EMBARKING ON AN AUGMENTED REALITY CAMPAIGN? LEGAL ISSUES FOR ADVERTISERS TO CONSIDER

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I. Introduction

While the early days of augmented reality ("AR") focused on technological advances and ad-hoc promotions,[1] the technology has swiftly crept its way into the fabric of a brand's and marketer's toolbox and, accordingly, the daily-digital interactions of users. The proliferation of AR likely was inspired by progress in mobile phone technology that has allowed users the means to interact digitally with their physical surroundings (or the appearance of themselves or others) through cameras and to connect to the internet in a way not previously possible.[2] Perhaps the most market-disrupting instance of large-scale recognition of AR technology was the release of the Pokémon Go gaming app in July 2016.[3] Fusing the fanciful world of Pokémon tracking within the framework of real world local landmarks and points of interest, the app's viral adoption catapulted AR into the modern lexicon. So too did this app introduce the market to some of the various legal issues with which brands, marketers, and users are becoming more familiar.

This article raises and explores various legal issues advertisers might encounter by relying on AR media. We begin the article by providing a brief background of AR technology, including its growth, and some examples of how it is used in the advertising context. The bulk of this article then discusses a number of legal theories that attorneys and business teams might apply to the novel issues raised by advertising in an AR environment, and discusses how existing precedent may help guide advertisers in connection with these novel issues.[4]

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[1] *See* Esquire magazine's description of its 2009 special AR-enabled issue featuring Robert Downey Jr., https://www.esquire.com/news-politics/news/g371/augmented-reality-technology-110909/?slide=2.

[2] While this article addresses the proliferation of mobile-based AR, consumers have been presented with AR-enabled visuals for years. Perhaps one of the most accessible examples is the use of the superimposed line of scrimmage and first-down line appearing on screen in televised football broadcasts.

[3] The authors do not suggest that Pokémon Go was the first AR application, but rather that its intrusion into the public consciousness and the fabric of the gaming and AR market was so profound as to arguably shift AR from previous marketing obscurity. As of 2018, the app reportedly had been downloaded 800 million times Liz Lanier, *'Pokemon Go' Reaches 800 Million Downloads*, Variety (May 30, 2018), https://variety.com/2018/gaming/news/pokemon-go-downloads-1202825268/.

[4] This article is for informational purposes and does not contain or convey specific legal advice. The article focuses largely on intellectual property issues that may arise in the AR advertising context and is not meant to contain an exhaustive discussion or presentation of all legal concerns. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer with respect to those facts and circumstances.

II. New Digital Experiences: Understanding Augmented Reality

In recent years, AR technology has become more facile and less elusive, with various platforms enabling more prevalent use from novice and experienced marketers alike. Indeed, the presence of AR in the marketplace has surged since 2016. It is anticipated that 68.7 million people will use AR at least once per month in 2019.[5] It also is estimated that 1 billion AR users are expected by 2020, and ad spend is expected to reach $2.6 billion by 2022.[6]

So why has AR taken on such a dominant role in the advertising ecosystem so quickly? Many ascribe the proliferation of AR at least in part to the accessibility of Software Developer Kits ("SDKs"), such as Apple's ARKit and Google's ARCore (making the development and distribution of AR experiences both easier and faster). This speed-to-market takes on increased significance in light of two other factors: (1) AR meets the demands of the modern consumer for immersive, personalized, and engaging brand interaction; and (2) data suggests that AR engagements can command user viewability that far surpasses traditional media.[7]

While there are many ways to define augmented reality, for the purposes of this article we use the following working definition:

> ***Augmented Reality*** *is a display resulting from integrating digital data into a rendition a real, physical environment, typically by using a camera.*

AR—unlike many of its technology contemporaries—is typically described from the lens of the *experience* it creates for the user, the most prominent feature being the *digital overlay superimposed on a view of the real world.*[8] Often, AR is conflated with virtual reality ("VR"). The key distinction between AR and VR is that AR includes the real world, while VR creates its own immersive digital universe for a user with no reliance upon the user's real world.[9]

While the possibilities of brand interaction and use of AR continue to evolve, currently there are a few primary ways that brands trigger user experiences:[10]

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[5] https://www.emarketer.com/content/virtual-and-augmented-reality-users-2019.

[6] Statistics as reported by the IAB in the Augmented Reality for Marketing, An IAB Playbook (June 2019) https://www.iab.com/wp-content/uploads/2019/06/IAB-AR-for-Marketing-Playbook-FINAL-June-2019.pdf (last visited Sept. 8, 2019).

[7] It has been reported that strong campaigns can lead to "dwell" periods of more than 85 seconds, interaction rates up to 20%, and click-through rates to purchase of 33%. https://www.thedrum.com/opinion/2018/03/29/three-things-marketers-should-know-about-adopting-augmented-reality.

[8] Two other terms that are often used to further describe AR: (1) "immersiveness" meaning the likelihood that a user's subconscious mind accepts the digital overlay as part of the real world surroundings; and (2) "diminished reality", meaning the ability to *decrease* (rather than augment) the content a user perceives (e.g. a user avoiding sugary foods can block out ads for such foods).

[9] In 2018, the Interactive Advertising Bureau (IAB) published a glossary of AR terms with visual depictions of the various components, https://www.iab.com/wp-content/uploads/2018/07/IAB_VR-AR_Glossary_v5b.pdf (last visited Sept. 8, 2019).

[10] These activation methods are further made possible by enabling technologies, including facial recognition and location tracking.

- ***Markers*** (QR Codes and Recognized Objects) - A brand places a QR code in the real world (e.g. a retail store's logo, placard, document). When a user uses his/her camera to scan over this QR code, an ad or other content is triggered.
- ***Markerless*** - A user dictates the triggering and location of a digital object in a depiction of the real world. For example, a user can place a picture or rendering of a new sofa within a real world living space. Another common example is when a game- or promotion-based AR places a digital character in the forefront of the real world seen through a view screen, as Sony Pictures did in releasing a mobile app promoting the release of *Spider-Man: Far From Home* that placed an animated Spider-Man digital figure superimposed on the user's screen to perform several tricks (e.g. dangling from the ceiling).[11]
- ***Location-Based*** - AR content is tethered to a specific physical location. For example, a user walking down a street can view an AR overlay of the street name to assist with navigation, or even can pull up more informational content based on the surrounding landmarks. And, of course, fictional characters can be placed in specific locations, like in Pokémon Go.

Brands have embraced this technology for its efficient user engagement benefits in ways ranging from creating specific apps for advertainment purposes to more traditional sponsored[12] and banner-type advertising within the realm of third party AR experiences.

For example, the cosmetics industry was one of the first to adopt this technology in the marketing context, focusing on the form of "virtual applications" of color cosmetics. Cosmetic brands now routinely offer the promise of personalized color selection assistance without the necessity of human interaction or tester bottles. With the swish of a finger, one can try on multiple shades of lip color before purchasing or applying. As an early provider of AR-like experiences using static images, the cosmetics industry has been uniquely poised to capitalize on quality improvements in mobile phone front-facing cameras to render self-service user experiences more accurately mirroring real-life application.[13] The examples are boundless and include Shiseido's TeleBeauty (2016),[14] Sephora's Virtual Artist app (2017),[15] L'Oréal virtual try-on tool (2018),[16] and Coty's Covergirl experience (2018).[17]

AR also offers an entirely new realm of places and surfaces on which brands can promote their goods and services. Similar to the virtual canvas offered by the Second Life platform that briefly captivated brands for its alternative advertisement distribution potential, AR

[11] https://apps.apple.com/in/app/spider-man-far-from-home/id1244334475.

[12] For example, Snapchat has offered brands the opportunity to sponsor custom lenses in its Lens feature.

[13] Indeed, a secondary technology industry devoted to assisting beauty brands with AR and AI engagement has spun up. Perfect Corp. - purported developer of the first consumer virtual beauty app, YouCam - has developed out-of-box enterprise in-store and online solutions for beauty brands to leverage. *See* https://www.perfectcorp.com/business.

[14] https://www.shiseidogroup.com/news/detail.html?n=00000000002041.

[15] https://sephoravirtualartist.com/landing_5.0.php?country=US&lang=en&x=&skintone=&currentModel=; *see also* https://www.theverge.com/2017/3/16/14946086/sephora-virtual-assistant-ios-app-update-ar-makeup.

[16] https://www.lorealparisusa.com/beauty-magazine/makeup/makeup-looks/makeupgenius-changes-makeup-application-forever.aspx.

[17] https://www.coty.com/in-the-news/press-release/coty-launches-AR-experience-featuring-COVERGIRL.

also offers an unbounded potential for out-of-home advertising.[18] The July 2019 launch of the film *Spider-Man Far From Home* brought this mode of advertising to the forefront of moviegoers' consciousness: Sony Pictures reportedly partnered with Snapchat to create a specific Snapchat landmark lens that enabled users in the geographic proximity of certain movie-related landmarks (e.g. the Eiffel Tower) to point the camera at the landmark and trigger characters to appear on screen for user/character selfies, by using a Snapchat lens.[19]

III. Marketing and AR: Do's, Don'ts, and Maybes

No matter the media, advertisers typically evaluate the risks that surround the publication of a promotional piece. That evaluation usually involves assessing a proposed advertisement against a checklist of legal doctrines that litigants could use to sue an advertiser. When engaging in such an evaluation, advertisers typically anticipate that litigants could comprise consumers, competitors, or federal or state regulators.

All of the same legal doctrines that have been applied when evaluating an advertisement in traditional media, such as print or television, still apply when reviewing an advertisement published in an AR context. Nevertheless, because advertising in the AR context is relatively new, existing precedent does not always provide clear guidance. Accordingly, we must draw from existing precedent to anticipate the direction the law may travel in the AR context, or at the very least, identify legal arguments that may apply to the advertisement. In addition, advertisers should also consider the creative litigant or regulator and therefore keep their minds open to novel arguments.

In this section, we discuss a handful of legal doctrines and authorities that may come into play when evaluating an advertisement in the AR context and, where applicable, how those doctrines may apply in new ways.

False Advertising

Advertisers should review their advertisements against applicable false advertising law prior to publication. When reviewing an advertisement to determine whether it may fall prey to a false advertising claim, advertisers should keep in mind that such claims can be made by competitors, consumers, or federal or state regulators.

The Lanham Act is the federal statute that applies to determine whether an advertisement constitutes false advertising. It generally is used between competitors. That statute creates liability for any person who, on or in connection with any goods or services, makes a false or misleading statement that

- "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin,

[18] AR-infused out-of-home advertising seemingly solves two critical limitations inherent in out-of-home advertising: (1) finite physical real estate; and (2) challenges in tracking user engagement and return on investment.

[19] https://mobilemarketingmagazine.com/sony-snapchatspider-man-far-from-home-ar-campaign.

sponsorship, or approval of his or her goods, services, or commercial activities by another person, or"

- "in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities"

15 U.S.C. § 1125. In addition, each state generally has a similar statute and a body of common law that allow claims against competitors who make false and misleading statements in commerce, or who engage in unfair business practices that fall under the rubric of false advertising. *See, e.g.*, Cal. Bus. & Prof. Code §§ 17200, 17500. These state statutes also often provide consumers a basis to bring their own lawsuits against advertisers, including class action lawsuits.

The Federal Trade Commission ("FTC" or the "Commission") is charged with preventing deception in the marketplace and has the authority to regulate advertising claims pursuant to Section 5 of the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 45. The FTC Act prohibits "unfair or deceptive acts or practices." There are similar state regulatory schemes (e.g. "little FTC Acts") which empower states to police advertising.

Generally speaking, whether evaluating from the perspective of a competitor, a consumer, or a regulator, and whether evaluating under the Lanham Act, under state law, or with an eye toward regulatory authority, reviewing a promotional piece for false advertising centers on whether the piece is deceptive or has a tendency to deceive consumers with respect to their purchasing decisions. *See, e.g., Southland Sod Farms v. Stover Seed Co*., 108 F.3d 1134, 1139 (9th Cir. 1997). Any review should at least evaluate the advertisement at issue by adhering to the FTC standard, which dictates (among other things) that advertisements must be reviewed for their overall "net impression." *FTC v. Stefanchik*, 559 F. 3d 924, 928 (9th Cir. 2009).

Assessment of advertisements in the context of AR generally follows the same analysis traditionally employed, namely the evaluation of whether the advertisement has the tendency to deceive potential consumers when reviewed as a whole. That said, AR technology lends itself to additional opportunities for native advertising and by its nature can be dynamic. It therefore likely invites additional scrutiny from regulators and private litigants and thus additional risk.

Below are a few different scenarios where AR may implicate false advertising issues that are worthy of consideration:

- An advertiser may choose to use a snapshot of pedestrians walking shoulder to shoulder through a New York City intersection and augment that scene by bestowing on all of those pedestrians shopping bags labeled with the advertiser's brand. Aside from other potential legal issues, the advertiser may run afoul of the FTC guideline that requires transparency—i.e., a clear disclosure that the publication is an advertisement. Whether the overall net impression of the advertisement clearly conveys that it is a paid advertisement depends upon the presentation.
- A cosmetics company uses an AR platform to try to sell its products by affording potential customers the opportunity to apply lipstick to their images. Such presentation may or may not clearly be an advertisement. The overall net impression of the

presentation must be reviewed to determine whether there is risk without any clear disclosures.

- An advertisement for coffee beans with a message promising "with the press of a single button, hot and delicious first rate coffee in 30 seconds or less" is marked to trigger when a user's camera recognizes an automatic drip coffee machine. The recognition feature, however, misfires and presents the coffee bean digital image and advertising claim next to a real world espresso machine. Despite the brand's aim to display its coffee beans and ad claim with a drip coffee machine, it erroneously displayed them alongside an espresso machine, thereby suggesting that the espresso machine can "with the push of a single button" produce hot and delicious coffee from the pictured beans. In fact, the advertised beans are not ground finely enough for use with espresso machines and, even if they were, coffee cannot be prepared with the push of a single button. Burgeoning technology such as AR naturally brings a certain level of looming errors and misfires, which may not be obvious to consumers. The question is whether the error results in a statement that is likely to deceive a consumer.
- An athletic apparel company uses geo-targeted AR to trigger its prominent advertisements to attendees of a national tennis championship which it is not sponsoring. The question is whether this advertising creates the misleading impression that the apparel company is affiliated with or a sponsor of the event. That apparel company as well as the official brand sponsors and tournament organizers may want assess such marketing.

Somewhat akin to the requirement of transparency are the FTC guidelines that apply to influencers. As AR advertising proliferates and SDKs become more accessible, influencers likely will use such technology with increasing frequency and volume. And influencers may increasingly use native advertisements consisting of real world scenes that incorporate brands in a seamless fashion. For example, drawing from the example set forth above, an influencer who gets paid for posting promotions may use an AR platform to seamlessly dress pedestrians crossing a New York City intersection in a clothing brand being promoted.[20] Aside from the transparency issue regarding the message, discussed above, there is an issue that is more particular with respect to the use of influencers. Under FTC guidelines, "[w]hen there exists a connection between the endorser and the seller of the advertised product that might materially affect the weight or credibility of the endorsement (i.e., the connection is not reasonably expected by the audience), such connection must be fully disclosed." 16 C.F.R. § 255.5. In this instance, the influencer may have to make a disclosure and, correspondingly, advertisers ought to be mindful of the manner in which their influencers publish their advertisements.

The popularity of virtual dressing-rooms and assisted visualization of products in one's personal space, such as furniture, raise an additional false advertising issue uniquely related to the AR experience. Specifically, the question arises whether a brand offering these "tools" is making specific representations as to the fit, form, or function of the product. Is there an implied representation to consumer that, if the app is used to view and interact with lipstick on an image or a couch in a living room, are the lipstick and

[20] The intersection of AR and influencers or other content creators has already been commodified in a new ad offering. In June 2019, Google announced "immersive branded experiences in YouTube and display ads" on mobile devices, which allows viewers to "virtually try on makeup while following along with YouTube creators." Google Marketing Platform, https://www.blog.google/products/marketingplatform/360/immersive-branded-experiences-youtube-and-display-ads/ (AR Beauty Try-On is available through FameBit by YouTube, Google's in-house branded content platform).

couch accurately displayed in a true fashion? These and other questions ought to be asked and, where appropriate, addressed in proper disclosures.

Trademark Infringement

A trademark is a name or symbol used to identify a brand. The federal statute that defines whether a trademark has been infringed is the Lanham Act (which also governs false advertising, as discussed above).

The provisions of the Lanham Act that govern trademark infringement provide generally that one must not use another's trademark in a manner that is likely to confuse the consuming public with respect to the origin or approval of goods or services. 15 U.S.C. §§ 1114, 1125(a). The Lanham Act also extends protection for "trade dress," which—as opposed to a name or symbol applied to a product or service—refers to the "dressing" of a product or its packaging to identify the source of goods or services. *Wal-Mart Stores, Inc. v. Samara Brothers, Inc*., 529 US 205 (2000), interpreting 15 U.S.C. § 1125(a). The Lanham Act also protects owners of very famous marks against "dilution," which means a use by a third-party that is likely to chip away at the distinctive quality of a famous mark's capacity to identify a particular good or service. 15 U.S.C. § 1125(c). Dilution can be caused by blurring or by tarnishment. *Id*.

When reviewing advertisements published in traditional media, trademark infringement concerns typically arise where an advertiser purposefully and accurately uses a competitor's trademark in comparative advertising. Not surprisingly, under such circumstances, such use is usually not an infringement because it is considered a "fair use." *See* 15 U.S.C. § 1115(b)(4); *see, e.g., E.S.S. Entm't 2000 Inc. v. Rock Star Videos, Inc.*, 444 F. Supp. 2d 1012 (C.D. Cal. 2006).

Additional trademark infringement concerns may arise in the AR context because the technology lends itself to a greater degree of incorporation of others' trademarks—intended and unintended. In this form of advertising, brands embarking on AR-produced comparative advertising campaigns additionally need to consider how the technology itself may uniquely induce competitor claims under the Lanham Act. Consider a scenario where a breakfast cereal brand designs a comparative ad claiming the superiority of its cereal among school-age children over the competitor's cereal. In addition to the traditional concerns surrounding the presentation of a comparative ad (e.g. appropriateness of comparison, proper substantiation), in the AR space, a brand would need to consider how the digital image of the competitor product was designed and presented to avoid a claim that the 3D rendering was lacking equal detail, lighting, or precision with the advertiser's product or simply was presented inaccurately.[21]

Because AR starts with the presentation of a slice of the real world and then involves adding to that presentation, there are many more opportunities for creating consumer confusion with respect to what brands are being endorsed and for possible trademark dilution. One of the earliest cases to hint at the types of trademark issues that might arise in AR advertising is *Sherwood 48 Associates v. Sony Corp. of America*, 76 F.App'x 389 (2d Cir. 2003). In that case, the owners and licensees of advertising space in

[21] While we discuss this scenario for potential claims under the Lanham Act, it is also possible that an alleged inaccurate or unfavorable digital presentation of a competitor's product could result in a claim for business disparagement or a similar cause of action.

Times Square and at another address in New York City (the "Buildings") brought suit against Sony in connection with the motion picture *Spider-Man.* Sony purportedly entered into agreements with third parties to superimpose the third parties' advertising on the Buildings as they appear in the recreated film version of Times Square, thereby digitally modifying the real-world billboards. The plaintiffs contended that when Sony superimposed certain companies' advertising on the Buildings, it infringed the plaintiffs' trade dress in the "unique configuration and ornamentation" of those Buildings. The District Court dismissed the claim and the Second Circuit Court of Appeals affirmed the dismissal because the plaintiffs failed to describe the precise elements of their trade dress—a requirement for asserting the claim. The teaching point of *Sherwood* is not that advertisers are free to use others' buildings in their AR advertising because such buildings cannot constitute trademarks. Indeed, the U.S. trademark office has recognized that buildings can in fact be trademarked; for example, the Chrysler Building and the Space Needle have obtained registered marks. Rather, among other things, *Sherwood* teaches that advertisers ought to scrutinize how such recognizable buildings (and other trademarks) are used in AR advertising. At least one of the inquiries should be whether the building (or other trademarked property) that is pictured in an AR advertisement is used in a manner that would suggest it has a connection to or is endorsing the product or service being promoted.

Taking the technology a step further, consider the scenario where Brand A creates an AR experience that triggers its soft drink ad to fire adjacent to Brand B's well-known ad for its competitive soft drink. Brand A's ad only contains its soft drink product and trademarks without reference to Brand B's product; however, Brand A's ad is designed to be reactionary to Brand B's ad content. The two ads are distinct but displayed side-by-side to a user when triggered. Does Brand A's use of AR technology to "piggyback" on Brand B's advertising spend present any issues for Brand A? Suppose further that Brand A needed to use Brand B's trademark in order to train a model to appropriately trigger its AR advertisement? These issues have not yet been clarified by existing precedent. One may find guidance, however, in the precedent that applies to keyword advertising and purchasing competitor's trademarks in connection with search engine optimization. That precedent generally teaches that the key inquiry is whether and to what extent consumers are confused about who is doing the endorsing and what is being endorsed.

Another trademark concern that might arise in the AR context is the intentional and unintentional use of celebrities. Empirically, celebrity personas and images can be recognized as trademarks under the Lanham Act. *See, e.g., Waits v. Frito-Lay, Inc*., 978 F. 2d 1093, 1106-07 (9th Cir. 1992). And, as discussed more below, more than half of the states have "name and likeness" statutes, which give the celebrity control of their name and image. Consequently, using a scene that includes a celebrity as a backdrop for an AR advertisement can lead to a claim by that celebrity that his or her trademark or image was infringed because it deceptively suggested to consumers that he or she somehow endorsed the goods or services being promoted.

Trademark concerns are further amplified in the AR context because the available technology allows for user generated content. For example, an advertiser may hold a contest for consumers to submit their most creative advertisement for the brand using an AR platform. The typical consumer may not think twice about incorporating into that advertisement trademarked properties or celebrity images in a manner that may suggest a connection with and therefore constitute an infringement of a brand or an image. What is more, unlike user generated content that incorporates copyrighted works (discussed

below), there is no statutory "safe harbor" scheme that may provide advertisers/publishers an opportunity to escape liability for damages resulting from trademark infringement. Accordingly, if an advertiser accepts any type of user generated content, it should monitor what is published under its banner—whether or not it authored that content.[22]

Copyright

The United States Copyright Act protects original works of expression. Such works include but are not limited to literature, drawings, photographs, music, videos, and architectural works. 17 U.S.C. § 102(a). Generally speaking, a copyright owner has the exclusive right to exploit his or her work and to create derivative works. 17 U.S.C. § 106. A copyright owner possesses a claim for infringement against anyone who copies a copyrighted work or creates a derivative work based thereon. 17 U.S.C. § 501.

Because AR advertising begins with taking a piece of the real world and then overlaying onto that world additional content, evaluating the risks of publication involves reviewing the content of the real world foundation as well as the integrated content to determine whether copyrighted works are included.

Real world depictions could very easily include copyrighted property. By way of example, as noted above, architectural works, including buildings, could be protected by copyright (if created on or after December 1, 1990). *See* 17 U.S.C. § 102(a)(8). Interestingly, however, the Copyright Act provides that the owner of such copyright does not have "the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located in or ordinarily visible from a public place." 17 U.S.C. § 120. Therefore, use of buildings as part of the foundation for an AR advertisement probably cannot form the basis for a copyright claim. The use of third-party photographs of such visible buildings, however, may implicate the copyrights in the photograph itself.

Other material in real world depictions could potentially form the basis of a copyright claim. For instance, it would not be unusual for the real world foundation for an AR advertisement to include graffiti art. Incorporating such art into the background of an advertisement could lead to a copyright infringement claim. The case of *Gayle v. Home Box Office, Inc*., 2018 WL 2059657 (S.D.N.Y. May 1, 2018), is illustrative. There, the plaintiff graffiti artist sued HBO for copyright infringement because HBO displayed plaintiff's graffiti art in the series *Vinyl*. The Court dismissed the claim on the basis that the use was *de minimis*. In reaching its decision, the Court relied on the case of *Gottlieb Development LLC v. Paramount Pictures*, 590 F. Supp. 2d 625 (S.D.N.Y. 2008), where a plaintiff filed suit against Paramount Pictures because it displayed the copyright protected Silver Slugger pinball machine in the feature film *What Women Want*. Drawing on prior precedent for using copyrighted works in background scenery in films, the *Gottlieb* Court discussed how such use in passing generally was *de minimis* and not actionable. While these cases both concluded favorably for the producers of the content, they do illustrate that, at the very least, advertisers ought to evaluate the type and degree of use of any work in the background reality prior to displaying it in an advertisement. And, of course, the same exercise ought to

[22] Whether an advertiser/publisher may be liable for trademark infringement based on user generated content likely depends upon whether the doctrines of contributory and vicarious liability apply, but that is beyond the scope of this article.

be employed with respect to how that reality based foundation is augmented with copyrighted works of others.

Another interesting copyright question that may present itself in the context of AR advertising is whether and to what extent claims may lie where an advertiser *modifies* an existing copyrighted work in its advertisement. AR technology, by definition, is valuable precisely because it affords the opportunity to modify the real world. As noted, a copyright owner has the exclusive right to create "derivative works" based on its original, copyright work. A derivative work

> "is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work.'" 17 U.S.C. § 101.

Suppose an advertiser modifies a copyrighted work of art in an AR advertisement such that the work of art displays the advertiser's branded product. This could fit the definition of a "derivative work," because among other things it may constitute an "art reproduction" based on an original work of authorship that has been transformed or adapted. An advertiser may argue that the modified presentation constitutes a "fair use" under the Copyright Act because the work of art arguably is "transformed" into something completely different, but this is not without substantial risk.[23] Even though numerous courts have recently seemed to place great weight on the "transformative" factor of the fair use analysis, *see, e.g., Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013) (finding fair use where "appropriation artist" took copyrighted photographs and distorted them by cutting them apart and making collages), many of those cases did not address content in the advertising context, which usually involves a purely commercial purpose and therefore is less likely to be considered a fair use. Whether derivative works are infringements or fair uses in the AR advertising context likely involves an *ad hoc,* fact-intensive inquiry. Accordingly, careful scrutiny ought to be exercised when reviewing such matters and creating such derivative works could invite copyright claims.

As mentioned above, the use of AR technology lends itself to publication of user generated content. Drawing on the example from above, consider an advertiser that holds a contest where consumers can submit advertisements for the brand using an AR platform. A consumer may not think twice about incorporating into that advertisement content protected by copyright. Copyright infringement under the U.S. Copyright Act is a strict liability statute, meaning that an advertiser may be held liable for infringement if, unbeknownst to it, one of its users submitted or incorporated into its submission the copyrighted property of another, and it was posted on the advertiser's website. However, an advertiser

[23] Under the Copyright Act, the "fair use" defense can be used to defend entirely against infringement liability if it is found that the following factors weigh in favor of the accused's use: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 106.

might be able to avoid liability based on such user generated content if it falls within the safe harbor protections of the Digital Millennium Copyright Act ("DMCA"). The DMCA provides that certain online service providers may avoid liability for damages if, among other things, they maintain and adhere to specific procedures (including written instructions in a terms of use) allowing for copyright owners to provide them notice of infringements and to specific procedures that involve taking action in response to those notices. 17 U.S.C. § 512. The website also must be registered on a special registry at the Copyright Office. Accordingly, to the extent an advertiser invites user generated content to promote its goods or services online, it ought to make sure that, if it falls within the definitional requirements of the statute, it has an appropriate policy in place and adheres to such policy.

Right of Publicity

Many states have a "right of publicity" statute and/or common law doctrine which provides protections for celebrities' and in some instances non-celebrities' name, likeness, and related characteristics with which a person is identified. By way of example, the California right of publicity generally provides that one cannot make unauthorized use of another's name, voice, signature, photograph, or likeness in connection with the sale of goods or service. *See, e.g.,* Cal. Civ. Code § 3344.

The right of publicity issue traditionally has come into play where a content provider wants to evoke something about a celebrity, but does not contract with that celebrity for permission. The case of *Zacchini v. Scripps-Howard Broadcasting Co,* 433 U.S. 562 (1977), illustrates this example. There, a plaintiff human cannonball performer sued a television broadcasting company for recording his entire cannon ball performance and playing such recording on a news program, alleging "unlawful appropriation of his professional property." The Ohio Supreme Court held the matter was privileged for broadcasting under the First and Fourteenth Amendments. The Supreme Court reversed the Ohio Supreme Court and held that the First and Fourteenth Amendments did not provide a privilege to the broadcasting company, because it took the entire act and deprived the performer of his "right of exclusive control over publicity given to his performance."

Cases throughout the nation are generally in accord. The inquiry for right of publicity purposes, generally speaking, includes whether there is something about a person's identity that is taken such that the person's trade is taken or it appears that person is endorsing the product or service. Accordingly, when engaging in the review of an advertisement from a right of publicity perspective, advertisers ought to look for any suggestion of endorsement, not just whether a specific celebrity is named or celebrity image is displayed. *See, e.g., Waits v. Frito-Lay, Inc.*, 978 F.2d 1093 (9th Cir. 1992) (voice sounding like Tom Waits for an advertising found to be an infringement of Waits' right of publicity); *Davis v. Electronic Arts Inc*., 775 F.3d 1172 (9th Cir. 2015) (affirming denial of EA's motion to strike) (suggesting former NFL players "described by [ ] position, years in the NFL, height, weight, skin tone and relative skill level in different aspects of the sport" is sufficient to invoke right of publicity).

Celebrities engaging in AR integrations should consider the potentially unintended use of their images. Such celebrities could be placed by users in undesirable physical environments and adjacent to any number of products. Despite the best-crafted software controls and terms of use, consumers' tendency to screenshot and re-post content naturally demands that brands, advertisers, and celebrities

alike consider how best to manage misuse to protect the brand, message, and the celebrity's image and endorsement arrangements.

While the same legal principles used to determine whether any advertisement infringes upon an individual's right of publicity apply in the AR context, AR advertising raises some additional sensitivities. For instance, to the extent an AR advertisement starts with a workaday scene at a New York City intersection, as presented in the example above, the display of non-celebrities in an advertisement could increase the risk of a claim. Some states provide an exception for use of a "right of publicity" that is incidental to the main purpose of the publication, and therefore pictures of groups of people or the display of a person in passing or as a non-material portion of the publication may not give rise to a right of publicity claim. *See* Cal. Civ. Code § 3344(b)(2); *D'Andrea v. Rafla-Demetrious*, 972 F. Supp. 154 (E.D.N.Y. 1997) (finding medical resident's half-page picture within a 16 page brochure was incidental). Nevertheless, such inquiries are typically fact-intensive and require close scrutiny.

Advertising in an AR environment may also present additional opportunities to fuse promotions with newsworthy events. The law is murky with respect to where an advertiser's First Amendment right to report on a newsworthy event regarding a celebrity ends and violation of a right of publicity begins. Suppose an advertiser tributes a record breaking performance at the U.S. Open but augments that performance by incorporating its product. This could present risk to an advertiser (for a number of reasons). In the fantasy sports context, the Seventh Circuit held that it was not a violation of NCAA players' rights of publicity where the companies FanDuel and DraftKings used in their fantasy sports offerings the names and statistics of players, because such use fell under a "newsworthy" exception to the Indiana right of publicity statute. *Daniels v. FanDuel, Inc. et al.*, 909 F.3d 876 (7th Cir. 2018). A video game that uses former professional football players' statistics and likenesses, however, has not been found to fall under a "newsworthy" exception. *Davis v. Electronic Arts Inc*., 775 F.3d 1172, 1181 (9th Cir. 2015) (affirming denial of EA's motion to strike) ("EA has not shown that its unauthorized use of former players' likenesses in the *Madden NFL* video game series qualifies for First Amendment protection under the transformative use defense, the public interest defense, the *Rogers* test or the incidental use defense.").

The lesson from these cases is that incorporating into any advertisement a newsworthy event along with a celebrity ought to be scrutinized before publication. In fact, at least one example teaches that direct use of any celebrity's image or involvement in an event or newsworthy occurrence to promote a product is likely to invite a claim. In 2014, the drugstore Duane Reade tweeted a picture of actress Katherine Heigl exiting one of their stores carrying two Duane Reade bags. Ms. Heigl sued Duane Reade, asserting claims for violation of the right of publicity under New York law and for a violation of the Lanham Act. *See* Complaint, *Heigl v. Duane Reade, Inc.*, No. 14-CV-2502 (S.D.N.Y. filed Apr. 9, 2014). The action was dismissed shortly after the case was filed, with Ms. Heigl's attorney reportedly stating that the matter was settled pursuant to an agreement.[24]

The risk that the use of a person's right of publicity results in a claim increases where advertisers rely upon influencers and user generated content. While in certain digital contexts, hosts of websites displaying user generated content are shielded from liability, whether a right of publicity claim can be made against the host of a website that displays user generated content is not uniformly settled. The

[24] *See* https://www.hollywoodreporter.com/thr-esq/katherine-heigl-ends-lawsuit-duane-728552.

Communications Decency Act (the "CDA") provides that "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. § 230(c)(1). The purpose of this statute is to avoid the potential chilling effect on internet speech that would result from holding website hosts responsible for user generated content. 47 U.S.C. § 230(b). Notably, the statute does not apply to intellectual property infringements. 47 U.S.C. § 230(d)(2). The precedent regarding whether the "right of publicity" falls under the rubric of intellectual property infringements and therefore excepted from the CDA is not settled, however. *Compare Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1119 (9th Cir. 2007) (finding that the intellectual property exception in the CDA applies only to federal intellectual property), *with Atlantic Recording Corp. v. Project Playlist, Inc*., 603 F. Supp. 2d 690, 703 (S.D.N.Y. 2009) (finding that there is nothing in the CDA to limit the broad protections afforded website hosts to only federal intellectual property protections). Consequently, advertisers should not assume that they may seek protections under the CDA for user generated content that incorporates someone's right of publicity.

Property Rights in Digital Real Estate

An issue that applies uniquely in the AR advertising context is whether and to what extent an advertiser may interfere with a real or personal property or similar right by modifying a digital display of a real world scene. In the real world, it is clear that an advertiser cannot hire a crew to place its own promotional billboard over its competitor's billboard. However, in the AR space, the viability of that act is less clear. Suppose an advertiser has a location based AR app that results in a display of its billboard in the place of its competitor's billboard when viewed through AR glasses or other lens? To the extent the consumer is looking through the AR app, the competitor's harm is seemingly the same as the physical replacement scenario. Despite this equal harm, it is not so clear that existing precedent provides the replaced advertiser redress.

In the case of *Sherwood 48 Associates v. Sony Corp. of America*, 76 F.App'x 389 (2d Cir. 2003), discussed above, plaintiff asserted a trespass claim against Sony in a similar scenario: Sony's *Spider-Man* film included paid advertising on certain buildings in New York City. The Court dismissed the trespass claim on jurisdictional grounds, but commented about the viability of the claim—suggesting that the law is not that clear whether a trespass can occur in a digital world. Since that time, Courts have suggested that, at least in some instances, the interference with an intellectual property interest in a digital world can constitute a trespass to chattels. *See, e.g., Pneuma Internat., Inc. v. Cho*, 36 Cal. App. 5th 692 (2019). In *Pneuma*, the plaintiff employer maintained a claim for trespass when a departed employee took a domain name that he managed and on which certain customer data resided. Likewise, Courts also have found that intangible property interests can be subject to claims of conversion. *Shmueli v. Corcoran Grp*., 9 Misc.3d 589 (N.Y. Sup. Ct. N.Y. Cnty. 2005).

Whether and to what extent claims that are intended to protect property interests are extended such that a "digital real estate" is recognized alongside physical real estate remains to be seen.[25]

[25] While not discussed in this article, a related issue is the regulation of digital-out-of-home advertising. In August 2019, in response to recent proliferation of floating digital billboards in the East and Hudson Rivers in New York, Governor Cuomo (NY) signed legislation to "prohibit vessels from operating, anchoring, or mooring in the navigable waters of the state while operating a digital

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As a visual-based technology, AR has both the capacity to captivate as well as distract and provides additional opportunities for harm. While the distractive capabilities of mobile phones is not a novel narrative, advertising in an AR experience could result in a harm that is linked to an advertiser. Consider a brand that has sponsored an AR experience app, presented in-screen content, or used a location-based AR experience to lure customers to a retail location. If a user, en route to a retail location through the lure of an AR experience injures himself or herself, there may be a consequence and exposure to the advertiser.[26]

IV. Conclusion

In this article, we have provided a cross-section of some of the potential issues for brands and advertisers to consider; however, the topics covered are by no means exhaustive. With seemingly unlimited applications and, to date, limited specific legal guidance, engagement of AR is certainly still in its infancy. If the market projections hold true and AR experiences become a more primary form of advertisement, it is likely that the next several years will begin to offer more guidance for these unknowns. Following the model of influencer advertisements over the last decade, this growth may include a number of FTC and/or state attorney general enforcement actions, specific guidance from industry groups such as the Interactive Advertising Bureau, and competitor and consumer litigation, as the courts, consumers, and industry establishes how to integrate AR into the larger advertising framework. Undoubtedly, during this time consumers will continue to be astonished, entertained, and informed through AR.

billboard or another type of billboard that uses flashing, intermittent, or moving lights." N.Y. Senate Bill S6541A (2019-2020 Regular Sessions) (June 15, 2019).

[26] Another personal injury issue that may arise involves the use of biometric data in AR advertising. Several states have enacted laws that regulate how companies can use certain data points from consumers. *See* Biometric Information Privacy Act, 740 I.L.C.S. 14 (Defining "Biometric Identifier" as a "scan of hand or face geometry," among other things). The relationship between such laws and AR advertising is beyond the scope of this article.