New York Law Journal

NEW YORK LAW JOURNAL SPECIAL REPORT

Intellectual Property

An ALM Publication

WWW.NYLJ.COM

VOLUME 261—NO. 56

MONDAY, MARCH 25, 2019

My House: What Rules? IP Implications of **Augmented Reality Advertising**

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VECTORFUSIONART VIA SHUTTERSTOCK

Augmented reality technology (AR), in which computer-generated images appear superimposed upon a real-world environment, is quickly advancing to a point of general commercial application. While predictions about AR market size vary, most analysts expect the market to exceed $50 billion in the next three to four years.

How consumers experience AR will likely vary, with some applications available through phones (*Pokémon Go* being the most famous example to date) and others through special AR glasses. An example of the latter case might be an immersive walking tour of New York in which users download an app and don glasses to experience the tour.

One potential revenue stream for this market is the sale of advertising superimposed in a real-world environment, combining the techniques of location-based AR and superimposition AR. In the walking tour described above, or a navigation tool on a phone, as the user traverses the city, they might see not only AR-generated information and directional signals, but also advertising superimposed on buildings or street furniture (bus shelters, kiosks, etc.). Such uses raise a number of intellectual property questions. For example, does the AR developer need permission from a building owner or a street furniture franchisee to superimpose branding or advertising on their property? Does a building owner have any intellectual property rights it can exclusively license to certain AR providers, thus prohibiting non-licensees from superimposing logos or advertising on their property? Would advertisers have a claim if AR advertising, perhaps of a competitor, was superimposed on and "replaced" their own real-world advertising or store signage? We consider these and other issues below.

AR Advertising On Unused Spaces

Assume in the first instance that the AR advertisement will be displayed on an otherwise unused space on a

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building's facade. In a few cases, such as the Empire State Building or the Chrysler Building, the building itself may enjoy trademark protection. For example, in *White Tower System v. White Castle System of Eating Houses*, 90 F.2d 67 (6th Cir. 1937), the U.S. Court of Appeals for the Sixth Circuit enjoined a competitor of the White Castle fast-food chain from using a similar white miniature castle store because the public associated this structure with the White Castle brand. However, AR developers are not replicating a structure, but rather creating the illusion that an image is superimposed on a building.

A more instructive case is *Rock & Roll Hall of Fame & Museum v. Gentile Productions*, 134 F.3d 749 (6th Cir. 1998), in which the museum brought a trademark infringement and dilution case against a photographer selling a poster that depicted the museum. At the time, the museum held a state trademark for the building's design. The Sixth Circuit noted that "to be protected as a valid trademark, a designation must create 'a separate and distinct commercial impression, … which identif[ies] the source of the merchandise to the customers.'" Here, the court found no support "for the factual finding that the public recognizes the museum's building design, in any form, let alone in all forms, as a trademark," and concluded that the poster was not "an indicator of source or sponsorship," but instead simply "a photograph of an accessible, well-known, public landmark." Owners of buildings claiming that unauthorized AR projections infringe their rights may face similar challenges.

Of course, most property owners will not have any basis to claim trademark protection in their building design. For such owners, their intellectual property arguments may be limited. While the building owner may want to claim that the AR advertising falsely implies that the building endorses the product or service, the "false endorsement" doctrine generally arises in cases of false or implied endorsements by an individual. Moreover, a building owner may have a hard time establishing any consumer confusion as to sponsorship. Consumers may well see an AR advertisement no differently from a billboard that happens to hang outside a building. The more interesting cases may be those in which an AR developer "wraps" an entire building in a virtual advertisement without consent or superimposes advertising on a stadium where the public is more aware of the linkage between the stadium and sponsorships. Developers may be able to mitigate this risk with a disclaimer that the advertising the user sees has no affiliation to the structure on which it might appear.

There is no doubt that AR applications will raise many **issues of first impression** for the legal system.

AR Advertising That Replaces Existing Signage

Would a building owner or advertiser have a stronger claim if AR software "replaced" a real-world advertisement with a digital impression? There is some guidance offered by a Second Circuit case, *Sherwood 48 Associates v. Sony Corp. of America*, 76 F. App'x 389 (2d Cir. 2003). In that case, Sony digitally replaced billboard signage in a Spiderman movie scene with advertising from paying promoters. Property owners and licensees of the original signage asserted that Sony infringed their trade dress rights in the "'unique configuration and ornamentation'" of each building and its advertising. The Second Circuit disagreed, holding that the plaintiffs failed to articulate specific elements that would justify protectable trade dress and that the "'overall look'" of a building was insufficient. Most building owners would face similar challenges, putting aside that in many cases it would not be clear what product or service the building's trade dress is meant to identify. Building owners may also have difficulty proving consumer confusion since, as the district court noted, buildings constantly "change their advertisement dress." *Sherwood 48 Assocs. v. Sony Corp. of Am.*, 213 F. Supp. 2d 376 (S.D.N.Y. 2002), aff'd in part, vacated in part, 76 F. App'x (2d Cir. 2003).

The *Sherwood* plaintiffs also brought state law claims for unfair competition, deceptive trade practices, dilution, and trespass. Such claims may well prove the legal battleground for AR advertising cases. Although the *Sherwood* court did not address the substance of these claims, it noted that the key question for trespass claims, not yet addressed under New York law, was whether "contact" with another's property that arguably diminishes its value but does not cause physical damage is actionable.

While a number of courts have addressed whether computer trespass claims exist where there was only digital access and intangible harm to the underlying system (see, e.g., *Register.com v. Verio*, 356 F.3d 393 (2d Cir. 2004)), AR presents a unique combination of trespass issues; namely, a digital "use" of a physical space that does not harm or diminish the space's functioning in the traditional sense. New York law provides that trespass to chattel occurs if the personal property is diminished as to its condition, quality or value. (Id.; see also Restatement (Second) of Torts §218(b) (Am. Law Inst. 1965).) A property owner may argue that AR's use of its property diminishes its value with respect to advertising opportunities, even though no physical damage occurs. Any such case would likely be one of first impression.

Other state law claims may present similar challenges. In New York, a claim for deceptive trade practices must allege that the act or practice at issue was consumer-oriented and misleading in a material respect, and that the plaintiff was injured as a result of the deceptive act or practice. *Oswego Laborers' Local 214 Pension Fund v. Marine Midland Bank, N.A.*, 85 N.Y.2d 20 (1995). While competitors can bring suit, "'the gravamen of the complaint must be consumer injury or harm to the public interest,' not mere competitive disadvantage." *Mobileye v. Picitup*, 928 F. Supp. 2d 759 (S.D.N.Y. 2013). In the case of AR, such injury or harm to the public interest may be difficult to establish.

In order to prevail on an unfair competition claim under New York law, a plaintiff needs to show that the defendant has misappropriated its labor and expenditure in bad faith (i.e., exploited a commercial advantage belonging exclusively to the plaintiff) and caused either actual confusion or a likelihood of confusion among consumers. *Carson Optical v. Prym Consumer USA*, 11 F. Supp. 3d 317 (E.D.N.Y. 2014). As noted, actual or likely confusion may be difficult to establish with respect to an AR experience, especially if the developer includes a disclaimer regarding the AR advertising a user might see. A stronger confusion argument might exist if the AR program replaces a store's identifying signage, but it is not apparent that there would be a meaningful market for such AR images.

Finally, to sustain an unjust enrichment claim, a plaintiff would need to show that it had a relationship with the defendant, that the defendant benefited at the plaintiff's expense, and that equity and good conscience require restitution. *Georgia Malone & Co. v. Rieder,* 19 N.Y.3d 511 (2012). Unjust enrichment is thus a quasi-contract theory to prevent injustice in the absence of a contract between two parties. Such a relationship is unlikely to exist in the AR scenarios described in this article.

AR Advertising in Proximity To Real-World Advertising

In some cases, an advertiser may pay an AR developer to have its advertisement superimposed next to instances of a competitor's real-world advertising. Here, the body of keyword advertising cases may have precedential value. In these cases, a company purchased a competitor's name as a search engine keyword so that when someone searched for the competitor, the purchasing company's advertisements appeared in the search results. While courts were generally split on whether purchasing a keyword was a "use in commerce," the vast majority did not find any consumer confusion. See, e.g., *Alzheimer's Disease & Related Disorders Ass'n v. Alzheimer's Found. of Am.*, 307 F. Supp. 3d 260 (S.D.N.Y. 2018). In the AR context, it is similarly likely that users would not be confused by seeing an AR advertisement juxtaposed to a competitor's real-world advertisement.

Copyright Considerations

A building owner seeking to enjoin an AR developer may not find much support in copyright law. While architectural works created on or after Dec. 1, 1990 are explicitly protected by copyright, 17 U.S.C. §102(a)(8), the Copyright Act explicitly states that this protection does not prevent others from creating pictorial representations, such as photographs, of the building if made from a public place. 17 U.S.C. §120(a). A court would likely consider a digital image of a building with a superimposed AR image to be covered by this exclusion.

An AR developer should, however, give consideration to superimposing images on separable copyrightable elements, such as a sculpture or mural, located on or next to a building. Here, the question is whether an AR image layered on a real-world copyrighted work creates an unauthorized derivative work. In general, derivative works include any form in which a work may be "recast, transformed or adapted." 17

U.S.C. §101. While an AR work may not be "fixed" for copyright protection purposes, a derivative work does not need to be fixed to infringe. *Lewis Galoob Toys v. Nintendo of America*, 964 F.2d 965 (9th Cir. 1992).) However, a derivative work does need to incorporate the copyrighted work in a "'concrete or permanent form.'" *Perfect 10 v. Amazon.com*, 508 F.3d 1146 (9th Cir. 2007) (quoting *Lewis Galoob*, 964 F.2d 965). In the case of AR, a copyright owner may have a difficult time establishing that the AR program uses its protected work in that manner. Indeed, in distinguishing another Ninth Circuit case in which the defendant was found to have created a derivative work by gluing photographs to tiles, *Mirage Editions v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988), the court noted that the holding would have been different had the defendant "distributed lenses that merely enabled users to view several artworks simultaneously," as such use would not have been in a concrete or permanent form. *Lewis Galoob*, 964 F.2d 965.

Even if a court finds that superimposing an AR image does infringe any of the rights discussed above, the use of copyrightable content in AR may constitute fair use. A fair use analysis focuses on several factors, but in recent years, courts have emphasized whether the allegedly infringing work is transformative, meaning that it alters the copyrighted work by adding a new message or expression. See, e.g., *Blanch v. Koons*, 467 F.3d 244 (2d Cir. 2006). Particularly, courts have found fair use where the defendant's work provides a social benefit or serves a different purpose than the original copyrighted work. In *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013), a photographer sued the appropriation artist Richard Prince for using his photographs in Prince's paintings. In finding fair use, the Second Circuit emphasized that Prince's works contained distorted forms and sizes of the photographs, saying that "Prince's *composition, presentation, scale, color palette, and media* are fundamentally different and new compared to the photographs … ." The reasoning from the *Cariou* case is applicable to AR, which will display copyrighted content on a different medium and possibly in different colors or distorted forms. Because AR transforms content into a new mode of expression, even if AR reproduces the entirety of a copyrightable work without alteration, courts might find such reproduction to be fair use.

Implications of the Visual Artists Rights Act

In some cases, an AR developer may want to superimpose advertising on a statue. Consider for example, that on the New York walking tour described above, an advertisement for a financial institution appears across Di Modica's "Charging Bull" sculpture near Wall Street. Under the Visual Artists Rights Act (VARA), the creator of a VARA-protected work, which includes sculptures, can "prevent any intentional distortion, mutilation or other modification of that work which would be prejudicial to his or her honor or reputation." However, VARA contemplates physical modifications to a work. A digital image that simply appears to be on a work would not trigger the artist's VARA rights. Indeed, VARA expressly provides that any use of a protected work in connection with any audiovisual work or electronic publication is not a prohibited modification.

Conclusion

There is no doubt that AR applications will raise many issues of first impression for the legal system. U.S. courts have continually adapted intellectual property law to a digital environment, often protecting new technologies, particularly where the new, potentially infringing content does not supplant the demand for the original content. However, the intersection of real-world objects with digital images will test a number of legal doctrines. Property owners, advertisers, and copyright holders may feel frustrated by how AR is transforming their tangible and intangible rights, but may have a difficult time prohibiting such use under current law.