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KATTISON AVENUE

Advertising Law Insights From Madison Avenue and Beyond

Summer 2020 | Issue 3

Letter From the Editor

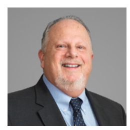
The Summer of 2020 is sure to be one for the history books. While we may not be physically working on Madison Avenue, the contributors to *Kattison Avenue* have been busy reporting on legal trends and developments in the world of advertising and marketing. In this edition, we provide an in-depth analysis of 3M's Lanham Act litigation arising from N95 mask price gouging. We also examine the risks of using street art in advertising, as well as the rising popularity of mobile in-app games. Finally, look inside for a discussion of augmented reality marketing campaigns and the California Consumer Privacy Act, plus summaries of two recent Supreme Court decisions in closely-watched Lanham Act cases. We hope all of our readers continue to stay safe and healthy. Enjoy the summer and our third issue of *Kattison Avenue*!

Jessica Kraver

In This Issue

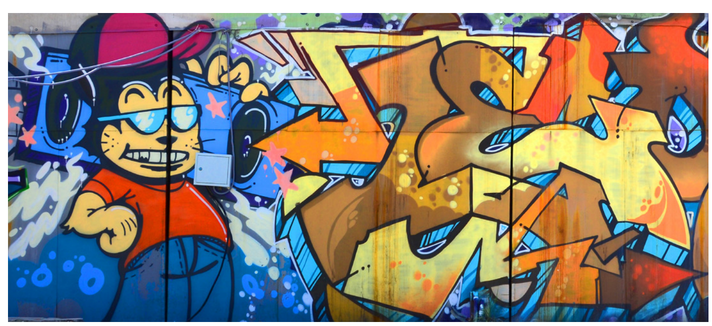
Gambling With Graffiti: Using Street Art on Goods or in Advertising Comes With Significant Risks

by David Halberstadter



Graffiti. Guerrilla Art. Street Art. Aerosol Art. Tagging. It appears on the sides of buildings, highway signs, boundary walls and subway cars. Sometimes, graffiti is applied with permission and, on occasion, works may be commissioned. More often, and consistent with the renegade spirit of many of its creators, graffiti is affixed to a public surface illegally.

Some consider graffiti an eyesore; an act of vandalism that should be covered over at the earliest opportunity. In fact, the renowned UK street artist, Banksy, once joked, "People say graffiti is ugly, irresponsible and childish... but that's only if it's done properly." Yet, others consider street art to represent one of the purest forms of free expression by marginalized voices with little or no access to mainstream media.



Love it or hate it, graffiti is considered one of the fastest growing artistic movements. Some have characterized it as a twenty-first century successor to the Pop Art movement of the 1960s. Once associated with rock and roll and later linked to the anti-establishment punk rock movement, contemporary graffiti styles more recently have been heavily influenced by hip hop culture. Today's street art often conveys a sense of urban grittiness and the rebelliousness and hipness of youth culture.

No wonder that it has become increasingly popular and legitimized — indeed, street art has begun to be taken so seriously that well-known street artists have had exhibitions at venues like the Bristol Museum and Art Gallery in England, the Los Angeles Museum of Contemporary Art, the Corcoran Gallery of Art in Washington, DC and the Palazzo Cipolla in Italy. Works by celebrated street artists also have been sold for staggering prices at prominent art auction houses.

Therefore, it should also be no surprise that street art has become increasingly commercialized. Fashion designers have incorporated distinctive and colorful graffiti designs into apparel and footware; major corporations have featured wall murals and other street art in their marketing campaigns; and social media influencers pose in front of urban artwork in the promotional photographs and videos they post to YouTube, Instagram and Facebook. Typically, the artists have not consented to these uses. In fact, they may not even have been asked.

More and more frequently, those who create such works have been fighting back, asserting rights under copyright (for the unauthorized copying of their artwork) and trademark law (for example, when the copied artwork includes the artist's pseudonym or "tag"). The list of retailers who have found themselves in disputes with recognized street artists over unconsented-to uses of graffiti includes American Eagle Outfitters, Coach, Fiat, General Motors, H&M, Epic Records, McDonald's, Mercedes-Benz, Moschino, Roberto Cavali and Starbucks.

Many questions about the intellectual property rights of street artists remain unsettled. Commissioned works and works that have been applied to buildings and other public spaces with permission may be entitled to copyright protection. But what about works that were applied illegally? Proponents of copyright protection argue that copyright law should be agnostic towards works created by illegal means and should only be concerned with protecting artistic expression.

Opponents question how copyright law could permit graffiti artists to benefit from their crimes. They assert that one cannot reconcile rewarding them with copyright protections on the one hand, while punishing them criminally on the other hand.

Assuming that legality is not a bar to copyright protection, then graffiti also would be subject to the various requirements and limitations of copyright law. For example, in order to receive protection under copyright law, a work of street art must be a work of authorship that is original and fixed in a tangible medium of expression. In other words, the work must have originated with the author and must be sufficiently permanent or stable for it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration.

Even if it satisfies these basic characteristics, not every piece of graffiti would be eligible for copyright protection. Copyright law does not protect, for example, titles, names (including pseudonyms, like a street artist's "tag"), mottos, short phrases or slogans, familiar symbols or designs, or mere variations of typographic ornamentation, fonts, lettering or coloring. So, if a particular piece of graffiti consists only of these elements, it may not be eligible for copyright protection even if it was legally created.

Given this challenging landscape, companies must take care when incorporating graffiti-like elements or patterns into apparel and other goods, when designing marketing campaigns that will include filming or photography in locations where street art is prominently displayed and when instructing social media influencers on the types of imagery and settings they should use. An important initial step is to engage in due diligence: investigate who the artist is and whether he or she can be located and contacted; determine whether the work was painted with

permission or applied illegally; and evaluate whether the work in question satisfies the requirements for copyright protection. If appropriate, a company should then attempt to obtain consent to incorporate the work into the company's merchandise, apparel and/or marketing campaign. If the artist cannot be reached or is unwilling to give his or her consent, the company should consider using an alternative piece of street art whose creator can be found and will consent. In the case of social media influencers, companies should ensure that their influencer agreements prevent the influencer from appearing in promotional photographs in which street art is prominently displayed and/or clearly recognizable without first consulting with the company.

Using graffiti on goods or in promotional campaigns may bring "street cred" to a retailer or advertiser. But unless the decision to incorporate such artwork is evaluated carefully, it could end up being more trouble than it was worth.

As this issue of *Kattison Avenue* was going to press, a muralist named Allison Tinati, who signs her works as "Hueman," filed a copyright infringement lawsuit against Alaska Airlines in federal court in Los Angeles. She alleges that her company is the registered copyright owner of a large mural, entitled "Bloom," that she painted on commission (not illegally) in the Arts District of Los Angeles, and that the airline used the mural without her consent in its marketing of flight sale promotions. *Hueman LLC v. Alaska Airlines, Inc.*, Case No. 20-cv-06539 (C.D. Cal. Filed July 23, 2020). This is just the latest instance of a dispute over unconsented-to use of street art.

Mobile In-App Games: Mindless Fun or Illegal Gambling?

By Jeremy Merkel

As competition increases among companies to introduce the next chart topping application, a popular feature of mobile apps has become a game or sweepstakes where users have the chance to win prizes.

Just like the thrill of winning a stuffed animal on a boardwalk game of chance, companies have introduced in-app games to lure consumers to their platform and keep them engaged with new opportunities to rise in the leaderboards.

With this combination of marketing and technology, there are legal considerations that companies must consider when sponsoring in-app games or sweepstakes. These considerations center on whether such a promotion operates as an unlawful lottery under contest and sweepstakes laws, which are governed by the states. For the purposes of this article, a sweepstakes is a promotion in which prizes are awarded on the basis of chance, while prizes are awarded in a contest on the basis of skill. While the laws differ from state to state in terms of details such as compliance requirements and penalties, they are generally consistent in terms of what is defined as an "illegal lottery."

Using New York as an example, an illegal lottery involves three elements: (1) participants pay, or agree to pay, something of value for chances represented and differentiated by numbers, a combination of numbers or other media to win ("consideration"); (2) winning chances are determined by a drawing or other method based on the element of chance ("chance"); and (3) the holder of the winning chances receives something of value ("prize").[1]

Consideration in mobile in-app games

For a mobile in-app game to be legal, at least one of these elements must be eliminated. Removing the "chance" element, which would make the promotion a "game of skill," typically isn't feasible for a game that utilizes features like a spinning wheel or slot machine (or arguably most mobile app games that run off an algorithm). Likewise, removing the prize is also not ideal, as this is what attracts consumers and keeps them engaged. As a result, for an in-app game to comply with the applicable state laws, removing consideration is often the most practical solution.

"Consideration" is commonly seen through an entry fee to participate in the sweepstakes or contest, but in the context of in-app games, even removing this requirement may not be sufficient to eliminate this element. "Consideration" comes in many forms, such as (1) purchasing a product to be eligible for the sweepstakes or contest, (2) an SMS text, (3) subscription fees, or

(4) otherwise engaging in a time-consuming or onerous activity in order to gain entry. Particularly for mobile, in-app games, an inherent requirement is that the consumer have a smartphone or mobile device that is capable of downloading and utilizing the app. Of course, smartphones are ubiquitous, but there are still many consumers who may not own such a device; therefore, the requirement that consumers obtain one in order to enter the contest or sweepstakes may be deemed "consideration."

In order to eliminate that de facto consideration element, mobile app operators are keen to provide a universally available, alternative method of entry (AMOE) by which consumers can participate in the contest or sweepstakes via a mechanism other than the mobile app itself. This AMOE can be accomplished, under certain circumstances, via a simple entry form on a corresponding website, or like the historical example popularized by cereal boxes — by sending a self-addressed, stamped envelope (the cost of mailing has been held to be acceptable for purposes of "free" entry), which would then be sent back with an entry included.

> While the Ninth Circuit's decision could be read narrowly, based on the specific definition of "thing of value" in the RMLGA, app developers and promoters of mobile contest and sweepstakes must remain keenly aware of the nature of any virtual prizes they are offering and analyze the specific definitions in any gambling laws in each jurisdiction where their users are located.

However, providing an AMOE on its own may not be enough to make the contest legal if it does not provide "equal dignity" so as to not give an advantage to those who pay for entries versus those who got the free method. Accordingly, courts have held that a game in which participants could purchase multiple paid entries at one time, but had a limit of one entry per day for the AMOE, violated state gambling laws.[2] As a further caveat, under certain state laws, entrants who have paid consideration must receive something of value for the payment, which "return value" must be equivalent to the value paid for the app or the entry. Such legal interpretation has led Apple, out of an abundance of caution, to limit its app developers from creating "promotional" sweepstakes and contests and promoting them in its app store. Facebook has also prohibited sweepstakes that condition entry upon an AMOE, such as purchasing a product or completing a task.

Virtual prizes

When it comes to the "prize" element, many sponsors of in-app games have attempted to obscure whether a "thing of value" is offered by only awarding prizes in the form of virtual or digital items ("coins," "diamonds," "hearts," "rubies," etc.) that are limited to use on the platform and cannot be used to obtain any real-world or cash value. As such, chance based games that provide the opportunity to win virtual rewards or currency raise the question of whether such purely virtual items have sufficient real-world value to be deemed "prizes" under state lottery laws. Unfortunately, there is no concrete answer here, as the courts that have addressed these fact patterns have disagreed on whether virtual prizes are "prizes" for purposes of determining whether the sweepstakes or contest is an illegal lottery.

Where courts have found that virtual rewards are not a "prize," the determination was conditioned on the premise that (1) the virtual rewards cannot be redeemed, transferred or exchanged for any items of real-world value, and (2) there is no secondary market, meaning that the app's terms of use expressly state that the virtual currency cannot be redeemed for "real world" money, goods or other items of monetary value from the platform or any other person.[3]

In contrast, a 2018 decision from the US Court of Appeals for the Ninth Circuit held that mobile games using virtual chips, hypothetical winnings and no cash out mechanism can still be an illegal lottery under Washington's Recovery of Money Lost at Gambling Act (the RMLGA).[4] According to the court, a mobile app that allowed users to play casino games with virtual chips and purchase additional virtual chips once they ran out with no ability to cash out was illegal on the basis that the virtual currency was, in fact, a "thing of value" because "a user needs these virtual chips in order to play the various games that are included within [the game]."[5]

(1) N.Y. Penal Law § 225.00(10).

(2) *See* Black North Assocs., Inc. v. Kelly, 722 N.Y.S.2d 666 (4th Dep't 2001).

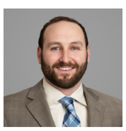
(3) *See* Mason v. Machine Zone: In a similar ruling, in Mason v. Mach. Zone, Inc., 851 F.3d 315 (4th Cir. 2017); Soto v. Sky Union: In Soto v. Sky Union, LLC, 159 F. Supp. 3d 871, 881 (N.D. Ill. 2016).

(4) *See* Kater v. Churchill Downs, 886 F.3d 784 (9th Cir. 2018).

(5) *Id.* at 785

Unmasking the Takeaways from 3M's Lanham Act Litigation Against N95 Mask Price Gouging

By Michael Justus



3M Company, a leading manufacturer of N95 facemasks that became ubiquitous during the COVID-19 pandemic, made headlines with a wave of lawsuits against third-party mask resellers based on alleged price gouging. While these cases likely provided some public relations benefit to 3M, they have also proven quite successful as a legal matter. 3M obtained a number of temporary restraining orders, preliminary injunctions and favorable settlements, and its actions have led to follow-up criminal actions by prosecutors.[1]

3M's litigation campaign centered on Lanham Act trademark infringement and false advertising claims, some of which involve notable legal theories. For example, although the sale of genuine products at an inflated price is not a typical basis for trademark infringement, 3M has so far enjoyed success with that theory.[2] The early returns on 3M's price gouging cases highlight the flexibility of the Lanham Act and provide useful takeaways with respect to trademark and advertising law and the standards for injunctive relief.

Trademark infringement

The concept of a trademark infringement claim based on price gouging may sound unusual. But at bottom, the theory is one of reputational harm. Specifically, the defendant has used 3M's marks in such a manner that implies an affiliation with, or sponsorship by, 3M — not only with respect to the defendant's mask sales generally, but also with respect to the grossly inflated prices during a pandemic. In other words, consumers will believe that 3M authorized the grossly inflated prices to take advantage of the pandemic, thus harming 3M's reputation and goodwill.

On the facts alleged in the 3M cases, some likelihood-of-confusion factors line up nicely with that theory.[3] For example, while the defendant's bad faith in using the plaintiff's mark is frequently a non-factor in garden-variety cases, it played a central role here. In the context of a devastating pandemic, the defendants' opportunism did not play well with courts. In one case, the court held that the defendant's sudden switch, during the pandemic, from selling automobiles to selling N95 masks demonstrated "textbook bad faith."[4] 3M's loss of quality control over its products also played a central role (i.e., customer confusion that the safety and effectiveness of resellers' masks would be verified by 3M under its rigorous standards). One court remarked that this was paradigmatic trademark injury, stating that the public is relying on trademarks now "more than ever" to guarantee quality and safety of heath care products.[5]

The 3M cases have also led to some atypical likelihood-of-confusion findings. One example is the sophistication of purchasers and the degree of care exercised in making a purchase. Specifically, purchasers who are normally sophisticated and careful, such as government entities and health care providers, will not be as careful during the COVID-19 crisis. Instead, such purchasers "must make rash purchasing decisions" because "the current state of emergency has stymied the ability of customers to take the time and conduct the diligence necessary to show extensive care."[6] Another example is the likelihood-of-confusion factor regarding "whether the senior user's reputation could be jeopardized by virtue of the fact that the junior user's product is of inferior quality."[7] Courts have found that factor to favor 3M — even in cases where the defendant is selling genuine 3M masks. To do so, courts have focused on the reputational harm from price gouging and 3M's lack of ability to exercise quality control over resold masks, rather than evidence that the defendant is in fact selling damaged or otherwise ineffective or inferior 3M masks.[8]

False advertising

The advertising claims in 3M's lawsuits tend to be more traditional. 3M alleged that unauthorized resellers made literally false claims of an affiliation with 3M or regarding the source or quality of the resold products. For example, one defendant allegedly sent emails to the Centers for Disease Control and Prevention (CDC) falsely claiming that it had 3M masks for sale and that 3M had increased its prices on the masks.[9] In another case, the defendant made numerous allegedly false or misleading references to 3M in its quote to the Office of Citywide Procurement in New York (e.g., referencing 3M's St. Paul headquarters, stating that "acceptance of the purchase order is at the full discretion of 3M" "3M chooses the [manufacturing] plant," and that 3M will ship the products "CIF").[10]

As with any false advertising case, however, falsity is only one element of the cause of action. The plaintiff must also prove other elements such as "materiality" (i.e., that the false claims are likely to influence purchasing decisions) and causation. Interestingly, some of the 3M decisions have not discussed each element, perhaps because of the early stage of the case, the egregiousness of the alleged wrongdoing, or the courts intended for some portions of the trademark analysis to also apply to the false advertising claims. For example, the materiality element of 3M's false advertising claims could arguably be satisfied upon a showing of the importance of quality control (i.e., customer expectations that 3M verified the safety and effectiveness of the masks under its rigorous standards). In any event, where defendants make literally false statements during their alleged price gouging activities, false advertising claims may provide an established path to relief.[11]

Injunctive relief

In order to obtain preliminary injunctive relief under the Lanham Act, whether under a trademark or advertising theory, the plaintiff must show: (1) a likelihood of success on the merits; (2) a likelihood of irreparable injury; (3) the balance of hardships tips in the plaintiff's favor; and (4) the public interest would be served by the issuance of an injunction.

Courts have made some notable findings regarding these factors in the 3M cases. The first factor relates to the substantive strength of the claims as discussed above. The second factor, irreparable harm, plays a crucial role in many Lanham Act cases, which was no different here. Unsurprisingly, courts

readily found harm flowing from serious allegations of bad faith amidst a pandemic in the 3M cases. "Of particular significance here and now, harm both to parties within a lawsuit and to the public may be considered when determining if failure to issue a preliminary injunction will result in irreparable harm."[12] One court found that 3M suffered harm in terms of quality control and reputation. As to quality control: "3M cannot control whether the products that Defendant is offering for sale and/or selling outside of its authorized trade channels adhere to 3M's rigorous quality-control standards."[13] Key to that holding, 3M put forth extensive evidence of its history of rigorous quality control. Regarding reputational harm, "[n]o amount of money could repair the damage to 3M's brand and reputation if it is associated with the crime of price-gouging at the expense of healthcare workers and other first responders in the midst of the COVID-19 crisis."[14] Moreover, the public suffered harm: "Defendant's conduct results in a diversion of critical public resources, which places lives at risk. These resources include the time spent by public officials to pursue false/fraudulent leads and the money spent to purchase products at inflated prices. This waste of resources further diminishes the ability of public officials and procurement officers to investigate and identify other counterfeit and inferior quality supplies as buyers are pressured to place large orders swiftly for essential PPE."[15]

The third and fourth factors have also overwhelmingly favored 3M. Under the third factor, the balance of harms "tips decidedly in 3M's favor" because "it would not be a 'hardship' for Defendant to refrain from engaging in unlawful activities . . . ."[16] As to the fourth factor, the public interest in an injunction, courts have cited the usual principle that the public has an interest in being free from confusion and deception as to the source and quality of 3M's products. In addition, courts in the 3M cases have cited less common interests; namely, the public benefit in protecting frontline health care workers and preserving public resources in the PPE procurement process:

> Unquestionably, protection of healthcare professionals who are putting their lives on the line in the fight against COVID 19 is in the public interest. Those brave and selfless professionals deserve trustworthy supply lines of authentic PPE, including N95 respirators, that are free of misrepresentations, false designations of origin, and unscrupulous profiteering. Likewise, precious public resources should not be squandered on needless inquiries and investigations into the truth and the legality of basic commercial terms and representations made in the procurement process. If the market (and the participants in the market) cannot be trusted, procurement will grind to a halt. When lives are at stake and time is of the essence, as is clearly the case in this crisis, the public interest demands accountability.[17]

No defenses?

In some of the 3M cases, defendants have not appeared and thus have not raised any defenses, perhaps making it easier for courts to issue temporary injunctive relief. In other cases, defendants have raised defenses, but the cases settled before a ruling on such defenses. In any event, the 3M litigation campaign remains in its infancy, and it is possible that some defendant will fight through at least the summary judgment stage to obtain a substantive ruling on defenses.

Two defenses seem most relevant: first-sale doctrine and nominative fair use. Under the first-sale doctrine, it is generally lawful to resell a product after it has been purchased from the trademark owner in an authorized sale, even if the resale is without the trademark owner's consent. Some courts have held, however, that an exception to the first-sale doctrine applies when an unauthorized seller is reselling products that are outside of the trademark owner's quality control. As

discussed above, courts have focused on 3M's lack of quality control over resold masks in other holdings (e.g., irreparable harm) and may apply this exception to the first-sale doctrine.

Nominative fair use refers to a defendant's use of a plaintiff's trademark to identify a plaintiff's products, rather than to identify a defendant's own products. Such use of the plaintiff's mark, however, must not suggest sponsorship or endorsement by the plaintiff. Courts also take into account the defendant's bad faith. Again, the 3M cases found confusion as to sponsorship and endorsement, as well as bad faith, suggesting that this defense may fail.

That said, it is early days for these cases, and there are no guarantees that a court will not come out differently on a fuller record after discovery. From 3M's perspective, the preliminary injunctions and settlements it has already obtained may be enough to outlast the pandemic without courts reaching any substantive decisions on defenses, especially given court closures.

Conclusion

So far, 3M's price gouging cases highlight the flexibility and breadth of the Lanham Act and show that factual circumstances can greatly affect outcomes. Concerns regarding public health and safety, especially where bad faith is involved, can overshadow traditional considerations. Indeed, even some less-obvious elements of Lanham Act claims (e.g., reduced purchaser sophistication and care during a crisis) and claims for injunctive relief (e.g., harm to the public, health care workers and procurement processes) may receive flexible treatment from courts under such circumstances.

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(1) Civil: *E.g., 3M Co. v. Performance Supply, LLC*, 1:20-cv-02949, Dkt. No. 23 (S.D.N.Y. May 4, 2020). Criminal: *E.g., U.S. v. Romano* (S.D.N.Y.), https://www.justice.gov/usao-sdny/pr/new-jersey-man-arrested-45-million-scheme-defraud-and-price-gouge-new-york-city-during.

(2) A few of 3M's lawsuits also involved trademark counterfeiting claims based on the alleged sale of fake 3M masks.

(3) Trademark infringement under the Lanham Act is determined using a multi-factor likelihood-of-confusion test.

(4) 3M Co. v. Performance Supply, LLC, 1:20-cv-02949, Dkt. No. 23, at 21.

(5) *Id.* at 25.

(6) *Id.* at 22.

(7) *Id.* at 21 (emphasis added).

(8) *Id.* at 14-15, 21-22.

(9) *3M Co. v. Geftico, LLC*, 6:20-cv-648-Orl-41GJK (M.D. Fla. April 30, 2020).

(10) *3M Co. v. Performance Supply, LLC*, 1:20-cv-02949, Dkt. No. 23, at 12, 23.

(11) In addition to literal falsities, the Lanham Act may also reach misleading advertising claims. However, claims against misleading advertising typically require a more robust showing by the plaintiff than those against literal falsities.

(12) *Performance Supply*, at 13-14. (emphasis in original).

(13) *Id.* at 14.

(14) *Id.* at 15.

(15) *Id.* at 23-24 (internal citations omitted).

(16) *Id.* at 24.

(17) *Id.* at 25-26.

Supreme Court Issues Two Lanham Act Decisions

By Jeffrey Wakolbinger

Romag Fasteners, Inc. v. Fossil Group, Inc., 140 S. Ct. 1492 (April 23, 2020).

The US Supreme Court resolved a circuit split and held that willful infringement is not a precondition to obtaining an award of profits from an infringing defendant in a case brought under the Lanham Act.

The defendant, Fossil, had avoided an award of profits through application of Second Circuit precedent, holding that profits could not be awarded without a finding of willfulness. The jury found Fossil's failure to guard against its suppliers' use of counterfeit versions of the plaintiff's, fasteners in the manufacture of Fossil handbags was callous but not willful. The US Courts of Appeals for the First, Eighth, Ninth, Tenth and DC Circuits previously had imposed similar requirements. The remaining circuits had not held willfulness to be a required element of a claim for disgorgement of profits.

The Supreme Court did not hold that an infringing defendant's mental state is irrelevant for purposes of determining what relief should be awarded — it remains a "highly important consideration." The Supreme Court simply rejected the categorical rule some circuits had applied that a finding of willful infringement must precede an award of disgorgement of profits. Fossil now must make its arguments against an award of profits in the district court in light of the US Supreme Court's decision, and it remains to be seen how any evidence of Fossil's mental state will factor into any such award.

USPTO v. Booking.com, B.V., — S. Ct. —, No. 19-46 (June 30, 2020).

The US Supreme Court held that the proposed service mark "Booking.com" is not ineligible for federal trademark registration on grounds of "genericness." Booking.com, which runs the travel-booking website of the same name, applied to register Booking.com as its trademark. The US Patent and Trademark Office (USPTO) refused registration, finding the term to be generic because it was comprised of a generic term ("booking") followed by a generic top-level domain (".com"); or, in the alternative, that the term is merely descriptive and lacking in secondary meaning.

Booking.com sought review in a US district court, a procedural move, which allowed it to introduce new evidence of consumer perception of Booking.com as denoting a specific service offering. The district court held the mark was descriptive — not generic — and that Booking.com had met the distinctiveness requirement for registration. The USPTO appealed the determination that the mark is not generic. The US Court of Appeals for the Fourth Circuit affirmed the district court's ruling, as did the US Supreme Court.

The Supreme Court thus rejected a nearly per se rule urged by the USPTO that a generic term combined with a generic top-level domain necessarily constitutes a generic composite mark. The Supreme Court did not create a new rule. It affirmed existing rules: a trademark must be considered as a whole, and consumer perception matters.

Augmented Reality Marketing Campaigns and the California Consumer Privacy Act

By Katherine Motsinger

In our previous edition of *Kattison Avenue*, we examined augmented reality's (AR) use as a marketing tool. Today, we identify key privacy issues businesses should address before bringing their AR apps to market.

With most of the world in some stage of quarantine, retailers of nonessential goods are enjoying huge spikes in online shopping.[1] Marketers, correspondingly, are having to get creative to cater to a populace trapped inside and coming down from its *Tiger King* high.[2] Leveraging available technology, like Zoom and social features of websites and apps, brands are bringing content and advertisements into peoples' homes — and people are loving it.[3] As it becomes clear that lockdown may be the new normal for the foreseeable future, market researchers predict a rise in AR marketing campaigns that allow consumers to interact with products from home.[4]

With the California Consumer Privacy Act (CCPA) regulations slogging through the final stage of approval, companies that currently have, or are looking to implement, AR marketing campaigns need to start asking some basic questions. First, does the CCPA apply? Second, what types of personal information is the app collecting, or will it collect? Third, what kinds of disclosures does the company need to make? We examine these questions below.

Does the CCPA apply?

As we have discussed in some earlier advisories (please click here to read our CCPA-related advisory from May 2019 and here for our CCPA-related advisory from April 2019), the CCPA is a state law with a global reach. It applies to a for-profit entity doing business in California that collects personal information and meets one of the following thresholds: (1) annual gross revenues of $25 million; (2) annually buys, sells, receives or shares, for commercial purposes, alone or in combination, the personal information of 50,000 or more consumers, households or devices; or (3) derives 50 percent or more of its annual revenues from selling consumers' personal information.[5]

Large companies likely will find themselves subject to the CCPA under the first threshold. Mid-sized operations, and even some smaller businesses, may be subject to the CCPA by virtue of the second threshold.[6]

What type of personal information is the app collecting, and how will it be used?

AR applications function by accessing the camera in a user's smartphone. Especially in location-based AR apps that do not rely on QR codes to generate information, this means that the app can see (and store) what the user sees. Indeed, some apps rely on this access to determine where to place virtual objects in the user's real-world surroundings. These apps offer an unprecedented treasure trove of information to marketers who make AR apps available. For example, L'Oreal's ModiFace has partnered with Amazon to enable customers to try makeup virtually on Amazon's site using AR. The hyper-realistic app permits users to try the makeup live by accessing a consumer's camera or to try on the makeup using a still photo. In its privacy policy, L'Oreal states: "If you use one of our virtual try on features, we may collect and store your image(s), for example, if you use social sharing to send your image to a friend or post it online or if you save it to your profile."[7] This might not seem like much, but when coupled with the dozens of other details an app might collect, including gender, address, in-app interactions and the inferences the app can draw, like a person's behaviors and preferences, AR apps can create a potentially significant personal profile.

The CCPA classifies virtually all of the above as "personal information," including the inferences that can be drawn from the data collected.[8] Likewise, what businesses can do with this information — and to whom businesses can give it — are subject to specific disclosure and other requirements under the CCPA. Unlike prior US law, the CCPA specifically addresses repurposing data or so-called "scope-creep" — when collecting personal information, what information is being collected must be disclosed, as well as the purposes for which the data will be used, and the CCPA prohibits new uses of personal information that were not specified at the time of collection.

What types of new disclosures does the retailer need to make?

The CCPA requires disclosures or notices in a number of contexts, including: (1) at or before the point of collection, and (2) as a generally available privacy policy on the website homepage or, in our case, the landing page of the app.

Regarding the first context for an AR app — at or before the point of collection — the notice would need to appear either before the app is downloaded or through prompts after the app is downloaded but before it collects any information about the user or the device into which it is downloaded. Under the CCPA, businesses need to disclose at or before collection (1) the categories of personal information being collected; (2) the purpose for which the information will be used; (3) if the business is selling the information, then a "Do Not Sell My Personal Information" or "Do Not Sell My Info" link, and (4) a link to the privacy policy.

The privacy policy is a more comprehensive description of privacy practices relating to the collection, use, disclosure and sale of personal information and should likewise be available by link from the website homepage or app download or landing page. In addition to the disclosures above, the privacy policy requires (1) a description of the consumer's specific rights under the CCPA, including the right to deletion and the right to request disclosure regarding the collection and sale of personal information; (2) a description of the process to submit rights requests and of the verification process; (3) the categories of personal information collected about consumers in the past 12 months; and (4) the categories of sources of personal information collected. As applicable, the privacy policy also needs to disclose (5) a list of categories of personal information disclosed for a business purpose or sold in the past 12 months.

The CCPA also has specific requirements relating to the collection and processing of the personal information of minors.

The CCPA also requires disclosure of the types of third parties to whom the personal information is transferred, and certain transfers — to third parties who are not under a contract with specific terms limiting their use of the data for their own benefit, and to whom the data is transferred for consideration — that would qualify as "sales" under the CCPA, giving rise to additional requirements. In its public announcement that it was beginning to enforce the CCPA, the California Attorney General highlighted two provisions of the CCPA: Cal. Civ. Code § 1798.120, which permits consumers to direct businesses not to sell their information to third parties, and Cal. Civ. Code § 1798.135, which requires businesses to provide clear links to a web page that would permit consumers to opt out of the sale of personal information.

Companies with AR apps must take care to disclose all of the types of personal information the app is collecting, including identifying information, biometric information, geolocation data, audio/electronic/visual information, internet or other electronic network activity, and the fact that the company may use the information to draw further inferences about a consumer. Given the complexity of these apps and the likelihood that they will have added features going forward, it is particularly important for businesses to plan in advance and consider the specific ways that the information is likely to be used, both in the short and medium terms, to ensure that proper disclosures are made.

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(1) https://www.forbes.com/sites/kaleighmoore/2020/04/17/retailers-selling-non-essentials-see-double--triple-digit-increases-in-online-sales-during-covid-19-crisis/#14cf21866431

(2) https://twitter.com/dennysdiner/status/1243278315982589969?lang=en;

(3) https://www.mobilemarketer.com/news/chipotle-tackles-social-distancing-with-virtual-hangouts-on-zoom/574258/. https://www.mobilemarketer.com/news/pokemon-go-spending-jumps-67-after-indoor-play-adjustments/574910/

(4) https://www.nielsen.com/us/en/insights/article/2020/covid-19-the-unexpected-catalyst-for-tech-adoption/

(5) Cal. Civ. Code § 1798.140(c).

(6) For example, Instagram influencers often use the program "LIKEtoKNOW.it" to provide followers around the world with the inside scoop on exactly where they bought their ensemble. Although influencers often purchase from well-known brands or stores, influencers can drive web traffic to lesser-known brands and boutiques by using "LIKEtoKNOW.it," which provides links directly to the product where it is available for purchase online.

(7) https://www.lorealparisusa.com/services/privacy.aspx

(8) Cal. Civ. Code 1798.140(o)(1).

Doron S. Goldstein
Partner
Co-Chair, Advertising, Marketing & Promotions
doron.goldstein@katten.com

Kristin J. Achterhof
Partner
Co-Chair, Advertising, Marketing & Promotions
kristin.achterhof@katten.com

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Some of the most recognized companies in the world rely on Katten to safeguard and build value in their IP portfolios. From trademark clearance and transactional due diligence to portfolio exploitation, enforcement and litigation, we enhance the global commercial value of intellectual property and brands.

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For more information, contact: Jessica Kraver
Associate | Intellectual Property Department | Katten Muchin Rosenman LLP
+1.212.940.6523 | jessica.kraver@katten.com | 575 Madison Avenue | New York, New York 10022