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**Swiss IP News** We provide you with updates on new decisions, the relevant legislative process and other trends in the fields of intellectual property and unfair competition law from a Swiss perspective.

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# Virtual Goods and Services, Real Problems



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The Swiss Federal Institute of Intellectual Property (IPI) is proposing a solution to the question of whether virtual goods or services and their real-world equivalents are similar under Swiss trademark law. Once in force, the new guidelines will help trademark practitioners advise trademark owners navigating the real and virtual worlds.

## Traditional Similarity Indicators Reach Their Limits

As virtual and real environments blur, and brand owners offer virtual versions of real-world goods in virtual environments traditional similarity indicators become inadequate for assessing the similarity between virtual goods or services and their real-world equivalents. These indicators were developed for real-world contexts and often do not apply to virtual goods and services. For example, a virtual handbag does not carry items, and a virtual water bottle does not quench thirst. In conclusion, virtual and real-world products may thus not be similar under traditional similarity indicators, even though consumers increasingly perceive them as related, which fosters a sense of similarity.

## Consumer Perception: “Piercing the Veil Between Real and Virtual Worlds”

To better reflect consumer perceptions, the IPI, inspired by EUIPO practices, proposes to “pierce the veil between the real and virtual worlds”. This approach – inspired by the concept of “piercing the corporate veil” according to the IPI – is intended to recognize that, despite functional differences, virtual goods and services remain linked to their real-world counterparts in the minds of consumers: A virtual bottle of water does not quench thirst, but it can evoke the same brand associations and consumer impressions.

The new approach should allow for a more flexible interpretation of similarity, treating trademark use in real and virtual environments as a unified strategy and, where appropriate, recognizing the specific characteristics of virtual goods and services.

## Similarity between Virtual and Real-World Goods

Nevertheless, virtual goods and their real counterparts are not automatically considered to be similar. On a case-by-case basis, the parties must show that consumers consider their virtual and real-world goods to be related and that it is common practice in the relevant industry and market segment for manufacturers to produce both virtual and real-world equivalents (or vice versa). In addition, it must be shown that these criteria are more important than others in determining similarity.

## Similarity between Virtual and Real-World Services

In order to assess the similarity between virtual and real-world services, the IPI suggests dividing virtual services into two categories:

- Services that have real-world equivalents: These include services such as educational services, financial advisory services, or entertainment services such as concerts or fashion shows.

- Services without real-world equivalents: Services such as virtual haircuts or virtual restaurants, that cannot perform the same functions as their physical real-world counterparts.

Whether provided in a virtual or real-world environment, services that have real-world equivalents retain their core purpose. Therefore, traditional similarity criteria apply.

Services without real-world equivalents are not a separate category of virtual services but rather a type of advertising, entertainment, or education services. Thus, if certain real-world services are considered similar to advertising, education and/or entertainment under traditional indicators, then comparable virtual services without real-world equivalents may also be similar to such advertising, education and/or entertainment services.

Finally, the IPI supports the use of traditional similarity indicators for virtual services that are not considered similar to advertising, educational, or entertainment services. Consumers do not (yet) associate such virtual services to be linked to comparable real-world counterparts. Classifying such virtual services as information or consultancy services could create excessive overlap with other services, which the IPI seeks to avoid.

### Comment

Borrowing from the concept of "piercing the corporate veil" to establish similarity between real-world and virtual goods and services is not entirely convincing. While relevant in corporate law, this concept does not pertain to the questions of similarity of goods and services. The IPI could have explained the increasing overlap between the virtual and real worlds by simply citing changes in consumer perception, without

referencing an unrelated legal principle. Nonetheless, the IPI's proposal correctly adopts a consumer-focused approach, takes into account economic reality, with safeguards to prevent an overly broad interpretation of similarity. In any case, the IPI's approach will need regular review to keep pace with the rapidly changing digital market and to reflect economic realities.

The Walder Wyss Newsletter provides comments on new developments and significant issues of Swiss law. These comments are not intended to provide legal advice. Before taking action or relying on the comments and the information given, addressees of this Newsletter should seek specific advice on the matters which concern them.

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