

Intellectual Property



Guidance on Enforcing and Defending Intellectual Property Rights on Amazon

BY EDWARD WEISZ AND ALANNA MILLER

It is no surprise that Amazon, one of the world's largest retailers, maintains its own process for managing infringement and counterfeit allegations. This process has opened up new strategies for asserting and defending infringement claims.

In this article, we explain how trademark and patent infringement issues unfold on Amazon by describing the process for rights holders to report infringement, and the impact of successful infringement complaints, known as "Take-Down Notices," on accused infringers. We also address the situation where an infringement dispute evolves into a lawsuit, and the resulting personal jurisdiction and state law issues that may arise.

How to Enforce Trademark/Patent Rights On Amazon

Amazon provides a mechanism for rights owners to report infringing activity via a rights owner complaint, known as a "Take-Down Request." It is unclear whether the investigators reviewing these Take-Down Requests are attorneys or have any background in intellectual property rights. This mechanism allows rights owners to seek removal of allegedly infringing products from Amazon's website. The Take-Down Request provides a rights owner with several drop-down choices, and a space to identify the

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allegedly infringing product(s) by listing the corresponding Amazon Standard Identification Number(s) (ASIN). The Take-Down Request does not ask for information to identify the accused infringer or its location.

A Take-Down Request may initially be refused based on the need to provide Amazon with additional information to decide the Request. Thus, after submitting the Request and receiving an email confirming receipt, Amazon may send a subsequent email seeking additional information. Once Amazon has made its determination on the Take-Down Request, the rights holder will receive an email explaining whether Amazon has decided to remove the accused item(s). In cases where Amazon has refused to remove the reported item(s), Amazon permits the rights holder to seek reconsideration by essentially submitting a new Request. The process is subjective and, therefore, an identical Take-Down Request may be resubmitted and subsequently accepted despite a prior rejection. To our knowledge, there is no limitation on the number of requests a rights holder can file for the removal of a particular item and there is no fee for submitting a Take-Down Request.

How to Defend Against An Improper Take-Down Notice

If the Take-Down Request is successful, the accused infringer will receive an email notification advising that the listing(s) for the accused infringer's product(s) has been removed due to a complaint and that the product(s) may be re-listed if Amazon receives a retraction of the Request from the rights

owner. The notification will also provide the accused infringer with the contact information of the rights owner.

Before discussing how to challenge a Take-Down Notice, it is important to appreciate the effect a successful notice has on an accused infringer's business. The most obvious consequence is the immediate loss of sales on Amazon for the accused product(s). However, in some instances, Amazon may suspend the accused infringer's entire Amazon account, preventing all sales of any product. This

not define the circumstances in which termination would be "appropriate."

Plan A

Contact Rights Owner and Respond Directly to Amazon Simultaneously. If an accused infringer believes the Take-Down Notice is meritless, the accused infringer has two options: (1) to contact the rights holder to try to resolve the issue and/or (2) to respond directly to the Take-Down Notice via Amazon. To maximize effectiveness and efficiency, one should exercise both options simultaneously.

A rights holder who submitted a successful Take-Down Request is not incentivized to cooperate with the accused infringer because its goal has already been achieved, namely, to cease sales of the accused product(s) on Amazon. Nonetheless, if the rights holder agrees to retract the Take-Down Notice, the retraction must be submitted to Amazon via the email address used to submit the Take-Down Request. This is important to bear in mind if one represents an accused party, particularly where a rights holder filed the successful Take-Down Request but then sold all of its assets, including rights to the asserted intellectual property and its Amazon account information. In this circumstance, only the acquirer can submit the retraction because it is in possession of the former rights owner's Amazon account that was used to submit the Take-Down Request.

If the rights holder agrees to withdraw the successful Take-Down Notice, it is critical to the accused infringer that the rights owner also inform Amazon that the ASIN associated with the allegedly infringing product(s) be re-instated. Failure to reinstate this ASIN ensures

A Take-Down Request may initially be refused based on the need to provide Amazon with additional information to decide the Request.

can occur where multiple Amazon policy violations have been submitted against the accused infringer including, but not limited to, infringement issues. If the entire account has been suspended, the accused infringer must submit a "Plan of Action" and include the following information: (1) "[t]he reason(s) you were selling allegedly infringing products and/or uploaded allegedly infringing content;" (2) "[t]he steps you have taken to ensure that you are no longer infringing;" (3) "[h]ow you will avoid infringement in the future;" (4) "[a]ny other pertinent information." See Amazon Intellectual Property Policy. Clients should be warned that Amazon terminates accounts of repeat infringers in "appropriate circumstances," but does

The Uphill Battle: Challenging Bio-Pharma in IPRs

BY DEBRA DOBY AND MICHAEL SIEM

Since the Hatch-Waxman Act has been in effect, there has been an increase in the number of challenges to patents covering chemical compounds. Many of these compounds are merely minor changes to existing known chemical structures or compounds that were discovered by teams using brute force.

There is very little, if any, "inventiveness" to these structures. However, in our review of cases there appears only to have been one case that found claims directed to compounds to be obvious. With the advent of inter partes reviews (IPR), the expectation was that there would be an uptick in compound claims being found obvious due to the expertise of the Patent Trial and Appeal Board (PTAB). That has not been the case. Instead, as outlined below, the exact opposite has happened. The courts' and PTAB's application of *KSR* remains too rigid and fails the basic tenets of that decision with too much deference to Big Pharma. This needs to change.

The American Invents Act (AIA) of 2011 created IPR proceedings allowing patentability challenges to already established patents. With over eight thousand IPR petitions filed between 2012 and 2018 per the June 2018 U.S. Patent and Trademark Office (USPTO) Trial Statistics IPR, PGR, CBM, PTAB report, the IPR procedure quickly garnered the name "patent death squad," possibly undeservingly so, since the PTAB denied 63 percent of the 955 IPR challenges issued in 2017. Id. Eighty-three percent of IPR challenges involve electrical, computer, and mechanical and

need to cover the compound, method, or treatment to seek eligibility for listing in the Orange Book which precludes generic manufactures from obtaining market approval under the Hatch-Waxman Act. Any challenge under IPR must demonstrate that the precise method utilized by the inventor was obvious under §103 or anticipated under §102(b) thus unpatentable. In order to survive the first stage of an IPR challenge, the petitioner must establish that at least one claim has "a reasonable likelihood of prevailing in demonstrating the obviousness [or anticipation] of claim" under 35 U.S.C. §314(a).

Obviousness has long been defined by the courts through the four "Graham factors" set out by *Graham v. John Deere Co.*, 383 U.S. 1 (1966) and the common law doctrine commonly known as "Teaching-Suggestion-Motivation Test" (the TSM Test). In *KSR International Co. v. Teleflex*, 550 U.S. 398, 127 S. Ct. 1727, 1730, 167 L. Ed. 2d 705 (2007) the Supreme Court specifically disagreed with the underlying court's "narrow, rigid manner ... inconsistent with [§103]" and invalidated the patent as *KSR* presented "convincing evidence ... [the concept was] ... well within the grasp of a person of ordinary skill in the relevant art and that the benefit



only 10 percent of the challenges related to bio-pharma. Interestingly, bio-pharma IPR challenges dropped from 16 percent to 10 percent when comparing 2018 and 2017 USPTO Trial Statistics reports.

In 2015 Biotechnology Innovation Organization and the Pharmaceutical Research Manufacturers of America launched an extensive lobbying campaign seeking a blank exemption from IPR challenges which was ultimately denied. Despite this, bio-pharma patents appear resilient in IPR proceedings. In comparison to other technology challenges in 2017, the PTAB granted institution of 53 percent of IPR challenges while bio-pharma lingers at 44 percent. Pharmaceutical patents only

of doing so would be obvious." Id. at 400. Notably, the court held that the underlying courts' interpretation of the TSM Test was too rigid, finding the TSM Test to be a "helpful insight," not a controlling one. Several academics argued whether the elimination of the TSM Test meant increased difficulty to secure patents, as in "How *KSR v. Teleflex's* Nonobviousness Test Conflicts with the Scientific Method and Removes the Incentive to Innovate," 35 U. Dayton L. Rev. 413, 415 (2010). Empirical research in Brendan Seth O'Brien O'Shea, "What Is Obvious: Empirical Assessment of *KSR's* Impact," 45 AIPLA Q.J. 517, 519 (2017) suggests that rejections for obviousness only increased by 10 percent since *KSR*. The study advises that the *KSR* ruling appears to make it more difficult for USPTO obviousness finding to be reversed.

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Computer Generated Models: Intellectual Property and Advertising Risks

BY JEFFREY GREENE, VEJAY LALLA AND ALLYSON MADRID

When you scroll through Instagram or other social media platforms looking for the latest fashion trends, you may no longer be seeing just the Kardashians all the time, but instead new celebrities or influencers that are simply creations of computer-generated imagery, or "CGI."

These virtual models are already drawing substantial followers of their own on social media, generating revenue from brand

campaigns and even "collaborating" with actual designers, fashion and cosmetic companies. The CGI model known as Shudu, with over 150,000 Instagram followers, describes herself as "the world's first digital supermodel." Shudu, the creation of a British photographer, has appeared in campaigns for Balmain, and Rihanna's beauty company, Fenty Beauty. Taking it a step further, CGI "personality" Lil Miquela's Instagram account portrays a full-blown fictional life, which has generated over 1.5 million followers, a music career and a takeover of the Prada Instagram account during Milan Fashion Week.

Technology will soon allow brands to design their own digital models to reflect their desired image or aesthetic, "hire" models created by someone else, or allow real-life models to create avatars of themselves, capable of appearing in virtual fashion shows anywhere in the world. But before embracing CGI as a marketing tool, it is important for brands and users of CGI models to understand the business and legal pitfalls, in particular when the brand engages third parties to create such CGI models or otherwise licenses CGI from third parties.

Virtual models and influencers may function as trade-

marks, as works of visual art, as likenesses of real people, or as combinations of all three, raising new issues of intellectual property ownership and protection and implicate right of publicity and/or privacy concerns. CGI models and advertisements featuring them could

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Alexa, Will I Be Able to Patent My AI Technology This Year?

BY JENNIFER TEMPESTA
AND STEPHANIE KATO

The patentability of artificial intelligence (AI) has been increasingly scrutinized in light of the surge in AI technology development and the ambiguity regarding the interpretation of software-related patents.

The Federal Circuit has gradually refined the criteria for determining subject matter eligibility for software-related patents, and based in part on such jurisprudence, earlier this year the U.S. Patent and Trademark Office (USPTO) released revised guidance on examining patent subject matter eligibility under 35 U.S.C. §101. See 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019). Considering the advances in AI technology and intellectual property law, how do these recent developments shape the outlook of AI patentability?

Current USPTO Treatment of AI

The USPTO defines “AI” as including artificial intelligence type computers, digital data processing systems, corresponding data processing methods, products for emulation of intelligence, “(i.e., knowledge based systems, reasoning systems, and knowledge acquisition systems),” systems for reasoning with uncertainty, adaptive systems, machine learning systems, and artificial neural networks. U.S. Patent and Trademark Office, Class 706, Data Processing—Artificial Intelligence (January 2011). However, AI technologies may also be assigned to one of dozens of other software-related classes, and if so, patent applications on such technologies may have varied outcomes.

For example, Class 706 encompasses art unit 2121, which examines patent applications related to “Data Processing: Generic Control Systems or Specific Applications,” and art unit 2129, which examines patent applications related to “Data Processing: Artificial Intelligence.” U.S. Patent and Trademark Office, Classes Arranged by Art Unit: Art Units 1764-2691 (last visited Feb. 19, 2019). Art units 2121 and 2129 are assigned to different supervisory patent examiners, and according to LexisNexis PatentAdvisor, art unit 2121 has

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an allowance rate of 72.7 percent, while art unit 2129 has an allowance rate of 80.4 percent. U.S. Patent and Trademark Office, TC 2100 Management Roster (last visited Feb. 19, 2019). Since an application’s assigned art unit may depend on the details of the technology and wording of the specification and claims, the potential for different allowance rates highlights one of the reasons that careful drafting of AI patent applications is crucial.

Moreover, as noted by legal commentators in a recent USPTO conference on AI, the USPTO may be paying more attention to AI patents pursuant to the Federal Circuit’s interpretation of *Electric Power Group v. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2016). See Artificial Intelligence: Intellectual Property Policy Considerations, Conference at the U.S. Patent and Trademark Office (Jan. 31, 2019). In *Electric Power Group*, claims directed to systems and methods for monitoring the performance of an electric power grid were held ineligible under §101 as a result of “merely requiring the selection and manipulation of information.” Id. at 1354-55. The Federal Circuit noted that “we have treated analyzing information by steps people go through in their minds, or by mathematical algorithms, without more, as essentially mental processes within the abstract-idea category.” Id. at 1354. If the USPTO follows an *Electric Power Group* interpretation of an abstract idea, the careful wording of AI patent applications may be increasingly important in ensuring such applications are allowed. Indeed, recent case law interpreting §101 draws attention to the significance of thoughtful drafting of AI patents.

Recent Court Decisions

More recent cases have underscored the legal scrutiny of patents relating to AI technologies. Last year, in *Finjan v. Blue Coat Systems*, 879 F.3d 1299, 1305-06 (Fed. Cir. 2018), the Federal Circuit found that claims directed to a method of virus scanning were patent-eligible under Step 2A of the USPTO’s subject mat-

Considering the advances in AI technology and intellectual property law, how do these recent developments shape the outlook of AI patentability?

ter eligibility test. *Conversely, in a district court case pertaining to AI, PurePredictive v. H2O.AI*, No. 17-cv-03049-WHO, 2017 WL 3721480, at *1 (N.D. Cal. Aug. 29, 2017), the Northern District of California found that a claim for a machine learning predictive analysis framework was directed to “the abstract concept of the manipulation of mathematical functions and make[s] use of computers only as tools, rather than provid[ing] a specific improvement to computer related technology.” The Federal Circuit affirmed this decision without opinion in November 2018. *PurePredictive v. H2O.AI*, 741 F. App’x 802 (Fed. Cir. 2018). These decisions may present further limitations on the patentability of certain AI technologies.

Revised USPTO Guidance

However, the recently released USPTO guidance on subject-matter eligibility may offer hope for potential applicants of AI patents. In January 2019, the USPTO released revised subject matter eligibility guidance to clarify its interpretation of the *Alice/Mayo* test. See 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019); see also *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 217-18 (2014) (citing *Mayo Collaborative Servs. v. Prometheus Labs.*, 566 U.S. 66 (2012)). This revision was released in part due to a “need

for more clarity and predictability” of the USPTO’s patent subject matter eligibility test as applied to subject matter falling within a judicial exception. 84 Fed. Reg. at 50. To address this and other concerns, the USPTO modified Step 2A of the Subject Matter Eligibility Guidance as incorporated into the Manual of Patent Examining Procedure. Id.

The USPTO revised Step 2A by (1) providing groupings of subject matter considered abstract ideas and (2) instructing that “a claim is not ‘directed to’ a judicial exception if the judicial exception is integrated into a practical application of that exception.” Id. Specifically, the first prong of Step 2A determines whether a claim is directed to a judicial exception (laws of nature, natural phenomena, and abstract ideas). Id. at 52. The USPTO limited abstract ideas to the following groupings: mathematical concepts, methods of organizing human activity, and mental processes. Id. If the claim is directed to one of these judicial exceptions, the claim must be examined under the second prong of Step 2A, which considers “whether the claim recites additional elements that integrate the exception into a practical application of that exception.” Id. at 54. If so, then the claim is patent-eligible subject matter, but if not, the claim must be examined under Step 2B, which considers whether the claim is directed to an inventive concept. Id. at 56.

The revised §101 guidance may be good news for potential applicants and assignees of AI patents. The USPTO’s guidance narrows the scope of the judicial exceptions by limiting abstract idea subject matter to specific groupings, so it is possible that a particular AI technology may not fall into any of the categories if many of the necessary recited steps cannot be practically performed or applied in the human mind due to the amount of processor power required or data to be analyzed. For example, the USPTO provides an example claim directed to “[a] computer-implemented method of training a neural network for facial detection.” U.S. Patent and Trademark Office, Subject Matter Eligibility Examples: Abstract Ideas 8-9 (Jan. 7, 2019). The USPTO explains that this claim does not recite any of the judicial exceptions. First, the claim does not recite any mathematical relationships, functions, or calculations and “[w]hile some of the limitations may be based on mathematical concepts, the mathematical concepts are not recited in the claims.” Id. at 9. Second, the claim does not recite a mental process because the recited steps required to train a neural network are “not practically performed in the human mind.” Id. Third, the claim “does not recite any method of organizing human activity.” Id. Thus, under the revised Step 2A, the claim recites eligible subject matter. Id.

Additionally, under the revised Step 2A, a claim may be considered “integrated into a practical application” depending on the claim language and arguments used. For example, the USPTO provides another sample claim directed to “[a] method for adaptive monitoring of traffic data through a network appliance connected between computing devices in a network.” Id. at 10-11. The USPTO explains that this claim would be patentable under Step 2A because the “claim as a whole integrates the mental process into a practical application” and “the claim ... is directed to a particular improvement in collecting traffic data,” resulting in “improved network monitoring.” Id. at 11. Thus, the patentability of certain AI technologies under the revised guidelines may still rely on the details of how the claims are drafted.

Conclusion

For now, both the revised USPTO guidance and the recent Federal Circuit jurisprudence highlight the increased importance of strong arguments and thoughtful claim drafting in distinguishing between an unpatentable abstract idea and a patentable improvement to a technology. Those wishing to patent AI technologies may want to watch carefully to see how the USPTO and Federal Circuit interpret the new guidance.

Seeking International Patent Infringement Damages In a Post-‘WesternGeco’ World

BY TRYN T. STIMART
AND JEAN E. DASSIE

Section 284 of the Patent Act provides that, upon finding infringement, “the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.”

Historically, recovery has been limited to damages within the United States. More recently, however, the scope of exposure for damages is testing traditional concepts and allowing patent owners to recover damages on worldwide sales that infringe U.S. patents.

Courts presume that federal statutes apply only within the territorial jurisdiction of the United States. This principle, commonly called the presumption against extraterritoriality, “rests on the commonsense notion that Congress generally legislates with domestic concerns in mind.” *WesternGeco v. ION Geophysical*, 138 S. Ct. 2129, 2136 (2018) (citations omitted). Doing so prevents “unintended clashes between our laws and those of other nations which could result in international discord.” Id. The Federal Circuit has adhered to this understanding, recently confirming that a plaintiff is not “entitled to compensatory damages for injury caused by infringing activity that occurred outside the territory of the United States.” *Power Integrations v. Fairchild Semiconductor Int’l*, 711 F.3d 1348, 1371 (Fed. Cir. 2013).

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The established norm of territorial limitation is now in question in view of litigation making its way again through the courts. In a case now stretching 15 years, *Power Integrations (Power) sued Fairchild Semiconductor (Fairchild)* in 2004 for infringement of four Power patents. At trial, the jury was instructed on direct and induced infringement and returned a general verdict finding infringement, awarding Power approximately \$34 million in worldwide damages. *Power Integrations v. Fairchild Semiconductor Int’l*, No. 04-1371-LPS (D. Del. Oct. 10, 2006). Post-trial, the court granted Fairchild’s motion for remittitur and reduced the jury’s award by approximately 82 percent, to around \$6 million, the amount of damages Power incurred in the United States. *Power Integrations v. Fairchild Semiconductor Int’l*, No. 04-1371-LPS (D. Del. Dec. 12, 2008). On appeal, the Federal Circuit agreed with the reduction. Despite “having established one or more acts of direct infringement in the United States,” Power could not “recover damages for Fairchild’s worldwide sales of the patented invention,” even if “those foreign sales were the direct, foreseeable result of Fairchild’s domestic infringement.” *Power Integrations*, 711 F.3d at 1371. The Federal Circuit relied on established concepts that “the

entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement.” Id. at 1371-72. The Federal Circuit nonetheless remanded for a new trial on damages for direct infringement alone because Power “adduced insufficient evidence of induced infringement to sustain the district court’s award of damages under that theory.” Id. at 1376.

Five years later, in an unrelated case, the Supreme Court in *WesternGeco v. ION Geophysical* held that §284 of the Patent Act permits the recovery of worldwide lost profits for infringement under §271(f)(2). 138 S. Ct. at 2133. Section 271(f)(2) addresses the act of exporting “any component of a patented invention that is especially made or especially adapted for use in the invention.” *WesternGeco* sued ION Geophysical for infringement under §§271(f)(1) and (f)(2). *WesternGeco*, 138 S. Ct. at 2135. *WesternGeco* claimed it was entitled to lost profits after “it lost lucrative foreign surveying contracts because ION’s customers used its invention overseas to steal that business.” Id. at 2139. At trial, ION was found liable, and the jury awarded damages of \$12.5 million in royalties and \$93.4 million in lost profits. Id. On appeal, the Federal Circuit, relying on its *Power Integrations* decision, reversed the lost-profits award, holding that §271(f)



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does not allow patent owners to recover for lost foreign sales. Id. at 2135. In a 7-2 decision written by Justice Thomas, the Supreme Court reversed the Federal Circuit, opening the door to a new source of damages recovery.

In reaching its decision on extraterritoriality, the Court applied a two-step framework. The first

step asks “whether the presumption against extraterritoriality has been rebutted.” *WesternGeco*, 138 S. Ct. at 2136. The presumption can be rebutted only if the text provides a “clear indication of an extraterritorial application.” Id. If the presumption against extraterritoriality has not been rebutted, the second step asks “whether

the case involves a domestic application of the statute.” Id. Courts make this determination by identifying the statute’s focus and asking “whether the conduct relevant to that focus occurred in United States territory.” Id. If the relevant conduct occurred in the United States, then the case involves a permissible domestic application of the statute. Id.

The Supreme Court decided extraterritoriality at step two. In doing so, the Court noted that the “overriding purpose of §284 is to afford patent owners complete compensation for infringements.” *WesternGeco*, 138 S. Ct. at 2137 (citations omitted). And because infringement was alleged under §271(f)(2), “the focus of §284, in a case involving infringement under §271(f)(2), is on the act of exporting components from the United States.” *WesternGeco*, 138 S. Ct. at 2138. Under this framework, the Court held that ION’s conduct “clearly occurred in the United States, as it was ION’s domestic act of supplying the components that infringed *WesternGeco*’s patents.” Id. Thus, “the lost-profits damages that were awarded to *WesternGeco* were a domestic application of §284.” Id. In so holding, the Court noted that its analysis is limited to §271(f)(2); Id. at 2137 n.2; and further noted that its analysis did “not address the extent to which other doctrines, such as proximate cause, could limit or preclude damages in particular cases.” Id. at 2139 n.3. In dissent, Justice Gorsuch aptly warned, especially given today’s tense international trading climate, that “[p]ermitt[ing] damages of this sort would effectively allow U.S. patent owners to use American courts to extend their monopolies to foreign markets. That, in turn, would invite other countries to use their own patent laws and courts to assert control over our economy.” *WesternGeco*, 138 S. Ct. at 2139.

The *WesternGeco* decision and its potential implications were immediately placed into action. The district court

My House: What Rules? IP Implications Of Augmented Reality Advertising

BY STUART D. LEVI AND MIRIAM FURST

Augmented reality technology (AR), in which computer-generated images appear super-imposed 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 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 identifies 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.

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.

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

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

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.



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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. *Osuego 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.”

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

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

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

Bio-Pharma

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Although pharmaceutical patents, unlike other technology patents, are usually drafted with a high level of specificity, making IPR challenges difficult, the PTAB has set an unreasonable standard for review for obviousness. A review of the PTAB’s denials of inter partes review indicates that pharmaceutical IPR petitioners must present extensive foundation to survive and appears to be a much higher standard than “reasonable likelihood” or “convincing evidence” indicated by the court in *KSR*—a high standard that the court in *KSR* specifically denounced.

Overall, the PTAB’s largest number of invalidations derive from petitioners failing to elucidate an adequately viable explanation of how the subject matter of the patent was obvious at the time of filing as evidenced in *Initiative for Medicines, Access & Knowledge (I-Mak) v. Gilead*

Pharmasset, No. IPR2018-00390, 2018 WL 3493156 (P.T.A.B. July 19, 2018), but the invalidations also reveal that the PTAB requires petitioners to submit unmitigated evidence to challenge the “obviousness” of a drug. This is clearly not the standard set forth by the court in *KSR*. The PTAB remains quick to challenge a petitioner’s sources that did not come from textbook or journal articles, offhandedly dismissing FDA labels or drug websites. In *Pfizer v. Biogen*, No. IPR2017-01166, 2017 WL 5484417 (P.T.A.B. Nov. 13, 2017) the PTAB denied institution because the challenger could not definitively prove that an FDA label or the drug’s website were “publicly accessible” by the “critical date.” Notably, the PTAB dismissed the challenger’s evidence of two scientific papers published around the “critical date” but not widely accessible before the “critical date.” Failure to authenticate commonly leads the PTAB to deny inter partes review. In comparison, the PTAB granted inter partes review for a method of remov-

ing contaminated DNA as the challenger presented extensive evidence that the method was consistent with the teaching in the prior art in *Pfizer v. Chugai Pharm. Co. Ltd.*, No. IPR2017-01357, 2017 WL 6040045 (P.T.A.B. Dec. 1, 2017).

The PTAB routinely chastises petitioners for constructing a defense mainly out of hindsight similar to *Sandoz v. AbbVie Biotechnology*, No. IPR2018-00156, 2018 WL 2735468 (P.T.A.B. June 5, 2018). In *10x Genomics v. Bio-Rad Labs.*, No. IPR2018-00434, 2018 WL 3216962 (P.T.A.B. June 29, 2018) the PTAB denied institution as the petitioner “impermissibly relies on hindsight” arguing the invention was obvious to a person of ordinary skill in the art. Id. at 5. The PTAB further noted that the petitioner failed to demonstrate the person of ordinary skill had a “reasonable expectation of success.” Id. In contrast, in *Anacor Pharm. v. Iancu*, 889 F.3d 1372, 1375 (Fed. Cir. 2018), the court invalidated a patent based on prior art references disclosing use of oxaboroles and tavoroles

being effective anti-fungal treatment and concluded that a person of ordinary skill would have thought it reasonable to apply tavoroles to treat other fungi infections.

In *Complex Innovations v. Ab*, No. IPR2017-00631, 2017 WL 3142064 (P.T.A.B. July 24, 2017), the PTAB acknowledged that a person of skill likely knew of and was “motivated” by prior art but denied inter partes review as the petitioner failed to demonstrate sufficient evidence or logic as to how the prior art actually led to the formulation of the specific compounds challenged. The PTAB specifically noted that the prior art never mentioned a compound comprising active ingredients of budesonide, formoterol, PVP, and PEG. This clearly sets forth a standard for obviousness too high for any bio-pharma case to meet. We acknowledge the inherent difficulty and unpredictable nature of experimenting in the field of chemistry but requiring prior to specifically list every compound feasible goes too far. In *Bristol-Myers Squibb Co. v. Teva*

Pharm. USA, Inc., 752 F.3d 967, 970 (Fed. Cir. 2014), the court upheld the invalidation of a patent for obviousness because a drug’s “unexpected properties” was not sufficient to establish patentability.

In light of the PTAB’s narrow interpretation of obviousness, petitioners, initially denied inter partes review, commonly reevaluate their evidence and/or strategies and file secondary petitions similar to *Pfizer v. Biogen*, No. IPR2018-00086, 2018 WL 2553245 (P.T.A.B. May 31, 2018). The PTAB recently declined inter partes review in part due to the petitioner’s admission in *Aurobindo Pharma Usa v. Corp.*, No. IPR2018-00530, 2018 WL 4223841, at *4 (P.T.A.B. Sept. 5, 2018) noting

[that the petitioner] used [PTAB’s] decision in the First IPR as a roadmap to shift its strategy and reformulate its challenge to the claims of the ‘459 patent. As stated in *General Plastic*, “this is unfair to patent owners and is an inefficient use of the inter

partes review process.” Id. at 4 (internal citations omitted).

With this argument being increasingly utilized, petitioners should be aware that their first IPR challenge may be their only IPR challenge. Care should be taken in ensuring authentication, proper development of prior art references, and consistent logic, not conclusory statements, before issuing the IPR challenge. Of course, even if the PTAB grants inter partes review, our research indicates that approximately 50 percent of patents survived with no claims being invalidated. It is vital when pursuing invalidity of drug patents to understand that this is an uphill battle and parties should argue that the standard elucidated by *KSR* should control. Aggressively arguing against the rigid *TSM* standard and applying *KSR* to the PTAB should be at the forefront of any structural obviousness argument.

Amazon

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that the rights holder still “wins” despite permitting the accused infringer’s product(s) back on Amazon’s website. This is because a product’s ASIN captures the momentum of the product’s sales on Amazon. For example, the more a product sells on Amazon, the more likely its ASIN will be at the top of Amazon’s search results for that type of product. To create an analogy in the trademark context, a product’s ASIN encompasses the “good will” of the product. Therefore, failure to secure re-instatement of the accused infringer’s ASIN forces the accused infringer to forgo its efforts in building this momentum. Essentially, this means that a new ASIN will be assigned to the product which will require the accused infringer to start from scratch and rebuild goodwill associated with the new ASIN.

The accused infringer should also respond directly to the Take-Down Notice and specify why the accused infringer believes Amazon’s conclusion is mistaken. In the trademark instance, the accused must also “[p]rovide any invoice or Order ID that demonstrates the authenticity of the product.” See Amazon Intellectual Property Policy.

Plan B

File Suit Seeking Declaratory Judgment of Non-Infringement.

As Amazon continues to grow and change the retail landscape, it is increasingly important for attorneys to have the tools to assist clients in navigating infringement issues on Amazon.



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If Plan A fails, or instead of concurrently with Plan A, the accused infringer may seek declaratory relief of non-infringement. If the accused infringer chooses to file suit where it is located rather than where the rights holder is located, the accused infringer may encounter challenges in asserting personal jurisdiction over the rights holder. This is arguably because the removal, the act-at-issue, took place in cyberspace rather than within any particular state. See, e.g., *Avocent Huntsville v. Aten Int'l Co.*, 552 F.3d 1340, 1342, 1324 (Fed. Cir. 2008) (refusing to authorize personal jurisdiction over a declaratory judgment defendant who sent cease-and-desist letters into the forum and (an unsuccessful) Take-Down Request to Amazon that was intended to damage the plaintiff’s sales). This opinion is supported by the fact that the Take-Down Request seeks no information on the accused infringer’s location. This obstacle demonstrates how the law is behind in adapting to technology, and to the consequences of e-commerce in particular. Some courts, such as the Tenth Circuit in *Dudnikov v. Chalk & Vermillion Fine Arts*, 514 F.3d 1063 (10th Cir. 2008), have disagreed with this approach and have found that the harm of an online retraction (in *Dudnikov* it was the removal of the accused infringer’s auction page on eBay) is sufficient to obtain personal jurisdiction where the accused infringer is located because the rights hold-

er caused harm to the accused infringer in the accused infringer’s jurisdiction.

In addition to seeking declaratory relief of non-infringement, the accused infringer should consider adding state-based claim(s) to its complaint so that the accused infringer can seek additional relief such as damages for the loss of sales. For example, in New York, an accused infringer should consider whether it can satisfy the requirements to plead a claim for tortious interference with prospective business relations. However, an accused infringer should be wary that the rights holder may move to dismiss any state-based claim(s) on federal preemption deriving from the accused infringer’s patent or trademark related claim(s). To avoid dismissal, an accused infringer may have to show that the rights holder’s actions were made in bad faith and therefore should be subject to tort liability under state law. See, e.g., *Dow Chem Co. v. Exxon Corp.*, 139 F.3d 1470, 1477 (Fed. Cir. 1998); *In re DDAVP Indirect Purchaser Antitrust Litig. v. Ferring Pharms.*, 903 F. Supp.2d 198, 218 (S.D.N.Y. 2012).

As Amazon continues to grow and change the retail landscape, it is increasingly important for attorneys to have the tools to assist clients in navigating infringement issues on Amazon. This is particularly true because Amazon provides injunctive-like relief which previously could not be obtained without pursuing costly litigation.

Damages

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in the above mentioned *Power Integration* litigation, pending on remand, held that the Supreme Court’s decision “implicitly overruled the Federal Circuit’s *Power Integrations* opinion.” *Power Integrations v. Fairchild Semiconductor Int'l*, No. 04-1371-LPS at *2 (D. Del. Oct. 4, 2018). In doing so, Chief Judge Stark reasoned that “[t]he Supreme Court’s analysis of the patent damages statute, §284, has equal applicability to

the direct infringement allegations pending here, as governed by §271(a), as it did to the supplying a component infringement claims at issue in [*WesternGeco*], which were governed by §271(f) (2).” Id. at 2-3. According to Judge Stark, “Section 271(a) vindicates domestic interests no less than Section 271(f).” Id. at 2. The court thus held that the trial on remand “will permit Power to seek recovery of worldwide damages.” Id. at 4. On motion, Judge Stark certified the issue for interlocutory appeal to the Federal Circuit. Id. The Federal Circuit recently

agreed to hear the appeal on “whether *WesternGeco v. ION Geophysical*, 138 S. Ct. 2129 (2018), implicitly overruled [*Power Integrations v. Fairchild Semiconductor Int'l*, 711 F.3d 1348 (Fed. Cir. 2013).]” *Power Integrations v. Fairchild Semiconductor Int'l*, No. 2019-102 at *3 (Fed. Cir. Dec. 3, 2018).

The highly anticipated Federal Circuit decision may have broad ramifications. If the district court decision is affirmed, patent litigation and the damages landscape could be fundamentally altered. Indeed, the costs of patent litigation

could explode. For example, rather than the customary U.S. discovery rules, multinational litigants would be faced with navigating and litigating discovery rules in foreign countries that are often much less permissive than those in the United States. The need and use of patent damages experts would likely increase, further raising costs. From a practical perspective, determining a reasonable royalty rate could be much more complicated, as there could be economic and other factors that would impact hypothetical nego-

tiations not present in traditional U.S.-based negotiations. On the other hand, by including foreign sales as a basis for damages in a pre-suit cease and desist letter or when pleading worldwide damages, accused infringers might be more inclined to resolve disputes early to avoid litigation and opening their worldwide structure to litigation in the U.S. court system. As shown by *Power Integration*, including worldwide profits significantly increased the damages award by approximately 82 percent and \$28 million.

The full implications of the Supreme Court’s *WesternGeco* decision are still unclear. Nevertheless, as expected, multinational defendants are advocating for a narrow reading of the case, whereas patentee plaintiffs are advocating for an expansive reading. The Federal Circuit will surely help shape the debate, and, given the importance of this issue, especially in the wake of *WesternGeco*, it is plausible that the Supreme Court would again be asked to consider the scope of patent damages in a future term.

Models

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also be subject to regulatory scrutiny both at the federal and state levels.

Intellectual Property

If a brand regularly uses a particular CGI image, or a CGI model’s name to sell its products to the point the CGI image or model begins to be identified with the brand, that image or model may function as a trademark or source identifier, just like a Disney animated character, or the Geico gecko. A CGI model could have its own trademark rights, either directly owned by the brand, or requiring an appropriate license from a CGI model’s creator. Moreover, using a CGI model as a trademark entails some risk of infringing another party’s trademark rights, even unintentionally without the proper pre-clearance required to ensure that there is no potential for a trademark claim. Such a claim could come either from a CGI model owner that

hasn’t given the brand the necessary license to use the model, or the owner of an existing trademark that closely resembles the model.

CGI models may also be protected by copyright, which attaches to creative works, including visual works like animations, videos, and photographs, as soon as they are created and fixed in a tangible medium of expression. If a brand uses a CGI model created by a non-employee, it should ensure it has secured the necessary rights, through assignment and/or work for hire agreements to effectuate all rights necessary to use the copyrighted work. Similar to trademark, it is possible a CGI model could infringe the copyright in an existing model (or other character) if it is deemed substantially similar under U.S. Copyright laws.

Right of Publicity

The use of CGI models also raises right of publicity and privacy concerns. In 2014, Lindsey Lohan sued the creators of video game Grand Theft Auto for right of pub-

licity infringement, claiming one of the game’s characters’ appearance and background resembled her own. *Lohan v. Take-Two Interactive Software*, 31 N.Y.3d 111 (2018). More recently, the actor who played Carlton on the 1990s sitcom *Fresh Prince of Bel-Air* is suing the creators of *Fortnite* for using a dance he made famous on the show in its games. *Ribeiro v. Take-Two Interactive Software, Inc. et al.*, 2:18-cv-10417 (C.D. Cal. Dec. 17, 2018). While there may be defenses to such claims, use of CGI models may give rise to similar risks. At a minimum, brands using CGI models should carefully avoid overt references to well-known people, whether in a CGI model’s appearance, name, story, or actions.

Advertising

Finally, advertisements featuring CGI models could be subject to Federal Trade Commission and state AG oversight. Section 5 of the Federal Trade Commission Act prohibits unfair or deceptive advertising, and state attorneys general are also tasked with pro-



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with cosmetics or fitness equipment or if a consumer simply does not understand the connection between a brand and such CGI model. Brands will need to consider the same rules of ensuring proper disclosure and terminating non-compliant partners when hiring a third party to create and manage the social communications of a CGI model endorsing its products.

Takeaways

Brands that choose to use CGI models should consider the following:

- Conducting intellectual property clearance;
- Obtaining appropriate assignments and licenses, including indemnification for intellectual property and right of publicity liability, or other assurances from the model’s creators, and
- Training and monitoring marketing teams to comply with the FTC Endorsement and Testimonial Guidelines, erring on the side of transparency when in doubt.

protecting consumers through similar state legislation. The FTC has taken action against agencies, brands, and influencer networks and even sent warning letters to numerous influencers for failure to disclose whether posts are sponsored; a requirement under the FTC Endorsement and Testimonial Guidelines intended to inform consumers that posts are advertisements. The New York Attorney General recently settled with a

company that sold fake accounts and “likes” on social media. *In the matter of Investigation of Letitia James in Devumi*, Assurance No. 19-008. Although the FTC has said in media interviews that it does not yet have any specific guidelines pertaining to CGI models, failure to disclose that a model is CGI may be construed as a deceptive omission, particularly if it could create false expectations about a products performance, such as

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