world.

8. SAP obtained two trademark registrations, one for SKELETRON trademark, and another for the SKELETRON Character design mark, the details of which are:

Mark: SKELETRON
Owner: Skeletron Productions, LLC
Goods: Video games, television series, films
Services: Entertainment services, television series, film series; production of video games
Registration No. 1,234,567
Application Date: February 12, 1984
Filing basis: Lanham Act § 1(a)
Date of First Use: February 1, 1984
Date of First Use in Commerce: February 1, 1984
Registration Date: January 10, 1986
Cancellation Date: August 12, 1996

[1] The exception is the copyright in the "Skeletron" character, which Lyons assigned to his favorite charity, Live Aid, such that all copyright-related proceeds are collected by Live Aid. Thus, copyright issues are not a part of this action.

Mark: [SKELETRON Character design mark]

Owner: Skeletron Productions, LLC
Goods: Video games, television series, films
Services: Entertainment services, television series, film series; production of video games
Registration No. 1,234,568
Application Date: February 12, 1984
Filing basis: Lanham Act § 1(a)
Date of First Use: February 1, 1984
Date of First Use in Commerce: February 1, 1984
Registration Date: January 10, 1986
Cancellation Date: August 12, 1996

9. Lyons considered "Skeletron" as his legacy. He poured his heart and soul into the character. He never married or had children, and was happy basking in the millions of dollars he made from his beloved character. However, this happiness only lasted so long.

10. After the animated television series was cancelled by the network in 1995, the appeal of the "Skeletron" character had waned. Simply stated, times had changed. Consumers were caught up in the appeal of Furbles, grunge rock, and boy bands. There were no more film deals, and popular video game companies were not interested in selling a new SKELETRON game. With no further business opportunities on the horizon, Lyons allowed SAP's trademark registrations to lapse, and he moved to a large and previously-abandoned castle that rested precariously on the edge of a mountain, overlooking the Pacifico Ocean. He lived only with his butler, Jim, but was surrounded by leftover SKELETRON paraphernalia and merchandise.

11. Between 1996 and 1998, during the holiday season, Lyons would distribute some of this merchandise to Utopia orphanages and organizations collecting gifts for children. Between 1999 and 2001, he put on a puppet show for children in the orphanage that featured SKELETRON and some of the elves from the television show. However, the puppet show was

cancelled in 2001 because it scared the children. In 2002, Lyons donated 500 boxes of cereal bearing the SKELETRON trademark and SKELETRON Character design mark to a local homeless shelter. In addition, in 2005, he donated 50 cans of "SKELETRON-Os" to a shelter on the East Coast of Utopia.

12. About ten years later, in 2015, Lyons registered a FaceTube channel in SAP's name called SkeleTube, where he would reminisce on his days of glory past, as well as provide commentary on the SKELETRON video game and films, and the entertainment industry in general. The channel was not successful, earning only a few hundred subscribers and no interest from advertisers. As a result, Lyons retired the channel in late 2016, but archived versions of his videos can still be found online. Collectors on third party e-commerce websites sell merchandise and paraphernalia bearing the SKELETRON trademark and SKELETRON Character design mark. The SKELETRON films are also available in second hand video stores on DVD, but due to lack of demand, they were never made available for streaming.

DEFENDANT: CYBER SKULL SECURITY

13. In 2015, Cyber Skull was founded by Maxwell A. Diamond, a software developer and famed "hacker" who graduated early from Utopia's most prestigious university at the age of 20.

14. Diamond has had many hobbies and interests, including cult horror films. In fact, he enjoyed horror films so much that he lined the walls of his college dorm room with various posters he had purchased at classic movie and vinyl record stores. Unsurprisingly, Diamond is a fan of Skeletron and has seen the films in which Skeletron starred over 20 years ago.

15. During his freshman year of high school, Diamond's parents were the victims of a major, Utopia-wide identity theft scheme that wiped his parents of the money they had saved for

his college education. The thieves were never discovered and Diamond's parents were left almost penniless. This scheme was formative in shaping Diamond's future. He became obsessed with cybercrime and cybersecurity, and was driven to work diligently in high school, earning straight As. As a result, he obtained a scholarship to the University of Utopia, where he pursued studies in software programming and cybersecurity. During this time, he used his hacking and software development skills to circumvent corporate firewalls and security measures, only to rebuild them more effectively.

16. While at university, Diamond became increasingly alarmed about the threat of cyberattacks, which statistics suggested accounted for almost $400 billion in lost revenue annually across Utopia. He was aware that security personnel were overwhelmed by the multiplicity and sophistication of cyberattacks and were increasingly looking for new ways to strengthen cyber security efforts.

17. Therefore, Diamond set out to make a new type of product and developed what has now become a highly successful augmented reality ("AR") program for cybersecurity incident response training. As a nod to his passion for both cyber security and cult horror flicks, Diamond came up with the name CYBER SKULL. The AR program took off in the marketplace due to the rapidly growing concern among Utopia's corporations about cybercriminal activity.

18. In particular, the CYBER SKULL AR program simulates cybersecurity incidents to help companies train their employees on how to respond. The program helps users visualize what a cybersecurity incident could look like, immersing them in a detailed virtual environment featuring scenarios of different types of cybersecurity incidents. Users can "play" the program on their laptops and mobile devices. The program enables employees, who typically monitor several applications at once, to identify threats and try to prevent theft. Users interact with the

simulation and obtain points for their success during different parts of the simulation. The simulation ends differently based on how the user reacts. There is a leaderboard that ranks the highest scoring employees, and a user can become certified once he/she attains a certain score.

19. To make the product more appealing, Diamond developed the program so that each user, while in the program, can be him/herself or a different "character." One such character is "Skeletron." The character bearing the "Skeletron" name has been closely associated with the program from day one, often portrayed in marketing materials on the screen of a hacked device.

20. In media interviews, Diamond explained his love for old cult horror flicks and noted many times that his program "*featured horror icon Skeletron*."

21. The Skeletron character became popular in connection with Diamond's CYBER SKULL AR program, mainly due to the program's users' creation of memes, which gained pop culture status through social media that went viral after the AR program was launched.

22. One day, while Lyons was browsing the Utopia Internet for a recipe for gluten free blueberry muffins, an ad popped up advertising Diamond's CYBER SKULL AR program featuring Skeletron.

23. Learning of the launch of a product that, in his view, was clearly trying to trade on the success and goodwill of the SKELETRON trademark and SKELETRON Character design mark, Lyons re-hired one of the highly accredited intellectual property attorneys with whom he used to work. The lawyer sent Cyber Skull a letter demanding that it immediately cease all use of the SKELETRON trademark and SKELETRON Character design mark, which, the letter alleged, are both famous trademarks. The letter asserted that Cyber Skull's use of these trademarks was an obvious attempt by Cyber Skull to associate itself with Skeltron—a cultural

icon—and that Cyber Skull's unauthorized use was both infringing and diluting the fame of the SKELETRON brand.

24. Cyber Skull responded by saying that: (i) barely anyone recognizes the SKELETRON trademark or SKELETRON Character design mark these days; (ii) any trademark rights in these asserted trademarks were abandoned by Lyons and his company SAP long ago; and (iii) even if those rights were not abandoned, the CYBER SKULL AR program is an expressive work, entitled to First Amendment protection, and thus there can be no infringement.

25. SAP and Lyons filed a Complaint in the United States District Court for the Southern District of Utopia alleging false designation of origin and dilution under Section 1125 of the Lanham Act. Cyber Skull filed an Answer denying all claims, again asserting that Plaintiffs had abandoned any rights they once had in the SKELETRON trademark and SKELETRON Character design mark and, in any event, that Defendant's AR program was an expressive work entitled to First Amendment protection.

CONCLUSIONS OF LAW

Jurisdiction and Venue.

A. This action is brought pursuant to 15 U.S.C. § 1125. Jurisdiction arises under 28 U.S.C. §§ 1331 and 1338(a) and (b). Venue is appropriate under 28 U.S.C. § 1391(b)(1).

Plaintiffs Own Rights in the SKELETRON Trademark and SKELETRON Character Design Mark

B. It is clear that Plaintiffs possessed trademark rights in the SKELETRON trademark and SKELETRON Character design mark. The issue is whether Plaintiffs have sufficient use of the marks over the years to maintain an ownership interest in them. Once held abandoned, a mark falls into the public domain and is free for anyone to use. We find that

Plaintiffs did not abandon the SKELETRON trademark or SKELETRON Character design mark.[2]

C. It has been held that even *de minimis* use can establish residual goodwill in trademarks. For instance, products that have a presence in resale markets can establish said goodwill. In addition, the strength of continued public recognition and the resulting likelihood of consumer confusion is to be considered. Residual goodwill generally decreases as time passes; therefore, the more time that has elapsed since use has ceased, the less likely it is that a court will find residual goodwill sufficient to rebut a presumption of abandonment. However, goodwill is not always eradicated by the passage of time.

D. Although SAP's federal trademark registrations were cancelled in 1996, Plaintiffs continued to use the SKELETRON trademark and SKELETRON Character design mark in various ways. During the holidays, SAP's founder Lyons would donate merchandise to orphanages and children's organizations, as well as put on theatrical shows featuring SKELETRON trademark and SKELETRON Character design mark. In the early 2000s, Lyons donated boxes of food bearing the SKELETRON trademark and SKELETRON Character design mark to homeless shelters. Lyons used the marks in connection with a SAP-owned FaceTube channel between 2015 and 2016. The SKELETRON video game is still available, and related merchandise and paraphernalia still sell online. The SKELETRON films are still available on DVD.

E. Taking all of these facts together, we find that Plaintiffs' continued use of the SKELETRON trademark and SKELETRON Character design mark over the years established

[2] Plaintiffs are deemed joint owners of the trademarks. One's use inures to the benefit of the other, and vice versa.

sufficient residual goodwill in the marks such that they were never effectively abandoned. Thus, Plaintiffs own rights in the SKELETRON trademark and SKELETRON Character design mark.

The SKELETRON Trademark and SKELETRON Character Design Mark Are Not Famous; There is No Dilution

F. In order for a claim of dilution to apply, the mark must be famous.

G. Under the 2006 revised federal Trademark Dilution Revision Act (the "TDRA"), in order to be "famous," a mark must be "widely recognized by the general consuming public of the United States" as a designation indicating a single source of goods or services. Lanham Act § 43(c)(2), 15 U.S.C.A. § 1125(c)(2).

H. Courts agree that a mark must be truly prominent and renowned to be granted the extraordinary scope of exclusive rights created by the TDRA. Indeed, dilution is a cause of action invented and reserved for a select class of marks, *i.e.*, those that are truly famous, and considered household names. The fame requirement is so important that it must be determined as an initial gateway issue before going further to analyze a dilution claim.

I. *The Four Statutory Factors:* The four factors to be weighed under the TDRA in determining if a mark qualifies for the "famous" category are:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
(iii) The extent of actual recognition of the mark.
(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

J. Further, under the TDRA, there are two types of dilution—dilution by blurring and dilution by tarnishment. Dilution by blurring occurs when customers or prospective customers see a plaintiff's famous mark used by other persons in a non-confusing way to identify other sources for many different goods and services, in which case the ability of the famous mark

to clearly identify and distinguish only one source might be "diluted" or weakened. Dilution by blurring is a state of mind of the ordinary consumer separate and distinct from the perception which occurs when the consumer is likely to be confused as to source or affiliation.

K. Dilution by tarnishment occurs when the effect of a defendant's unauthorized use is to dilute by tarnishing or degrading positive associations of the mark and thus to harm the reputation of the mark. The dilution theory has had some success when a defendant has used a plaintiff's mark as a mark for clearly unwholesome or degrading goods or services. However, such cases consistently run up against the defense of free speech.

L. In this case, while the SKELETRON trademark and SKELETRON Character design mark may have once been famous, Plaintiffs have not proved that they are famous today. Because the Court holds that the Plaintiffs' marks are not famous, it does not evaluate whether Defendant's accused acts are dilutive in nature.

Defendant's AR Program is an Expressive Work Entitled to First Amendment Protection and the SKELETRON Trademark and Character Design Mark Have Not Been Infringed

M. In general, the legal test for trademark infringement is whether a defendant has used or is using in commerce any word, term, name, symbol, or device, or any combination thereof in connection with goods or services, which is likely to cause confusion, to cause mistake, or to deceive as to the affiliation, connection, or association with another's mark. 15 U.S.C. § 1125(a)(1)(A).

N. The pertinent factors for evaluating whether there is likelihood of confusion, in descending order of importance, are: (i) the resemblance of the two marks in terms of sight, sound, and meaning; (ii) the relationship between the goods or services of the parties in terms of utility, use, and trade channels; (iii) the strength, both inherent and acquired, of the plaintiff's mark; (iv) any evidence of actual confusion, or valid surveys indicative of such confusion; (v) an

intent by the newcomer to derive benefit from the original mark's success; and (vi) any other factor recognized by this, or any other Utopian court, as probative of likelihood of confusion. *Bender v. Pretzel Co*., 373 F.3d 1384, 1388 (Par. Cir. 2004); *American Forefathers Foundation v. All-American Founders Advocates*, 696 F. Supp. 2d 14, 20 (N.D. UA 2011); *Chase v. Eden Motors Corp*., 682 F. Supp. 2d 1946, 1948 (E.D. UA 2010); *Knights Errant d/b/a UDOP~IA v. Utopia State University*, 673 F. Supp. 2d 2000, 2006 (E.D. UA 2009); *Icon Hotel Organization v. Uikkon, Ltd*., 665 F. Supp. 2d 1812, 1815 (C.D. UA 2008).

O. However, Defendant asserts that its CYBER SKULL AR program is an expressive work that is entitled to First Amendment protection. The Court agrees. While Defendant's accused work is not for entertainment purposes, and is used in the corporate sector for training purposes, it is akin to a video game. As explained by our highest court, video games are core speech, *i.e*., expressive works, which are entitled to First Amendment safeguards. Here, the CYBER SKULL AR program has sufficient expressive elements. It immerses the "player" in a virtual environment, complete with graphics, characters, and character names. The CYBER SKULL AR program is an expressive work.

P. Thus, in this case, the Court is required to undertake a two-pronged analysis that evaluates whether (1) the use of the mark has "no artistic relevance to the underlying work whatsoever," or (2) it has some artistic relevance, but "explicitly misleads as to the source or the content of the work." *Knights Errant d/b/a UDOP~IA v. Utopia State University*, 673 F. Supp. 2d at 2018.

Q. Our courts have identified two rationales for treating expressive works differently from other works facing trademark infringement claims: because (1) they implicate the First Amendment right of free speech, which must be balanced against the public interest in avoiding

consumer confusion, and (2) consumers are less likely to mistake the use of someone else's mark in an expressive work for a sign of association, authorship, or endorsement. *See id*.

R. We find that the use of the SKELETRON trademark and SKELETRON Character design mark have artistic relevance to the Defendant's AR program. Both marks are used to show users they have been hacked, and inspire fear and caution in the people using the program for training purposes. Further, we do not find that the Defendant engaged in any "explicitly misleading" use of the SKELETRON trademark or SKELETRON Character design mark.

WHEREFORE, this Court hereby orders that Plaintiffs own rights in the SKELETRON trademark and SKELETRON Character design mark; however, the Court also holds that these marks are not famous and not diluted. The Court further holds that Defendant's CYBER SKULL AR program is an expressive work entitled to First Amendment protection, and that the Defendant did not infringe Plaintiffs' trademark rights.

SO ORDERED.