This article will explore the key legal issues relating to intellectual property (IP) rights, traditionally only used in the real world, and their role in the virtual or augmented world. The basic legal position on including virtual or augmented versions of IP in virtual reality (VR) or augmented reality (AR) experiences is straightforward; if the creator of VR or AR content does not hold the requisite IP rights to include certain material in its content, it should seek permission from the owner of such rights.

But what if the creator of content fails to seek consent from the rights holder? Are real world IP rights capable of being relied upon in a virtual or augmented world? You might assume the answer is yes and you may be right. In some cases, rights will extend to the virtual world. However, this depends on the right in question and the alleged infringing acts. It might be that IP rights are insufficient to defend against misuse in the virtual world.

Virtual trade mark infringement

Consider, for example, a confectionery company famous for a particular chocolate bar which is sold worldwide. It has comprehensive trade mark protection in the UK for this product across the expected classes, including "confectionery". The chocolate bar is featured in a popular virtual reality game. The virtual chocolate bar is identical to its real life counterpart – same name, same packaging – only it is virtual. The chocolate bar appears as the snack of choice of an avatar resembling a celebrity; a celebrity that the company would not have selected as an advocate of its product. The virtual reality game is free to download and play. It is monetised by the various advertisements that pop up when the user plays the game. However, the company has not been approached by the game's developer for its consent to the inclusion of the chocolate bar in the game.

This set of facts is not difficult to imagine. You might consider this a straightforward case of trade mark infringement and your IP rights will mean you can require the game's developer to remove the chocolate bar from the game. You are most likely correct.

Infringement of a mark that has a reputation

Under section 10(3) of the UK Trade Marks Act 1994 (the Act), a person infringes a registered trade mark if:

- the sign being used is identical or similar to the registered trade mark;
- the trade mark has a reputation in the UK; and
- the use of the sign takes unfair advantage or is detrimental to the distinctive character or the repute of the trade mark.

The sign used on the virtual chocolate bar is identical to the mark. Significantly, under section 10(3) of the Act, there is
Infringement by use of a similar or identical mark on similar or identical goods

no need for the virtual good to be similar to those for which the trade mark is registered (i.e. confectionery). The reputation of the chocolate bar in the UK is undisputed. There are strong arguments as to both unfair advantage (the chocolate bar's reputation may enhance the experience of the game and thus enable it to attract higher advertising revenues) and detrimental use (the celebrity association being less than desirable).

Therefore, the only remaining sticking point is that the infringing use must be in the course of trade. Broadly, use "in the course of trade" calls for use in the context of a commercial activity with a view to economic advantage. The fact that the developer is not selling the chocolate bars might mean it is difficult to establish this. However, it is arguable that the chocolate bars enhance the experience of the game and without their inclusion the advertising revenues might not be as high. As "use in the course of trade" has generally been interpreted widely by the courts, it is possible that trade mark infringement could be established on these facts. The use must also be use "as a trade mark" and not a purely descriptive use. While the game developer may well try to argue that this is purely incidental and does not affect the functions of the trade mark, this argument would seem likely to fail. The inclusion of the branded chocolate bar is deliberate (it is not, for example, a video in which someone happens to be eating the chocolate bar in the background).

Infringement by use of a similar or identical mark on similar or identical goods

The difficulty lies in scenarios where the product may not be sufficiently well known to meet the requirements of section 10(3) of the Act. Consider, for example, if the same company sold a cereal bar with a different name and colour of packaging to the chocolate bar, but which was clearly within the same "family" of products. The company has trade mark protection for the name of the cereal bar in the applicable classes but the cereal bar is available only in a small number of health foods stores. The cereal bar appears as a snack item for an overweight avatar in the same VR experience. Its trade mark does not have sufficient reputation in the UK to establish infringement under section 10(3) of the Act. Consequently the rights holder must rely on section 10(1) or 10(2) of the Act in order to make a claim.

Under section 10(1) of the Act, a person infringes a trade mark if he uses a sign identical to the trade mark and in relation to the same goods or services as those for which it is registered. Section 10(2) of the Act requires both the mark/sign and the goods (or services) to be identical or similar. The company would therefore be required to establish that the developer of the game uses the mark in relation to identical or similar goods or services for which its trade mark is registered. This raises the central legal issue in transposing IP rights into a virtual or augmented world: the difference between the trade mark owner's real world goods and the virtual goods.

This difference between the real and the virtual is the principal reason why a claim under section 10(1) or 10(2) of the Act is unlikely to succeed. In Adam Opel AG v Autec (C48/05) [2007] E.T.M.R. 33 it was held by the Court of Justice of the European Union that the use of "Opel" on a replica toy car did not constitute use in relation to motor vehicles, for which the trade mark was registered. This was because the defendant did not sell motor vehicles. Although distinct from the facts in this scenario, the same logic can be applied here. A virtual cereal bar is fundamentally different from a cereal bar in the same way that a replica car is fundamentally different from a car. The real cereal bar is tangible, you can feel its weight, unwrap it, eat it, digest it and so on. The company in question does not sell virtual chocolate bars. Therefore, and perhaps surprisingly, a claim for trade mark infringement where the real world product is replicated virtually is unlikely to succeed.

Section 10(2) also requires users of the game to be confused into believing there is an economic connection with the confectionery company (e.g. that it has licensed the use). In a world of endorsement, this may not be hard to evidence but it is still a significant hurdle.

A further hurdle to a rights holder obtaining damages for trade mark infringement in a VR or AR setting presents itself where sales of real goods are not impacted by the virtual goods. For this reason, it may be easier to rely on the
Virtual passing off

Passing off can be used as a cause of action where:

- goodwill attaches to the claimant’s goods;
- a misrepresentation by the defendant to the public leads or is likely to lead the public to believe that the goods offered by him are the goods of the claimant; and
- that misrepresentation is causing, or is likely to cause, damage to the claimant.

The misrepresentation test for passing off is different from the requirement for confusingly similar goods and marks in section 10(2) trade mark infringements. There is technically no requirement for similar goods to be offered by the defendant, thereby overcoming the central legal issue of equating a real world good to a virtual good. Assuming goodwill exists in the branding of the chocolate bar, it also seems likely that misrepresentation could be proven on the basis that its inclusion in the game indicates some sort of licensing arrangement between the game’s developer and the company.

Unlike a trade mark infringement claim, proof of damage is not essential to enable a claimant to maintain his action. In a passing off case, the claimant must show that the misrepresentation by the defendant caused damage to his identifiable goodwill or that damage to the claimant’s goodwill is reasonably foreseeable. Therefore, even if real world sales of the chocolate bar are unaffected by the its inclusion in the game, the claimant could in theory recover damages on the basis of damage, or reasonable likelihood of damage, to its goodwill caused by its association with a failed diet in the game.

Virtual copyright infringement

Consider, for example, a VR app in which you can take a virtual tour of top cities around the world. A user selects to go on a tour of Paris via the app. The user begins its virtual tour by walking from the Champs-Élysées to the Eiffel Tower. The user marvels at the realism of the architecture surrounding it, which it enjoys to a soundtrack of light jazz. The UK-based developer did not seek the permission of any copyright owner prior to the app’s launch.

At first glance, questions of copyright infringement in VR such as those raised in the above example seem straightforward and not dissimilar to “real world” copyright infringement. As you might expect, reproduction of this music in the virtual environment would clearly qualify as an act requiring the copyright holder’s permission and therefore would likely infringe copyright.

In addition, the VR tour of countries around the world gives rise to another possible copyright infringement, that is the copyright in the buildings, architecture, and other artwork visible in the tours. Here, the inclusion of numerous countries (a major selling point) makes clearance of copyright more complicated for the developer. Under article 5(3)(h) of Directive 2001/29 11, member states may introduce a "freedom of panorama" clause in their copyright laws, giving content creators the right to reproduce panorama images of public scenery without fear of infringing copyright. This has led to varied implementation of the regime across member states, with certain countries granting freedom of panorama for different types of works, specific public places, or different uses. The UK has specific provisions in section 62 of the Copyright, Designs and Patents Act 1988.

France is one of the few member states that have chosen not to implement the exception, raising complicated issues
for the developer in relation to the Paris tour. The developer of the app would need to check whether its use of panorama images requires any licences from the copyright owners of each building and artwork shown on the tour. Failure to do so could result in heavy penalties for copyright infringement.

Practical tips

As illustrated by the above examples, virtual environments raise complicated IP issues for rights holders and creators of VR content alike. In order to manage these challenges:

- rights holders should evaluate their intellectual property rights and consider their application to a virtual world;
- creators of VR content should consider whether the consent of any rights holders should be sought prior to launching their VR experience;
- any contract with a VR/AR content creator should clarify who owns what IP;
- businesses should take a proactive approach to monitoring use of brands in VR and AR, whether their competitors' or their own; and
- businesses should consider developing a virtual and augmented reality strategy. Absence from the virtual world will likely mean lagging behind competitors. VR and AR will open up a new world of possibilities for communicating brand to customers.

In summary, there are a number of intellectual property issues to consider as virtual commerce expands. If you have any queries or need advice or assistance in understanding the intellectual property issues associated with virtual reality, augmented reality or any other technology, please contact us.

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