Using Third-Party Logos
in Downloadable Applications, Games,
and Other Online Materials

A Picture Is Worth a Thousand Words, But Is It Worth the Headache?

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In today’s marketplace, developers of games and mobile applications are well aware that strong visuals can be a key to success. Developers are constantly seeking to present the best and most attractive interfaces possible. The use of a third party’s design graphic or emblem will be more visually attractive than merely referring to the company or its brand by name. Depicting third-party logos in this context, however, raises a host of legal questions. Is the developer of a mobile application that provides scores of NBA basketball games free to utilize team logos in connection with that offering? Can a game developer create a streetscape featuring billboards with real logos in the context of a downloadable video game? What are the risks associated with the incorporation or manipulation of a third party’s trademarks in an “augmented reality”
application incorporating live images from the user’s smart phone or mobile computer with the programmer’s own materials? These questions may not cross the minds of software developers, but they should. In the burgeoning digital marketplace, a trademark infringement accusation can be extremely problematic, not to mention expensive. No developer wants to answer demand letters, conduct massive redesigns, or engage an attorney to resolve a dispute.

Under United States law, assessing trademark risks in this context can be difficult because it inevitably involves balancing two important competing interests: the First Amendment rights of the software developer or video game developer on the one hand, and the trademark interests of the brand owner on the other. In the U.S., the “correct” answer in any given case will depend largely on the particular circumstances of a situation. This article will sketch the basic principles one should consider when incorporating a third party’s trademark into a mobile application, video game, or other computer software. Then, with those general principles in mind, it will examine five potential scenarios in order to provide some “plot points” along the spectrum of risk that can be used to guide software and video games developers in navigating these issues.

I. The Analysis

There are numerous circumstances in which an app developer or video game designer may fairly use a third party’s trademark within a digital work. However, a developer that wrongfully incorporates a third party’s trademarks and logos faces potential liability for
An awareness of the basic guidelines discussed below can help a developer avoid the time-consuming and expensive prospect of either trademark litigation or the costly exercise of redesigning the work to address the concerns of a third party trademark owner insisting on a redesign and threatening litigation.

The ultimate question when assessing the propriety of incorporating a third party’s mark into a digital work is whether or not a consumer is likely to be confused that the work is somehow offered by, affiliated with, or otherwise endorsed by the owner of the trademark that has been incorporated. To determine whether a likelihood of confusion exists in a particular case, U.S. courts typically apply a multi-factor test examining elements such as the strength of the plaintiff’s mark, the similarity/competitive proximity of the parties’ goods or services, and the defendant’s intent in using the mark, among other things. Of course, not every mere use of or reference to another party’s mark is infringing, and courts have recognized a variety of circumstances in which either (1) parties have a legitimate need to use trademarks for informational or referential purposes or (2) the nature of the use otherwise makes consumer confusion unlikely.

A. “Nominative Fair Use Doctrine”

Over time, courts have developed a doctrine that permits the use of trademarks without permission for purely informational or referential purposes. Known as “nominative fair use,” the doctrine provides an absolute defense against an infringement claim. Essentially, this principle recognizes that sometimes it is necessary to reference a third party’s trademark as part of an effective, informative communication. Accordingly, the nominative fair use defense applies if all of the following circumstances are satisfied: (1) the product or service being referenced must
be one not readily identifiable without the use of the mark; (2) only so much of the mark may be used as is reasonably necessary to identify the product or service; and (3) the user must not do anything that would, in conjunction with the use of the mark, suggest sponsorship or endorsement by the trademark holder.

Clearly, this defense is extremely important in the context of news reporting or editorial applications and programs because the use of another’s trademark in a news report or story discussing the trademark owner is, at least initially, eligible for protection under this doctrine. The second element of the test, however, provides a particular challenge to developers interested in incorporating logos (as opposed to word-only trademarks) because it is not at all clear that a logo is “only so much of the mark as is reasonably necessary.” In fact, in many decisions in which nominative fair use defenses have been successful, courts have expressly relied on the fact that the defendant did not use the mark owner’s distinctive logo and used only the word mark. For example, a newspaper’s use of the trademark NEW KIDS ON THE BLOCK in connection with a fan-based poll (Who’s Your Favorite New Kid?) regarding the popular boy band was held to be fair use in part because the newspaper did not “use any distinctive logo or anything else that isn’t needed to make the announcements intelligible to readers.”¹ Similarly, a mechanic’s use of the trademark VW to promote his service offerings on Volkswagen vehicles was considered fair use because he “did not use Volkswagen’s distinctive lettering style or color scheme, nor did he display the encircled ‘VW’ emblem.”²

In contrast, consider the following instances in which courts found defendants to have used more of a mark than reasonably necessary:

- Multiple repetitions of the term PMOY ’81 within the wallpaper of a website featuring a former Playboy “Playmate of the Year;”³
• Use of MARY KAY alongside significant usage of the color pink;⁴
• Use of university colors along with additional indicia referring to a university;⁵ and
• Use of the GODZILLA mark in a distinctive lettering style also used by the trademark owner and its licensees.⁶

Each of these examples illustrates an important limitation to the nominative fair use doctrine: when use of a trademark employs more of the mark than is necessary merely to identify the plaintiff, the defense is unavailing. Moreover, these cases illustrate that opting to use a logo rather than a word mark is frequently considered to be more than “reasonably necessary.” Thus, the most conservative approach would be to avoid any use of logos or distinctive design elements or even colors that could be construed as being “more than reasonably necessary” to reference the plaintiff’s trademark.

B. Likelihood of Confusion Analysis

Even if an accused infringer’s nominative fair use defense is unsuccessful, a trademark owner alleging infringement based on a software developer’s incorporation of a trademark into a video game, downloadable mobile application, or other digital medium must demonstrate that the use is likely to cause confusion in the marketplace as to the source of the application or game, or as to some endorsement or sponsorship by the trademark owner. As mentioned above, such an analysis requires the court to consider an array of factors, including the strength of the mark; the proximity of the goods; the similarities between the two marks; any evidence of actual confusion; marketing channels used; the type of goods and degree of care likely to be exercised by the purchaser; the defendant’s intent; and the likelihood that the parties’ product lines could expand and potentially intersect.
The circumstances surrounding the deliberate use of another’s trademark within a mobile application or video game are slightly different than the typical infringement case because the logo will necessarily be identical; the question instead is whether the unauthorized use of the logo rises to the level of trademark infringement because it creates a false indication of sponsorship or endorsement by the trademark owner. In cases considering similar questions, courts have exhibited leniency where the mark is used in connection with an expressive or editorial work, because First Amendment considerations require greater deference to the defendant’s protected speech and militate against a finding of infringement.

The courts’ deference to the First Amendment rights of authors/developers acting outside the protection of the fair use doctrine, largely appears to depend upon the following issues: (1) whether the trademark owner operates in a similar commercial space such that its goods might be viewed to be competing with the developer’s goods; and, (2) whether the developer intends to trade on the goodwill of the plaintiff’s mark. In other words, uses involving expressive or editorial speech tend to involve goods/products that are easily distinguishable from the trademark owner’s own products or offerings, making confusion unlikely. Moreover, the expressive/editorial nature of the speech makes it less likely that the developer intended to trade on the goodwill of the trademark owner. The discussion below takes a closer look at these two elements and explores why a court is less likely to take issue with the use of third-party logos in the context of editorial or expressive speech.

1. **Proximity of the Goods/Type of Goods**

In considering likelihood of confusion, courts consider whether or not the goods at issue are sufficiently related – and whether the markets are sufficiently similar – such that a consumer
might assume that the producers of the goods are somehow affiliated. Some courts refer to this factor as the “competitive proximity” factor to further illustrate the heart of the consideration: the more similar the goods and the “closer” the goods are to one another in the marketplace, the more likely a consumer is to be confused by a similar mark.

In cases finding an unauthorized use to be primarily expressive, rather than commercial, the courts have emphasized the difference in the respective goods offered and the subsequent competitive distance between the goods and/or services offered, finding that such distinctions make confusion unlikely. To illustrate the basic line of reasoning, consider the following uses that were held to be non-infringing:

- the appearance of a Caterpillar bulldozer in a feature film, *George of the Jungle 2*;\(^7\)
- the use of EARTH PROTECTOR as the name of a fictional company in *Up, Up, and Away*;\(^8\) and
- reference to MasterCard’s “Priceless” commercials in a political advertisement.\(^9\)

In each of the examples above, the courts emphasized the differences between the business of the trademark owner and the nature of services being offered in connection with the allegedly infringing use—typically entertainment or educational services. The courts relied heavily upon these differences in finding no likely confusion.

By way of contrast, where the courts perceive that the respective users compete in the marketplace, they have been far less deferential, even in cases where a First Amendment argument exists. Most particularly, when the trademark owner offers a product that is similar to the allegedly infringing product, courts have found that a likelihood of confusion exists. For example, where a party sold t-shirts featuring school colors and referring to university athletic teams, the court found the First Amendment arguments unavailing in view of the fact that the
plaintiff universities sold similar products. Similarly, the court was unwilling to extend any leniency to the user of the MARY KAY trademark alongside significant uses of the color pink in part because the user was offering MARY KAY products and effectively competing with other authorized Mary Kay sellers.

As the market for mobile applications and video games continues to expand—and more and more brand owners offer “official” mobile applications or other digital content—developers should keep in mind that a video game or downloadable application that they develop may be in closer “competitive proximity” to the trademark owners’ products than it appears at first glance.

2. The Developer’s Intent

As noted above, courts are more likely to give expressive and editorial uses of third-party trademarks the benefit of the doubt and assume that the user did not intend to free-ride on the goodwill and notoriety of the trademark owner. Conversely, where the unauthorized use of a trademark is primarily commercial—even if it is used to refer to the plaintiff’s own products—and exceeds the minimum allowances of the nominative fair use doctrine, courts tend to find an implicit intent to trade on the goodwill of the plaintiff’s mark. Such a determination can be very significant.

If a court is able to identify strong non-commercial reasons for the developer’s incorporation of a trademark, it is much more likely to assume that the developer was motivated by a desire to engage in fair speech as opposed to pirating another’s trademark. Consider, for example, a recent decision involving whether or not the appearance of a strip club called “Pig Pen” within the popular Grand Theft Auto: San Andreas video game created confusion as to source or sponsorship in connection with an actual Los Angeles strip club known as “Play
The court acknowledged the similarity between the marks, not only in name, but also in some other resemblances between the real-world signage and the signage within the video game. In finding an absence of confusion, the court emphasized the inherent difference between video games and strip clubs and the resulting difference in market proximity, stating that the Grand Theft Auto game is not “complementary” to the real-life Play Pen and that “video games and strip clubs do not go together like a horse and carriage.” The court concluded that the buying public is not likely to reasonably believe that “[the strip club owner] produced a video game or that [the video game maker] operated a strip club.”

Thus, those uses that are deemed to be primarily “expressive” are less likely to be found to create a likelihood of confusion because the courts tend to afford a greater degree of leniency to more artistic works. In contrast, where the use simply appears to be commercial, the courts more likely will find an infringement.

Of course, not all use that is arguably artistic and expressive will avoid liability. A developer also could be held liable for trademark dilution if the owner of a famous or highly distinctive trademark successfully demonstrates that the developer’s use of the trademark is disparaging or in some way diminishes or tarnishes the consuming public’s opinion of the mark, even if the use is not confusing, per se. For example, a court found that use of an animated version of the John Deere logo in a commercial promoting a competitor’s tractors diluted the strength of the John Deere logo. Even though the advertising was considered comparative, the commercial depicted the John Deere deer in various poses that suggested weakness and fear and was therefore held to be dilutive of the strength of the John Deere design mark. Other cases involve disparaging imitations of famous marks like “Enjoy Cocaine,” written in the Coca-Cola font, or “Where There’s Life, There’s . . .Bugs,” imitating beer maker Budweiser’s slogan.

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(“Where There’s Life, There’s . . . Bud”) to promote an insecticide. Thus, while creative expression certainly receives significant protections against trademark infringement claims, liability for trademark dilution may remain an issue in certain situations, particularly when the use in question is more commercial in nature, *e.g.*, an advertisement.

C. Copyright Infringement

Navigating the analyses above may not be the end of the story; trademark owners may also own copyright interests in their logos. As a result, even strong nominative fair use arguments and other defenses may not overcome potential liability for copyright infringement. While this issue could be the subject of a separate treatment altogether, it bears mentioning that the copyright fair use defense, while similar in some respects to the trademark fair use analysis, is a separate consideration altogether. A copyright fair use analysis is also notoriously subjective and it is difficult to anticipate what a particular court may consider to be “fair” (and therefore permissible).

At least one court has considered the copyright fair use argument in connection with a video game that incorporated a copyrighted logo without the authorization of the copyright owner. The case involved the *Madden NFL* video game produced by Electronic Arts, Inc. (“EA”). Within the game, users were permitted to incorporate “throwback uniforms” such that the avatars on a virtual team wore uniforms that had been used by that particular NFL team in the past. Unfortunately for EA, the throwback uniforms for the Baltimore Ravens bore a logo that was previously determined to infringe upon the copyright interest of its creator. In considering this unauthorized use, the court found that, unlike certain picture displays or documentaries, the
use of the copyrighted logo within the game was not for the purpose of historical accuracy, but rather sought to benefit from augmented sales resulting from the “nostalgia value” gained from the use of the infringing logo. Moreover, despite the arguably negligible commercial value attributable to the incorporation of the logo itself, the court determined that EA would not have added the throwback uniform to the game without a determination that it was of some commercial value.

II. Five Hypothetical Scenarios: Where Do They Fall on the Spectrum of Risk?

Because any inquiry into the propriety of incorporating a third party’s mark into a digital work is necessarily fact-specific, the following hypotheticals are intended to provide some sample analyses that offer more detailed insight into the general guidelines set forth in the discussion above. The hypotheticals start with a use most likely to present meaningful risks and then move toward uses that are less likely to be problematic.

A. Professional League Score Reporting Mobile Application

In this scenario, a developer has built a mobile application that allows users to receive real-time updates on sports scores of the user’s choosing. In the display of these scores, the developer elected to use the team logos in addition to the team name.

The unauthorized use of team logos within a score reporting mobile application highlights one of the key limitations to the nominative fair use defense. Almost all of the nominative fair use cases make clear that the use of indicia of the trademark holder beyond the mere use of the trademark owner’s name—whether distinctive lettering, a distinctive color, or a logo—tends to remove the use from the scope of the doctrine’s protection. Further, the logos in
this scenario are nonessential and primarily aesthetically-pleasing additions to the application. As a result, this use of “more than is reasonably necessary” to identify the trademark owner likely removes it from the realm of nominative fair use.

Moving to a consideration of whether or not a consumer is likely to believe that the mobile application in this hypothetical is sponsored or endorsed by the trademark owner(s), the basic factors to be considered are: (1) the potential First Amendment protections; (2) the similarity of the retail markets and purchasers; and (3) the developer’s intent in incorporating team logos into the application. While the application certainly qualifies as speech because it does report relevant news and information and thus may be able to claim a certain degree of First Amendment protection, the application is not exactly like a newspaper or website. It is a prepackaged platform, purchased by sports fans and university alumni, that permits its users to organize data according to their favorite teams, incorporating team logos throughout the site and (at least potentially) incorporating the logos in various promotional images offered to demonstrate the application on various mobile application store platforms. Thus, the developer potentially is using these logos in connection with the packaging of the services provided, rather than embedded within the context of an expressive work. Further, the sports leagues and many individual teams offer their own “officially licensed” sports score applications, indicating that the developer’s application will compete directly with the team’s own mobile applications.

While the developer of the app discussed in this hypothetical almost certainly has the right to refer to team names alone, the developer in this situation may have difficulty arguing that the use of a logo within an application of this type is anything other than an attempt to make the application more appealing to customers. This consideration could be one that causes an otherwise relatively even balancing of the factors to fall in favor of the trademark owner.
B. Augmented Reality Application for Mobile Phones

While augmented reality applications can be used in a variety of ways, from animating images on an actual Starbucks coffee cup when viewed through a Starbucks mobile application to providing directions to navigate the Paris subway system and making those directions visible through a mobile device’s camera, a more complicated trademark issue arises when dealing with what might be called location information applications. Specifically, consider those augmented reality applications that are designed to provide useful information on the user’s immediate surroundings through the user’s mobile device. Such applications supplement the image rendered by the camera on a user’s mobile device with additional information, allowing a user to effectively view an augmented version of the streetscape that contains the location of various restaurants, public transportation hubs, historical markers, live concerts, and whatever other information might be useful. In these applications, the use of another’s trademark to identify the location of a store, for example, is likely to be a consideration for the developer. But would the use of a logo in this context expose the developer to potential liability?

In many respects the unauthorized use of a third party’s logo within an augmented reality application parallels the use of team logos in sports score mobile applications. While the use of the logo may be “nominative” in the sense that it identifies the trademark owner, it is still likely “more than necessary” to do so and thus falls outside the protection of the fair use doctrine. The likelihood of confusion analysis, however, raises some unique considerations.

Moving through the three most relevant factors to determine whether or not the unauthorized use of a logo within an augmented reality application falsely suggests sponsorship or endorsement, it is important first to recognize that the nature of the speech involved is
commercial speech and is therefore subject to First Amendment protections. Moreover, an augmented reality application of the type described above arguably functions much more like a newspaper (or even a “visual” yellow pages) than the sports score application because the information provided is not packaged in any way, but rather is embedded within the display of information relevant to a user’s surroundings. Thus, the absence of any direct competition between the developer’s application and an alternative offered by the trademark owner further suggests that a court may consider this use to be unlikely to cause any confusion because it is more like the use of a Caterpillar logo embedded within the expressive work of a film and consumers, in that context, are unlikely to assume sponsorship or endorsement by the trademark owner. (Of course, the marketplace could change and trademark owners could become involved in offering their own augmented reality applications, but at present the market for these programs is more akin to the market for various search engines.)

In other words, the use of logos unquestionably enhances the visual appearance of the program and makes it appear more “official.” That being said, the developer’s intent may still prove to be problematic for the same reasons set forth in the discussion of the sports score application. Thus, the most conservative approach would be to stay away from logos altogether within the context of augmented reality applications, and to use instead mere references to brand names. Nonetheless, in the event that the use of a logo is challenged, a developer may be able to convince the court that no consumer is likely to assume that the trademark owner has sponsored or endorsed the application itself given the absence of any real “competitive proximity” to the trademark owner’s own offerings with respect to the mobile application (and assuming that the application does not otherwise emphasize or highlight any particular logos or brands).
C. **Price-Comparing Mobile Application**

Comparative advertising has long been considered to be permissible under U.S. trademark law, provided the advertising is truthful and is not misleading. But what if the developer of a mobile application that compares store prices determines that the use of logos, rather than simply using store names, is more aesthetically pleasing and/or more visually efficient? In such a scenario, a shopper enters either a product name or perhaps even a specific model number, and the application pulls prices from various store locations so that the shopper can compare deals. As discussed above, for the purposes of the nominative fair use defense, the use of a logo is likely to be considered more than reasonably necessary, making the defense inapplicable. The critical question, then, is whether or not the user is likely to be confused as to the source of the application itself and/or the application’s affiliation with the particular store or stores whose logos appear in the applications.

If the application’s use of the respective logos is consistent (*i.e.*, no single logo is consistently emphasized or highlighted) and the store logos are not used to promote the application, the relevant confusion factors suggest that confusion is unlikely here. A consumer is simply not likely to be confused by an application that purports to provide objective comparisons and rankings among a wide array of brand owners. In contrast, consider a similar application that focuses on a single line of products like John Deere farming equipment or Dyson vacuum cleaners. It is easy to imagine the use of those logos in a manner that creates a likelihood of confusion, whether in the application’s icon/thumbnail or as a type of header within the application. Because such an application focuses on a single brand rather than comparing prices
across various brands, it seems more likely that consumers might assume that the application is offered by or affiliated with John Deere or Dyson.

D. Fashion Blog

Consider a fashion blog, devoted to the latest trends in the U.S. The nominative fair use doctrine should insulate the use of the trademark LOUIS VUITTON in an article discussing the latest line of luxury handbags because (1) it would be difficult to identify a LOUIS VUITTON bag without identifying it as such; and (2) use of the words “LOUIS VUITTON” alone is no more than reasonably necessary to identify the product or service. But what if, in presenting a story about a new line of Louis Vuitton handbags, a blogger includes an image of the Louis Vuitton logo alongside the story. Once again, while the use of the Louis Vuitton logo is nominative in the sense that it refers to the trademark owner, logos are considered “more than reasonably necessary” to identify the trademark owner. Accordingly, the nominative fair use defense is unlikely to be available.

Of course, news stories and blog entries fall squarely within an area of speech traditionally afforded strong First Amendment protections. Moreover, the likelihood that consumers would believe that Louis Vuitton authored, sponsored, or is affiliated with the article or the newsfeed application is relatively low. Absent any use of the logo in a more prominent manner outside of the scope of the article, use of a logo within a blog post carries a low risk of liability.
E.  Video Game Set in New York City 2030

In this scenario, a video game developer has set the latest iteration of a first-person shooter game in futuristic New York City. In doing so, the developer has incorporated the logos of various famous stores, restaurants, landmarks, and coffee shops within New York City that are seen by the user as he or she moves through the fictional landscape of the game itself. The game does not focus on any one location; the uses are truly background uses that set the scene, and no events take place within the locations. The developer does not use logos on the packaging for the game, or in the advertising or promotion of the game.

In this scenario, the use of the logo is not “nominative” in the sense that it is not used to identify the actual trademark owner’s goods or services. Thus, it is unlikely that a nominative fair use defense would be successful. However, because the use is “expressive” and falls within a category of works that are afforded a great deal of First Amendment protection, it is unlikely that a trademark owner would succeed in a trademark infringement action if the uses in question are transitory and simply made for the purpose of setting a realistic backdrop to the game. In this scenario, the uses are made to enhance and authenticate the fictional landscape of the video game and therefore are artistically relevant to the video game. Moreover, the fact that these logos are embedded within the work indicates that a court is unlikely to find that the use of these logos within the video game explicitly misleads as to the source or content of the game. Of course, to the extent any logos are used in promotional materials or packaging of the video game, this analysis would likely change, but the more internal use of logos in this fashion would be less likely to trigger liability.
III. Conclusion

As made evident by the discussion above, there are not always clear rules to guide a developer in determining and assessing the risks associated with incorporating a third party’s logo into a mobile application, video game, or other digital work. Nevertheless, it is evident that keeping the following questions in mind lends guidance as to where the proposed use falls on the spectrum of risk:

1. Is the logo being merely used to identify the trademark owner?

2. Why is the use of the logo necessary/desirable? Is it to make a scene more realistic or is the use of the logo simply intended to make the product more attractive?

3. Is the digital work likely to be considered an “expressive work” (i.e., is it more like a film or novel, or is it more like a product such as a sports score reporting application)?

4. Does the trademark owner offer or license a digital work that may be seen as a competing product?

Of course, answers to these questions are not necessarily outcome-determinative, but they do provide some guidance as to how a court is likely to treat such use.

2 Volkswagen Aktiengesellschaft v. Church, 411 F.2d 350, 352 (9th Cir. 1969).
3 Playboy Enterprises, Inc. v. Welles, 279 F.3d 796 (9th Cir. 2002).
8 Davis v. Walt Disney Company, 430 F.3d 901 (8th Cir. 2005).
10 Smack, 550 F.3d at 489.
13 Id.
15 Comparative advertising of course raises an entirely separate set of questions beyond the scope of this paper. Developers should always be mindful of advertising requirements and regulations.
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