

# KRYPTONITE, DUFF BEER AND THE PROTECTION OF FICTIONAL CHARACTERS AND PRODUCTS IN THE GLOBAL COMMUNITY

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When Shakespeare, in *Venus and Adonis*, pictured the ‘... true-love in her naked bed, teaching the sheets a whiter hue than white,’ he was not advertising a washing powder, but, as it happens, his language is remarkably evocative of a modern technique of selling, by which a product is associated with a desirable personality, in whose reflected light it will appear more pleasing. The technique is called character merchandising ... [a] feature of [which] ... is that the advertiser uses the public image of the personality concerned to develop in the minds of consumers an identification of the product with that personality.<sup>1</sup>

## I INTRODUCTION

On Sunday, 19 February 2012, the popular American animated series, *The Simpsons*,<sup>2</sup> broadcast its 500<sup>th</sup> episode.<sup>3</sup> The show is now in its 23<sup>rd</sup> season, and occupies the position as the longest running animated situation comedy,<sup>4</sup> surpassing the runner-up, *The Flintstones*, by over 15 years.<sup>5</sup> It is also currently reported to be the most popular program on television, boasting over 150 million viewers worldwide.<sup>6</sup> Of course, the commercial value of the hit series has not

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1 *Shoshana Pty Ltd v 10th Cantanae Pty Ltd* (1987) 18 FCR 285, 286–7.

2 *The Simpsons* (Produced by Matt Groening and James L Brooks, Fox Broadcasting Company, 1989–present).

3 *At Last Long Leave* (Directed by Matthew Nastuk, FOX Broadcasting Company, 2012).

4 Robert Lloyd, ‘Matt Groening Discusses “The Simpsons” Hitting 500 Episodes’, *Los Angeles Times* (online), 19 February 2012 <<http://articles.latimes.com/2012/feb/19/entertainment/la-ca-the-simpsons-20120219>>.

5 James Hibberd, *Fox Renews Simpsons; Set to Surpass “Gunsmoke” as Longest-Running Primetime TV Series* (26 February 2009) *The Hollywood Reporter* <<http://www.hollywoodreporter.com/blogs/live-feed/fox-renews-simpsons-set-surpass-51304>>; see generally Barry Garron, *Why No Other Series Will Ever Reach 500 Episodes* (2 March 2012) CNN Entertainment <<http://edition.cnn.com/2012/03/02/showbiz/tv/simpsons-500-episodes-rare-garron/index.html?iref=allsearch>>, ‘[c]rashing the 500-episode barrier ... has only been done twice before by a scripted series in prime time. “Gunsmoke,” the all-time leader, had 635 episodes before it headed out of Dodge City in 1975. “Lassie” saved the day in 588 telecasts before the courageous collie called it quits in 1973.’

6 Stacey Wilson, *‘The Simpsons’ at 500: Untold Stories* (8 February 2012) *The Hollywood Reporter* <<http://www.hollywoodreporter.com/news/simpsons-500-episodes-conan-obrien-matt-groening-287864>>.

been overlooked. The value of syndication of *The Simpsons* episodes is estimated to be approximately one billion dollars,<sup>7</sup> and the program, its characters, and products have spawned a multi-billion dollar merchandising empire,<sup>8</sup> including a theme park ride at Universal Studios;<sup>9</sup> special editions of well-known board games, including Jeopardy,<sup>10</sup> The Game of Life,<sup>11</sup> Monopoly,<sup>12</sup> and Sorry;<sup>13</sup> numerous books and episode reviews; millions of T-shirts featuring Bart and other characters or fictional products such as Duff Beer;<sup>14</sup> *The Simpsons Movie*;<sup>15</sup> a limited edition *The Simpsons Movie* Xbox 360 by Microsoft;<sup>16</sup> and a special flavour of Ben & Jerry's Ice Cream.<sup>17</sup>

*The Simpsons* is, of course, but one of a considerable number of lucrative media franchises. Walt Disney stores gross over USD26 billion annually in North America, Europe and Latin America selling toys, clothing and furniture,<sup>18</sup> and in 2009 Disney added another star to its already broad constellation by purchasing Marvel Entertainment in a four billion dollar transaction that included the stable

- 7 Jon Bonné, 'Simpsons' Evolves as an Industry: Fox's Much-Loved TV Show Is a Guaranteed Cash Cow (11 July 2003) MSNBC Today <<http://today.msnbc.msn.com/id/3403870>>.
- 8 John Blackstone, 'The Simpsons': 500 Episodes, Still Going Strong (17 February 2012) CBS News <[http://www.cbsnews.com/8301-505270\\_162-57380141/the-simpsons-500-episodes-still-going-strong](http://www.cbsnews.com/8301-505270_162-57380141/the-simpsons-500-episodes-still-going-strong)>.
- 9 Universal Orlando, *The Simpsons Ride* <[http://www.universalorlando.com/Rides/Universal-Studios-Florida/The-Simpsons-Ride.aspx?Intsrch=The Simpsons](http://www.universalorlando.com/Rides/Universal-Studios-Florida/The-Simpsons-Ride.aspx?Intsrch=The+Simpsons)>.
- 10 *Simpsons Board Games* (23 April 2011) Board Game Central <<http://www.boardgamecentral.com/games/simpsons.html>>.
- 11 *The Game of Life The Simpsons Edition*, Hasbro <[http://www.hasbro.com/shop/details.cfm?R=929C5455-6D40-1014-8BF0-9EFBF894F9D4:en\\_US](http://www.hasbro.com/shop/details.cfm?R=929C5455-6D40-1014-8BF0-9EFBF894F9D4:en_US)>.
- 12 *Monopoly The Simpsons Electronic Banking Edition*, Hasbro <[http://www.hasbro.com/shop/details.cfm?R=9377B9F7-6D40-1014-8BF0-9EFBF894F9D4:en\\_US&src=endeca&product\\_id=20038](http://www.hasbro.com/shop/details.cfm?R=9377B9F7-6D40-1014-8BF0-9EFBF894F9D4:en_US&src=endeca&product_id=20038)>.
- 13 *Simpsons Board Games*, above n 10.
- 14 Bonné, above n 7. '[R]evenues from "*Simpsons*" merchandising are estimated to edge up into the hundreds of millions, and possibly higher. "*Simpsons*" T-shirt sales reportedly will take in \$20 million this year in the United States alone.'
- 15 The movie grossed \$74 000 000 on its opening weekend of 27–29 July 2007. See Brandon Gray, 'Simpsons' Leaps to Big Screen Success (30 July 2007) Box Office Mojo <<http://www.boxofficemojo.com/news/?id=2359&p=htm>>; see also Associated Press, '7-Eleven Becomes Kwik-E-Mart for 'Simpsons Movie' Promotion (1 July 2007) Fox News <<http://www.foxnews.com/story/0,2933,287578,00.html#ixzz1oNDXe8gD>>.
- 16 Donald Melanson, *Microsoft Unveils Limited Edition Simpsons-Themed Xbox 360* (10 May 2007) Engadget <<http://www.engadget.com/2007/05/10/microsoft-unveils-limited-edition-simpsons-themed-xbox-360/>>.
- 17 'The flavor, called Duff & D'oh-Nuts, is described by the company as a combination of chocolate and cream stout ice creams with glazed chocolate doughnuts. Homer Simpson, the overweight, dopey father in the longstanding popular Fox cartoon, has a penchant for beer and doughnuts': Gordon Dritschilo, 'Ben & Jerry's Delivers Homerific Ice Cream', *Rutland Herald* (online), 19 July 2007 <<http://www.rutlandherald.com/apps/pbcs.dll/article?AID=/20070719/NEWS04/707190329/1024/NEWS04>>.
- 18 Sabarinath M, 'Disney to Enter Retail Licencing', *The Economic Times* (online), 16 May 2002 <<http://economictimes.indiatimes.com/disney-to-enter-retail-licencing/articleshow/9993714.cms>>. For current financial reports for the company, see The Walt Disney Company, *Quarterly Earnings Reports* (7 February 2012) <[http://corporate.disney.go.com/investors/quarterly\\_earnings.html](http://corporate.disney.go.com/investors/quarterly_earnings.html)>.

of Marvel's famed heroes and villains, including Spiderman.<sup>19</sup> Warner Brothers Consumer Products and DC Comics also continue to profit from their long list of licensed characters of which Superman,<sup>20</sup> and Batman,<sup>21</sup> are the most notable. In other geographic areas myriad diverse characters have also obtained considerable commercial success. For example, in Belgium, the artist Georges Remi (known as Hergé), created one of the world's most enduring cartoon characters, Tintin, a young and heroic investigative reporter and detective. The character of Tintin was inspired by French foreign correspondent, Albert Londres,<sup>22</sup> and first appeared in a Belgian newspaper in 1929.<sup>23</sup> Since then Tintin has been featured in myriad animated films and on a wide variety of merchandise.<sup>24</sup> The fictional adventurer is now the focus of a multi-million Euro franchise.<sup>25</sup> Entrepreneurs in Asia have not been silent. In Japan, Sanrio transformed a bulbous cartoon cat into the multibillion-dollar 'Hello Kitty' global business.<sup>26</sup>

Fame and notoriety are an important currency in today's highly communicative world. This state of affairs implicates not only the influence that entertainment devices and celebrity have upon the commercial behaviours of peoples, but also the depth of the effect upon their affective and personal lives. 'Superheroes' and other fictional characters lighten our free time, and it appears that they may also play a variety of sociological roles, reflect numerous cultural norms, and fill a number of psychological voids. For example, they may reflect our most genuine and far reaching aspirations by providing a bridge between what is realistically within our immediate grasp and the less readily attainable goals toward which we strive; they may embody the ideals of culture to which we aspire and with which we identify; they may be a vehicle through which we can express ourselves and

19 Robert Dougherty, *Disney-Marvel Entertainment Merger Stuns Fans* (31 August 2009) Yahoo! Voices <<http://voices.yahoo.com/disney-marvel-entertainment-merger-stuns-fans-4171157.html?cat=3>>. The list of the most popular Marvel characters for the week of 5 March 2012 were: 1. Hulk; 2. Spider-Man; 3. Avengers; 4. Deadpool; 5. Wolverine; 6. Thor; 7. Iron Man; 8. Black Widow (Natasha Romanova); 9. Hawkeye (Clint Barton); 10. Captain America (Steve Rogers), see Marvel, *Most Popular Marvel Characters This Week* <<http://marvel.com/characters/>>.

20 See, eg, Business Wire, *Warner Bros Consumer Products Flies High with DC Comics Superman at Licensing 2005 International; Franchise Set to Reach New Heights in 2005 Leading Up to Feature Film Release of Superman Returns in June 2006* (16 June 2005) <<http://www.businesswire.com/news/home/20050616005219/en/Warner-Bros.-Consumer-Products-Flies-High-DC>>.

21 Ibid.

22 HERGÉ/Mounlinsart, *History* (2012) *The World of Tintin* <<http://us.tintin.com/about/origins/>>.

23 HERGÉ/Mounlinsart, *Hergé* (2012) *The World of Tintin* <<http://us.tintin.com/about/herge/>>.

24 See, eg, HERGÉ/Mounlinsart, *Tintin Store* (2011) *The World of Tintin* <<http://shop.tintin.com/>>.

25 Tintin has appeared on a Belgian postage stamp and on Euro coins. There is also a tremendous merchandising empire surrounding Tintin, eg, wallpaper, bed linen, kitchenware: see Lien Verbauwheide, *Savvy Marketing: Merchandising of Intellectual Property Rights*, World Intellectual Property Organization <<http://www.wipo.int/sme/en/documents/merchandising.htm>>. For comment on the influence of the stories as well as the views of a collector of Tintin merchandise, see Peter Conrad, 'He'll Never Act His Age', *The Guardian* (online), 7 March 2004 <<http://www.guardian.co.uk/books/2004/mar/07/booksforchildrenandteenagers.features>>. The popularity of Tintin has spread across the Atlantic and is now quite strong in the US. The film, *The Adventures of Tintin*, directed by Steven Spielberg, premiered in the US in December. See *The Adventures of Tintin* (Directed by Steven Spielberg, Columbia Pictures, 2012).

26 See Ken Belson and Brian Bremner, *Hello Kitty: The Remarkable Story of Sanrio and the Billion Dollar Feline Phenomenon* (Wiley, 2004).

communicate our deepest beliefs, hopes and dreams; they permit us to exercise our creative imaginations and transcend the limits of a mundane and pedestrian world; and they permit us to be innovative!<sup>27</sup> Fictional characters may engage our intellects or inspire us. At the very least, we are entertained.

Character merchandise is one means by which we can experience and express these and other positive attributes, either directly or vicariously. Character and personality merchandising is also a contemporary vehicle that can be used to increase the appeal of ancillary products or services to customers who identify with or have an affinity for the character or its traits. Characters not only draw attention to products; they also help the products tell an attractive story. As observed by Lien Verbauwheide, consultant for the World Intellectual Property Organization's small and medium enterprise division:

In fact, character and personality merchandisers believe that the main reason for a consumer to buy low-priced mass goods is not because of the product itself but because of the name or image of the celebrity or fictional character that is reproduced on the product.<sup>28</sup>

Recognition of these marketing phenomena and the strength and breadth of their influence is found in some countries through laws that protect the value of fictional characters and fictional products as well as the persona and broader image of individuals to whom celebrity status is attributed.<sup>29</sup> If the interest is one allied with human personality, the focus is usually upon interests and attendant legal rights and principles of publicity, privacy and individual reputation. If the subject matter is fictional, the protective devices are most often found in a complementary commercial and transactional arena through the recognition of the value of trade symbols and the many theories of unfair competition.

This article will address the various regimes that have developed to address the exploitation of the fictional character and product. It will begin by reviewing and comparing the development of the major general theories extant in the global community and employed to protect interests in fictional characters and products. Particular attention will then be given to the marketing strategy of enhancing interest in a product or service by associating or affiliating that product or service with such a character or product. The article will then proceed to compare the treatment of character merchandising in the US, Australia and Belgium, and will conclude by specifically examining the treatment of the faux product, 'Duff Beer', brought to fame by *The Simpsons* in Australia and Belgium.

27 See Pamela Laserna and Ashley Cotter-Cairns, *Superhero Hype and Psychology* T-niverse <<http://www.tee-shirt-ideas.com/superhero-hype.html#axzz1seuNAYHJ>>.

28 Verbauwheide, above n 25. Examples of character or personality merchandising referenced by Verbauwheide include: 'gummy candies in the shape of the fictional character Pink Panther' and 'perfume bottles bearing the name of singer Jennifer Lopez'.

29 See below nn 100–45 and accompanying text and the discussion of character merchandising.

## II THE LEGAL REGIMES: GENERAL CONSIDERATIONS OF FAIRNESS IN COMPETITION — THE OCEANIC CONTEXT IN WHICH THE PROTECTION OF CHARACTER MERCHANDISING DEVELOPED

Any restriction that may be placed upon the liberal use of fictional characters and products in an otherwise free market implicates the policies and considerations of commercial competition. The general purpose of establishing principles to regulate trade practices and standards of fair competition is to maintain a proper balance within a given competitive order. In the US, for example, it has long been recognised that robust competition is the norm for viable commercial activity.<sup>30</sup> In this regard, the US Supreme Court has specifically noted, '[s]ubject to narrow qualifications, it is surely the case that competition is our fundamental national economic policy'.<sup>31</sup>

In the US, although injury to a participant or to their property has certainly been influential in ultimately concluding that particular market activities are inappropriate, the existence of such a loss does not necessarily precipitate a determination that any particular form of conduct is unfair. Rather, it is the recognition of a duty to refrain from unfair conduct, at times ill-defined and amorphous, that requires an individual to keep conduct within certain transactional bounds.<sup>32</sup>

In fact, the standards of fair trade and, thus, unfair competition are inspired by the recognition that in order for there to be a proper and functional balance<sup>33</sup> within any economic and social regime, certain reasonable expectations and consequent conforming behaviours must exist among those active in the transactional environment. Consequently, the preservation of relationships deemed advantageous to common wealth and the promotion of corollary and

30 *Berkey Photo Inc v Eastman Kodak Co*, 603 F 2d 263, 271 (2<sup>nd</sup> Cir, 1979).

31 *United States v Philadelphia National Bank*, 374 US 321, 372 (1983). See also *Northern Pacific Railway Co v United States of America*, 356 US 1, 4–5 (1958).

32 See Frauke Henning-Bodewig, *Unfair Competition Law: European Union and Member States* (Kluwer Law International, 2006) 1.

In the past, the main criterion (for fairness) was seen in the competitive relationship between parties. However, this approach is regarded as too narrow today, since it excludes the impact of unfair competition on other market participants, especially consumers, and neglects the interest of the general public in the fairness of competition.

33 In a venerable case considering whether two manufacturers of watches located in the town of Waltham, Massachusetts could use the geographic indicator on or accompanying their products, the Massachusetts Supreme Judicial Court in *American Waltham Watch Co v US Watch Co*, 173 Mass 85, 86–87 (1899), acknowledged:

In cases of this sort, as in so many others, what ultimately is to be worked out is a point or line between conflicting claims, each of which has meritorious grounds, and would be extended further were it not for the other. *Ferrule Co v Hills*, 159 Mass 147, 149, 150, 34 NE 85. It is desirable that the plaintiff should not lose custom by reason of the public mistaking another manufacturer for it. It is desirable that the defendant should be free to manufacture watches at Waltham, and to tell the world that it does so. The two desiderata cannot both be had to their full extent, and we have to fix the boundaries as best we can. On the one hand, the defendant must be allowed to accomplish its desideratum in some way, whatever the loss to the plaintiff. On the other, we think, the cases show that the defendant fairly may be required to avoid deceiving the public to the plaintiff's harm, so far as is practicable in a commercial sense.

positive behaviours are the principles that inform and define this subject area of the law. Claims of right and entitlement are, generally, neither instructive nor determinative.<sup>34</sup>

For some this means that the principles of unfair competition lack any unifying theme, and these commentators express apprehension that the condition begets unprincipled and metastatic growth.<sup>35</sup> As a result — and in a search for stability, predictability and certainty — some theorists have grounded the principles of competition in the protection of a property interest. While this has been deemed circumstantially utile in discrete situations, it has, at times, resulted in a singular focus upon the artifice of mechanisms that address traditional rights of exclusion and has ignored more diffuse interests in positively influencing productive business relationships. The inconsistency has been noted by commentator, Rudolf Callman:

Injury to property would not necessarily constitute the basis for a cause of action against a competitor for trespass if the injury were only the natural result of competition. Hence, the plaintiff would be compelled to base his cause of action upon the fairness of the competition.<sup>36</sup>

The focus upon conduct that can be judged as fair has, perhaps, been most often the dominant standard in the contemporary marketplace in which transactions and exchanges occur quite rapidly, influenced by dynamic digital communication, and in a virtual environment. Furthermore, as the boundaries of physical jurisdictions blur and diverse cultural influences grow in significance, that which is perceived as conformance with legal principles from a more local view may be viewed as non-conformance from a more distant perspective.

Thus in a broad sense, principles of unfair competition have evolved to take on a new meaning capable of embracing standards of equity. These guideposts are

- 34 See *United States v Philadelphia National Bank*, 374 US 321, 372 (1983) (citations omitted):  
The test of a competitive market is not only whether small competitors flourish but also whether consumers are well served. ‘Congressional concern [was] with the protection of competition, not competitors.’ In an oligopolistic market, small companies may be perfectly content to follow the high prices set by the dominant firms, yet the market may be profoundly anticompetitive.
- 35 *L’Oreal SA v Bellure NV* [2007] EWCA Civ 968, [139]–[141], Lord Jacobs rejected devising a new standard of unfair competition in the UK, but in doing so stated the competing concerns: What one man calls ‘unfair’ another calls ‘fair’. The market involves the interests of traders, their competitors and consumers. They all have different perspectives. An established trader would like the law to hold off all his competitors — and as far as possible. He would want to prevent all copying of his products and for as long as possible, preferably indefinitely. He would want as wide a gap as possible between his trade marks and those of others. He would oppose any form of comparative advertising. A newcomer will want to be able to copy — and to improve. He will want to be able fairly to advertise comparatively. And the consumer will want the best deal he can get. He would oppose anything deceptive, but probably nothing else.  
So I think there are real difficulties in formulating a clear and rational line between that which is fair and that which is not, once one goes outside the requirement of no deception.  
Moreover the basic economic rule is that competition is not only lawful but a mainspring of the economy. The legislator has recognised that there should be exceptions. It has laid down the rules for these: the laws of patents, trade marks, copyrights, and designs have all been fashioned for the purpose. Each of them have rules for their existence and (save for trade marks) set time periods for existence. Each has their own justification.
- 36 Rudolf Callman and Louis Altman, *The Law of Unfair Competition Trademarks and Monopolies* (Callaghan & Co, 4<sup>th</sup> ed, 1996) 55.

born of notions of fairness, conceptions of morality, preferred perspectives of an efficient, effective and functioning economic system, and the sociological assumptions of cohesion, and are, by their nature, bound up in that which is culture and legal tradition.<sup>37</sup> The policies served not only provide a means by which to define and promote honest and fair dealing among competitors and non-competitors alike, but also protect the consuming public from entrepreneurial conduct considered confusing or parasitic and through which they might be induced to make imprudent and improvident decisions. In addition the principles often purport to safeguard the interest and investment that individuals make in the affairs of business in the form of goodwill.<sup>38</sup>

While protecting advantageous relationships, in general, and trade relationships, in particular, the concept of unfair competition has gained purchase in the international community under the guise of a number of specific causes of action. These include not only the protection of such interests in personal privacy (and included within that general cause of action, the prevention of unauthorised use of an individual's image in commerce,<sup>39</sup> and the curtailment of intrusive surveillance,<sup>40</sup> in particular), the preservation of confidential relationships and disclosures,<sup>41</sup> and a bridging principle that protects the commercial use of the image of a celebrity,<sup>42</sup> but also such commercial torts as trademark infringement,<sup>43</sup>

37 This is reflected in the differing applications of principles of unfair competition in various countries in the global community. As noted by Henning-Bodewig, '[t]he reason for this is mainly historical. The law against unfair competition is deeply rooted in the national system of law, which has developed rather differently in the countries of Europe.' Henning-Bodewig, above n 32, 1.

38 See generally Callmann and Altman, above n 36, 50.

39 'The so-called right of privacy has not as yet found an abiding place in our jurisprudence': *Roberson v Rochester Folding Box Co*, 171 NY 538, 556 (1902), regarding the commercial use of a photograph of the plaintiff on a bag of flour. But see *Galella v Onassis*, 487 F 2d 986, 995 n 12 (2<sup>nd</sup> Cir, 1973), regarding an action by a photographer against the US president's widow and others claiming false arrest, malicious prosecution and interference with trade:

The vast majority of states have now recognized and protect a right to privacy. Restatement of Torts 2d § 652(a), comment a (Tent Draft No 13, 1967). Statutory protection has been afforded the right in New York through imposition of criminal sanctions for invasion of privacy through the use of mechanical devices for wiretap and eavesdropping and for tampering with certain private communications. New York Penal Code §§ 250.00–250.35 (McKinney, 1967).

40 *Campbell v Mirror Group Newspapers Ltd* [2004] 2 AC 457. Celebrities in the US have frequently been held to possess a substantially diminished interest in privacy due to the competing public interest in freedom of speech as protected by the First Amendment to the US Constitution, see *Solano v Playgirl Inc*, 292 F 3d 1078 (9<sup>th</sup> Cir, 2002). The view is quite often different in the European Union, see *Von Hannover v Germany* [2004] Eur Court HR 294.

41 *Douglas v Hello! Ltd* [2001] QB 967.

42 J Thomas McCarthy, *The Rights of Publicity and Privacy* (Thomson West, 2<sup>nd</sup> ed, 2004). The right of publicity recognised in the US and a limited number of other countries such as Japan has been characterised as a bridge in this context. This is because although it was originally born of the corollary right of privacy, when individuals seek to commercialise the value of their image, it has been deemed that they waive privacy in favour of commercial exploitation. See *O'Brien v Pabst Sales Co*, 124 F 2d 167 (5<sup>th</sup> Cir, 1941). The specific right purports not to be recognised in Australia and the UK; the interest is protected, in part, through the principle of passing off. See Mark J Davison, Ann L Monotti and Leanne Wiseman, *Australian Intellectual Property Law* (Cambridge University Press, 2<sup>nd</sup> ed, 2008). Of particular note, the right only protects the interests of natural persons; it would not protect fictional characters or products.

43 *Lanham (Trademark) Act* 15 USC §1051–§141 (1946) ('*Lanham Act*').

passing off,<sup>44</sup> interference with contractual trade relationships, reverse passing off or misappropriation,<sup>45</sup> trade disparagement,<sup>46</sup> malicious competition, false designations of origin and description; misstatements of affiliation, association, and sponsorship,<sup>47</sup> dilution by blurring and tarnishment,<sup>48</sup> and cyberpiracy.<sup>49</sup> Of these, perhaps most apposite to the current discussion are the gravamen of passing off and unfair competition as they relate to misinformation about affiliation, association, and sponsorship.<sup>50</sup> The article will now turn its attention to the latter two discrete topics and compare their development and use in the context of various global and territorial regimes.

### III THE GENERAL DEVELOPMENT OF PASSING OFF

The law of passing off has been the theorem most widely employed to protect a creator's economic interest against unauthorised use by others. The broader construct of law that protects trade identity, in general, purports to have grown from the common law cause of action in deceit. While perhaps originally designed to protect an individual in a contractual relationship from damage occasioned by the intentional misdeeds of another party, it appears that the cause of action grew to also protect those not in privity with another.<sup>51</sup> In an early 16<sup>th</sup> century case in which a purchaser was allegedly deceived by the unauthorised use of a cloth

44 *Reckitt & Coleman Products Ltd v Borden Inc* (1990) 1 All ER 873. See also J Thomas McCarthy, Thomson Reuters, *McCarthy on Trademarks and Unfair Competition*, vol 1 (2011).

45 *International News Service v Associated Press*, 248 US 215 (1918), wherein News Service engaged in unfair competition by using the news stories produced through the labours of another. Cf *Victoria Racing & Recreation Grounds Co Ltd* (1937) 58 CLR 479.

46 Davison, Monotti and Wiseman, above n 42, 59.

47 *Wyatt Earp Enterprises Inc v Sackman Inc*, 157 F Supp 621, 625–6 (SD NY, 1958):

The public is moved to buy merchandise because of an identification with the name 'Wyatt Earp' as developed by the plaintiff's television program. The defendant's use of the name created a likelihood that the public would believe, erroneously, that its playsuits were licensed or sponsored by the plaintiff, to the injury of the plaintiff's good will and to the hazard of its reputation. There is a high probability that, upon the trial of the issues, plaintiff will be able to establish that the name, mark and symbol 'Wyatt Earp' has acquired a secondary meaning in the minds of the public as identified and associated with the television program and the plaintiff, and extending into the field of children's playsuits.

It is true that the plaintiff and defendant are not direct competitors in the same field of endeavor. The plaintiff does not manufacture children's playsuits. But where secondary meaning and consumer-confusion are established, use of a trade name even upon non-competing goods may be enjoined.

But see *American Footwear Corp v General Footwear Co Ltd*, 609 F 2d 655 (2<sup>nd</sup> Cir, 1979), where a footwear marketer had a trademark for 'Bionic' and brought common-law trademark infringement, unfair competition and tortious interference with business relations action against the defendant. Pursuant to a licence from a television studio, the defendant was using the term in the manufacture and sale of shoes. The defendant licensee asserted claims of common-law and statutory trademark infringement, unfair competition, false designation of origin, passing off, and dilution against the plaintiff. No likelihood of confusion of the public was found.

48 *Lanham Act* 15 USC §1125(c) (1946).

49 *Ibid* §1125(d).

50 Protection of trademarks and the standard of infringement thereof are also quite important, however, in the spirit of efficiency, an expanded consideration will not be included. Instead, certain summary observations with respect to what might be the most important features that distinguish the various regimes in the world community will be offered below.

51 *Pasley v Freeman* (1789) 100 ER 450. See also Charles R McManis, *Intellectual Property and Unfair Competition in a Nutshell* (West Publishing, 6<sup>th</sup> ed, 2009) 52–7.



manufacturer's mark upon the goods of another manufacturer, the English Court apparently set the requirement of privity aside and constructed a remedy based primarily upon the deception of the purchaser and the consequent injury to both him and the original clothier.<sup>52</sup> This cause of action, a commercial tort, came to be known as 'passing off' or 'palming off'.<sup>53</sup>

From an historical perspective, protection afforded to trade symbols was initially limited to 'technical marks', ie, those in the taxonomy of marks deemed inherently distinctive.<sup>54</sup> Marks that were considered descriptive or were mere trade names would only be protected after acquiring a 'secondary meaning' through the original common law form of passing off.<sup>55</sup>

The common law tort of passing off was therefore defined early on as 'the unauthorized substitution of the goods of one manufacturer when the goods of another are requested by the customer'.<sup>56</sup> The distinction between trademark infringement and passing off was that the former responded to the exclusive right of an individual to use a specific distinctive symbol in the course of trade while the latter included the broader and less constrained standard of 'unfair use of an otherwise unprotected reputational symbol'<sup>57</sup> that took the form of an unprotected trade name that had acquired distinctiveness or secondary meaning.<sup>58</sup>

The rather general approach that protects business reputation as opposed to more distinct trade symbols remains the essential definitional measure of a passing off action in the US,<sup>59</sup> and it is also that which may distinguish passing off in the US from a broader protection afforded to unregistered trademarks in that country

52 *Sandforth's Case*, Entries, BL MS Hargrave 123, fo 168 (1584) ('*Clothier Case*'), discussed in McManis, above n 51, 102; Keith M Stolte, 'How Early Did Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum' (1998) 8 *Fordham Intellectual Property, Media and Entertainment Law Journal* 505. David C Hilliard, Joseph Nye Welch II and Janet A Marvel, *Trademarks and Unfair Competition* (Matthew Bender, 3<sup>rd</sup> ed, 2007) §1.01, 2. See also *Southern v How* (1617) 79 ER 1243.

53 See *Blanchard v Hill* (1742) 26 ER 692.

54 See *Abercrombie & Fitch Co v Hunting World Inc*, 537 F 2d 4, 9 (2<sup>nd</sup> Cir, 1976) (Friendly J).

55 See McCarthy, *McCarthy on Trademarks and Unfair Competition*, above n 44, §§1:12 – 1:17, 1-34 – 1-43.

56 *K-S-H Plastics Inc v Carolite Inc*, 408 F 2d 54 (Fed Cir, 1969).

57 *American Products Co v American Products Co*, 42 F2d 488 (Mich 1930).

58 The latter point was made clearly over a hundred years ago by Parker J in *Burberrys v J C Cording & Co Ltd* (1909) 26 RPC 693, 701:

The principles of law applicable to a case of this sort are well known. On the one hand, apart from the law as to trade marks, no one can claim monopoly rights in the use of a word or name. On the other hand, no one is entitled by the use of any word or name, or indeed in any other way, to represent his goods as being the goods of another to that other's injury. If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property ... is not property in the word or name, but property in the trade or goodwill which will be injured by its use.

59 This state of affairs also has significance to distinctions in trademark law in the world community. Trademarks in the US are grounded in use and not in registration as they are in many other countries of the world, including Australia. In addition, while trademarks are considered personal property in many registration based systems of the world, they are not actually considered the property of the holder in the US. As such, and in contradistinction to other regimes, at such time as a trade name or other non-distinct symbol gains secondary meaning, it may qualify for protection in the US as an unregistered trademark. See *Lanham Act* 15 USC §1052(e), (f) (1946). See also *Armstrong Paint & Varnish Works v Nu-Enamel*, 306b US 315 (1938).

through principles of unfair competition.<sup>60</sup> This dichotomous *raison d'être* may also serve to distinguish the use of the label in other regimes, such as the United Kingdom, in which passing off is considered the appropriate vehicle for protecting unregistered trademarks,<sup>61</sup> and in Australia, in which the same nominal cause of action has expanded to include 'almost any misrepresentation that suggests an association between the defendant's product and the plaintiff'.<sup>62</sup> In both of the latter jurisdictions, the cause of action entitled passing off is distinct from the regime that provides protection to trademarks. While specific trans-cultural antecedents or trans-temporal definitions may be elusive, it is evident that each addresses separate and discrete interests. As Gummow J observed, there may be a number of separate interests:

- 60 Another distinction of note in the evolving nature of trademarks was that it was originally limited to the protection of symbols related to the trade in goods. Only later did it expand to include services and that which is today considered a service mark. See *American Steel Foundries v Robertson*, 269 US 372 (1926). Today, passing off in the US is subsumed, at least at the federal level, in the unfair competition action found in *Lanham Act* 15 USC §1125(c) (1946). It is still found in some states in its common law form.
- 61 Contrary to the tradition in the US in which use, and not registration, of trademarks is the determinant of protection, registration is the legal incident of protection in many countries, including the UK and Australia. In fact, s 5(4)(a) of the *Trade Marks Act 1994* (UK) c 26 prohibits the registration of a mark by virtue of passing off.
- 62 Davison, Monotti and Wiseman, above n 42, 6. In France, principles that disfavour free riding on the goodwill of another have been used to protect interests in fictional characters. In that regard, the formal legal recognition of the principles of unfair competition began as early as the late 16<sup>th</sup> century. Founded upon art 1382 of the *Civil Code*, a tort developed, known as '*action en concurrence de loyale*', that was designed to protect the private right of persons engaged in commerce from the risks of customer confusion. In general, it focused then, as it does today, upon the protection of the individual rights of competitors. The interests of consumers and the public are not protected under the tort theory, and other, more specific, laws have been promulgated to serve that end.

A recent character merchandising case from France suggests that the original rather restricted tort perspective might be evolving and expanding beyond its classic borders. While the decision does not specifically consider the use of a fictional character that was developed for use in one discrete channel of trade being employed later by an interloper within a completely different course of commerce, it does offer insight into the growing importance given to the protection of fictional characters and the ill effect of parasitic behaviours that can arise from misuse. In the dispute, the Belgian restaurant chain, Quick Restaurants, filed suit against the French restaurant, Boum Burger, for trademark infringement and unfair competition (*concurrence de loyale*) due to the defendant's unauthorised use of a figurative mark of the plaintiff's French figurative mascot 'Quickos.' It was claimed that the defendant's character mascot, 'Boumy', was substantially similar to that of the plaintiff insofar as both heads were shaped like hamburgers, had two eyes that bulged and hair represented by chips. The mascot, 'Quickos' was protected as a Community mark and which application had been filed on 9 October 2002. On 18 December 2009, the Paris Court of First Instance issued an opinion in which it declined to find an infringement of the trademark concluding that the two marks lacked such similarity as to lead to likelihood of confusion. The Court did, however, find that the placement of a visual representation of the 'Boumy' mascot proximate to a playground established by Quick Restaurants as well as the placement of a picture of 'Boumy' on a child's menu were both likely to confuse children who were deemed to be the target audience of the advertising. Consequently, the plaintiff's interest in exclusive use of the fictional character was protected under principles much akin to unfair competition. One commentator has expressed the view that while the Court appeared reluctant to recognise a private property right in the character, it did intend to curtail imitative and parasitic competition. See, Isabelle Leroux and Adeline Golvert, *Help on the Ground of Unfair Competition Where Trade Mark and Copyright Infringement are not Sanctioned* (21 July 2010) Two Birds <[http://www.twobirds.com/English/News/Articles/Pages/Help\\_unfair\\_competition\\_trade\\_mark\\_copyright\\_infringements\\_not\\_sanctioned.aspx](http://www.twobirds.com/English/News/Articles/Pages/Help_unfair_competition_trade_mark_copyright_infringements_not_sanctioned.aspx)>.

Within the passing off action, there is an accommodation and adjustment of three competing interests. First that of the plaintiff in protecting the commercial advantages flowing from his efforts and investment, secondly that of the defendant in being free to attract purchasers for his goods and services by what appears to him to be an effective means, and thirdly that of consumers in selecting between competing goods and services without the practice upon them of misrepresentations. Attempts to produce a definition of the tort which is both succinct and comprehensive have had mixed success ...<sup>63</sup>

#### IV PASSING OFF IN AUSTRALIA AND THE UK

Passing off remains the principle cause of action in both the UK and Australia for the protection of business reputation, at least *eo nomine*, and both jurisdictions have resisted, at least formally, the temptation to introduce broader principles of unfair competition. The actual substance of the nominal action has not, however, remained static. It has and continues to evolve to meet changing commercial circumstances and the innovative predatory conduct of interlopers.

The elements that are influential in a fundamental claim of passing off in the UK and Australia were articulated in three germinal cases.<sup>64</sup> The multiple but necessary criteria (often labelled the ‘classical trinity’) distilled from these cases and established by the House of Lords in *Reckitt & Colman Products Ltd v Borden Inc* by Lord Oliver and Lord Jauncey,<sup>65</sup> were recently summarised as:

- i) that the claimant’s goods or services have acquired a goodwill in the market and are known by some distinguishing name, mark or other indicium;
- ii) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the claimant; and
- iii) that the claimant has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant’s misrepresentation.<sup>66</sup>

In classic terms, a trade name of a product will only be protected through passing off if it is distinctive of the goods of a particular producer, or of a class of producers, but only so long as the products of that individual or class have a character and reputation peculiar to the product.<sup>67</sup> Furthermore, passing off is not

63 *Conagra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, [31].

64 *Erven Warnick BV v Townend & Sons (Hull) Ltd* [1979] AC 731 (‘*Advocaat Case*’); *Reckitt & Coleman v Borden* [1990] 1 All ER 873; *Ibid* [357]–[358] (Gummow J).

65 [1990] 1 All ER 873.

66 *Hasbro Inc v 123 Nahrungsmittel GmbH* [2011] All ER (D) 131, [233] (Floyd J).

67 *Diageo North America Inc v Intercontinental Brands Ltd* [2011] 1 All ER 242, [40].

directed to protecting consumers' interest in quality assurance. As noted by the Court in *Diageo North America Inc v Intercontinental Brands Ltd*:

In ordinary cases of passing off the claimant has to show that the use of a particular mark or get-up has become distinctive of his goods and will be treated in the public mind as an indication that when used in relation to goods of that kind, the goods in question will be seen to be his goods or goods connected with him. This requirement that the name or mark should be distinctive is critical to any finding of goodwill subsisting in the use of the mark. The mark has to distinguish the goods sold under it from those of other traders. It may also be determinative of the allegation of misrepresentation. A trader who uses a name which is primarily descriptive of the product is likely to have more difficulty in proving misrepresentation against a defendant who uses the same name to describe a similar product of his own. ... The law of passing-off is there to protect the unlawful appropriation of goodwill through misrepresentation. It is not there to guarantee to the general consumer the quality of what he buys.<sup>68</sup>

While the courts have not always been as concise and direct in crafting the breadth and scope of that which is labelled passing off, it is evident that the classic cause of action has, in recent years, undergone considerable metamorphosis in the UK in order to provide greater protection against the misassociation or misaffiliation of the goodwill of one trader with the goods and services of others. The new formulation has come to be known as the 'extended form of passing off'. As summarised by commentator Murumba, in extended passing off,

the defendant does not necessarily seek to disguise the source of his goods or his services. He simply makes a representation which links him with the plaintiff or his goods. The public, while recognising that the goods or services in question come from the defendant, is nevertheless deceived into believing that the plaintiff is somehow associated with them — and this is the essence of the extended action for passing-off. The proprietary interest filched does not involve the plaintiff's trading goodwill: it is promotional goodwill, the ability to recommend or promote other goods or services — or merchandising rights — which are appropriated.<sup>69</sup>

The first reported case to consider the principle of 'extended passing off' is said to be the decision of Danckwerts J in *J Bollinger v Costa Brava Wine Co Ltd [No 3]*.<sup>70</sup> It purports to be the germinal case in which protection was sought to protect the reputation and goodwill enjoyed by the product rather than the producer.<sup>71</sup> Later cases such as Lord Diplock's opinion in the *Advocaat Case*,<sup>72</sup> are claimed

68 Ibid [28]–[29].

69 Samuel K Murumba, *Commercial Exploitation of Personality* (Law Book, 1986) 65. [1960] Ch 262.

71 Ibid 273–7.

72 *Advocaat Case* [1979] 2 AC 731.

to have further inculcated the principles of the expanded cause of action,<sup>73</sup> and a recent case has sought to place the expanded principle into an historical legal context:

The view expressed by the editors of *Kerly's Law of Trade Marks and Trade Names* (14th edn, 2005) is that the classic and extended forms of passing-off are not different torts but are simply convenient labels to describe the two most obvious situations in which the law will intervene to render actionable the misappropriation of established goodwill by a seller based on a misrepresentation by him as to the nature and provenance of his own goods. ... But the value of this analysis (which I endorse) is that it confirms what is the essence of the tort of passing off in all its forms: namely that it is there to protect the goodwill created by the product (whether in conjunction with the claimant's mark or alone) and is not there simply to prevent the misdescription of the goods or the unauthorised use of the claimant's name. There is no general law against unfair competition. The law rapidly rejected the notion that a manufacturer could sue to protect a right of property in his mark and instead concentrated on the goodwill, which his business had established. This has particular consequences in relation to a mark or product name which is essentially descriptive. In cases of classic passing-off the use of a purely descriptive term to describe the claimant's business will not usually prevent a defendant from using the same name unless the claimant can show that the words in question have acquired a secondary meaning or have become synonymous with its business and that business alone. The more general and descriptive the name is, the more difficult it will be to establish the reputation and goodwill of the claimant in that term and the existence of a misrepresentation by the

73 Lord Diplock described the question of whether the courts should approve the extended concept of passing off as one of legal policy. The inquiry was essentially whether a substantial reputation and goodwill had been acquired by the name of the product. Thereafter he dealt with whether the reputation in the name was linked to the producers of the product, see *Advocaat Case* [1979] 2 AC 731, 739–40. In this action the maker and importer of the leading brand of Dutch advocaat sought to restrain an English company from selling a product which it marketed under the name of 'Keeling's Old English Advocaat'. The defendant's product consisted of dried egg powder and fortified sweet wine. Advocaat was made from eggs, sugar and a spirit called brandewijn. The test and eventual findings by the Court in that case were as follows:

True it is that it could not be shown that any purchaser of Keeling's Old English Advocaat supposed or would be likely to suppose it to be goods supplied by Warnink or to be Dutch advocaat of any make. So Warnink had no cause of action for passing off in its classic form. Nevertheless, the judge was satisfied: (1) that the name 'advocaat' was understood by the public in England to denote a distinct and recognisable species of beverage; (2) that Warnink's product is genuinely indicated by that name and has gained reputation and goodwill under it; (3) that Keeling's product has no natural association with the word 'advocaat'; it is an egg and wine drink properly described as an 'egg-flip', whereas advocaat is an egg and spirit drink; these are different beverages and known as different to the public; (4) that members of the public believe and have been deliberately induced by Keeling to believe that in buying their Old English Advocaat they are in fact buying advocaat; (5) that Keeling's deception of the public has caused and, unless prevented, will continue to cause, damage to Warnink in the trade and the goodwill of their business both directly in the loss of sales and indirectly in the debasement of the reputation attaching to the name 'advocaat' if it is permitted to be used of alcoholic egg drinks generally and not confined to those that are spirit based.

defendant in its use of the same name. In cases of extended passing-off this problem is particularly acute. Products will often (though not always) be sold as what they are.<sup>74</sup>

The case continued by setting out a summary of that which a claimant must prove in order to establish a case of 'extended passing off'. It did so by quoting the language of Lord Fraser as follows:

A plaintiff is entitled to protect his right of property in the goodwill attached to a name which is distinctive of a product or class of products sold by him in the course of his business. It is essential for the plaintiff in a passing-off action to show at least the following facts:

- (1) That his business consists of, or includes, selling in England a class of goods to which the particular trade name applies;
- (2) That the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods;
- (3) That because of the reputation of the goods there is goodwill attached to the name;
- (4) That he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value;
- (5) That he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached.

Provided these conditions are satisfied, as they are in the present case, I consider that the plaintiff is entitled to protect himself by a passing-off action. The argument relied on by the defendants was to the effect that, unless there has been a passing-off of the defendant's goods as the plaintiff's goods, there can be no direct injury to the plaintiff entitling him to raise an action for passing-off.

Of course, any established trader is liable to have his goodwill damaged by fair competition, and it is not every falsehood told by a competitor that will give him a right of action. But *where the falsehood is a misrepresentation that the competitor's goods are goods of definite class with a valuable reputation, and where the misrepresentation is likely to cause damage to established traders who own goodwill in relation to that class of goods,*

74 *Diageo North America Inc v Intercontinental Brands Ltd* [2011] 1 All ER 242, [23]–[25]. For an article considering 'extended passing off' see Mary Smillie, *Vodkat Passed Off as Vodka* (22 April 2010) Two Birds <[http://www.twobirds.com/English/News/Articles/Pages/Vodkat\\_passed\\_off\\_as\\_Vodka.aspx](http://www.twobirds.com/English/News/Articles/Pages/Vodkat_passed_off_as_Vodka.aspx)>. The disputants apparently reached a settlement of their claims in December 2010, and as part of the arrangement, the defendant rebranded their product. It is now known as V-Kat Schnapps. See Amy Williams, *Vodkat* (9 February 2011) Two Birds <<http://www.twobirds.com/English/News/Articles/Pages/Vodkat.aspx>>.

*business morality seems to require that they should be entitled to protect their goodwill. The name of the tort committed by the party making the misrepresentation is not important, but in my opinion the tort is the same in kind as that which has hitherto been known as passing off.*<sup>75</sup>

In addressing the very dynamic nature of the cause of action of passing off, Flick J noted:

In *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 at 406,<sup>76</sup> Lord Oliver of Aylmerton formulated the essential elements in a passing-off action without referring specifically to earlier authority. Now, Nourse LJ (in *Consorzio del Prosciutto di Parma v Marks and Spencer plc* [1991] RPC 351 at 368–9) has said that the formulations by Lord Diplock and Lord Fraser had not in his experience given the same degree of assistance in analysis and decision as ‘the classical trinity’ of (1) reputation (2) misrepresentation and (3) damage. Nourse LJ regards what was said in the *Borden* case (above) as signaling a ‘welcome return to the classical approach’.

It is neither necessary nor appropriate for us to comment upon these vicissitudes of the recent English case law. But it is to be observed that the law of passing off contains sufficient nooks and crannies to make it difficult to formulate any satisfactory definition in short form. However, ‘the classical trinity’ does serve to emphasise three core concepts in this area of the law.<sup>77</sup>

In countries such as the UK, and notwithstanding the form of the specific cause of action be classic or extended, there remains a fundamental requirement in passing off, however, that there must be some sort of identifiable deception whether it be as to the goodwill of the producer or the product. As noted by Jacob LJ:

75 *Diageo North America Inc v Intercontinental Brands Ltd* [2011] 1 All ER 242, [47], quoting *Advocaat Case* [1979] 2 AC 731, 755–6 (emphasis added).

76 An interesting feature of this case was that the defendant sold its concentrated lemon juice in a lemon-shaped container under the brand name of ReaLemon, and in 1975 entered the UK market selling the product in bottles. Later in 1985, it introduced a lemon-shaped container into the UK market. Reckitt & Coleman was aggrieved and filed a claim to enjoin Borden from selling its products in the new container. The plaintiff introduced survey evidence, and Lord Oliver observed that ‘a housewife presented with a display of these products in close juxtaposition would be likely to pick up ... the [defendant’s] product in belief that she was buying the respondents’ Jif lemon juice’. Of further note, the lemon-shaped container might not have been a proper subject of trademarks under UK law as its shape is symbolic and descriptive of the product. Were it so registered it could prevent others in the trade from marketing similar products. See Tanner De Witt Solicitors, *Passing Off* (2012) <<http://www.tannerdewitt.com/media/publications/passing-off.php>>. Of interest is that the principle of passing off is also employed in Singapore to protect the reputation of businesspersons. In *Novelty Pte Ltd v Amanresorts Ltd* [2009] SGCA 13, the Court of Appeal confirmed that the ‘classic trinity of passing-off’ could be used to protect Novelty’s use of the term ‘Amanusa’. It also considered the use of s 55 of Singapore’s *Trade Marks Act* in protecting famous or well-known marks to protect the goodwill of business. See Karol Goh, *Protection of Well Known Marks in Singapore* (21 June 2010) Two Birds <[http://www.twobirds.com/English/News/Articles/Pages/Protection\\_well\\_known\\_trade\\_marks\\_Singapore%20.aspx](http://www.twobirds.com/English/News/Articles/Pages/Protection_well_known_trade_marks_Singapore%20.aspx)>.

77 *Speedo Holdings BV v Evans [No 2]* 2011 FCA 1227, [31], quoting *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, 355–6 (Gummow J).

At the heart of passing off lies deception or its likelihood, deception of the ultimate consumer in particular. Over the years passing off has developed from the classic case of the Defendant selling his goods as and for those of the Plaintiff to cover other kinds of deception, eg that the Defendant's goods are the same as those of the Plaintiff when they are not, eg *Combe International Ltd v Scholl (UK) Ltd* [1980] RPC 1; or that the Defendant's goods are the same as goods sold by a class of persons of which the Plaintiff is a member when they are not, eg *Warnink (Erven) Besloten Vennootschap v J Townend Sons Ltd* [1980] RPC 29.<sup>78</sup> Never has the tort shown even a slight tendency to stray beyond cases of deception. Were it to do so it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness. Why there should be any such reason I cannot imagine. It would serve only to stifle competition.<sup>79</sup>

In the UK character merchandising has been addressed and celebrities have found support for protection for commercial exploitation of their images through application of the principle of extended passing off. For example, in *Irvine*, a famous race car driver was able to recover for unauthorised use of his image in promotional advertising of a radio station. In commenting upon the evolution of the cause of action, Laddie J observed:

The sort of cases which come within the scope of a passing off action has not remained stationary over the years. This is for two reasons. First, passing off is closely connected to and dependent upon what is happening in the market place. It is a judge made law which tries to ensure, in its own limited way, a degree of honesty and fairness in the way trade is conducted ...

[A]n underlying principle is the maintenance of what is currently regarded as fair trading. The law of passing off responds to changes in the nature of trade ... Second, the law itself has refined over the years ...<sup>80</sup>

Not only has the law of passing off expanded over the years, but the commercial environment in which it operates is in a constant state of flux.<sup>81</sup>

If someone acquires a valuable reputation or goodwill, the law of passing off will protect it from unlicensed use by other parties. Such use will frequently be damaging in the direct sense that it will involve selling inferior goods or services under the guise that they are from the Claimant. But the action is not restricted to protecting against that sort of damage. The law will vindicate the Claimant's exclusive right to the reputation or

78 The principle as articulated in the *Advocaat Case* has come to be known as 'extended passing-off', and has been the precedent for celebrity and character merchandising cases such as *Irvine v Talksport Ltd* [2002] 2 All ER 414 ('*Irvine*'), discussed below.

79 *Hodgkinson & Corby Ltd v Wards Mobility Services Ltd* [1994] 1 WLR 1564. See also, *L'Oreal SA v Bellure NV* [2007] EWCA Civ 968.

80 *Irvine* [2002] 2 All ER 414, 419 [13]–[15].

81 *Ibid* 426 [39].



goodwill. It will not allow others to so use goodwill as to reduce, blur or diminish its exclusivity.<sup>82</sup>

As will become evident in the discussion of character merchandising in Part VI of this article, Australia has, generally, followed the developmental trends in passing off that are represented in the evolutionary experiences found in the UK. Before turning attention to the treatment of fictional characters and products, however, the article will briefly consider the alternative legal theory of unfair competition. As will be demonstrated later, the principle may be very useful in the course of analysis of character merchandising cases, particularly in Belgium.

## V THE DEVELOPMENT OF UNFAIR COMPETITION LAW — A COMPARATIVE VIEW

Some members of the global community have not felt as constrained as the UK and Australia in addressing issues of competition.<sup>83</sup> Attention has, in that context, taken focus on developing a standard of unfair competition.<sup>84</sup> The venerable and influential *Paris Convention* is the germinal agreement that addresses

82 Ibid [38].

83 All members of the European Union are contracting parties to the *Paris Convention*, and party nations have individual positions on unfair competition much as do other countries in the global community. Some have developed as a product of juridical decision; others are the product of specialised laws. The latter can be found in such countries as France and Belgium. See Kukrus and Kaabel, below n 89 and accompanying text.

84 Perhaps the most formidable international protection of intellectual property is found in the *Agreement on Trade-Related Aspects of Intellectual Property Rights*, opened for signature 15 April 1994, 1869 UNTS 299 (entered into force 1 January 1995) ('*TRIPS Agreement*'), to which 148 countries acceded in 2005. Unfortunately, unfair competition as a discrete topic of intangible protection was not, however, among the interests given specific attention by the *Paris Convention*. However, certain sections of the *TRIPS Agreement* do, in fact, reference the principles of unfair competition. For example, pt II ('*Standards Concerning the Availability, Scope and Use of Intellectual Property Rights*') s 7 in the course of addressing the 'Protection of Undisclosed Information', art 39 states:

1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the *Paris Convention* (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.

In addition and in the portion of the *TRIPS Agreement* that addresses geographical indicators (pt II s 3), the Agreement obligates signatories to protect such indicators from 'any use which constitutes an act of unfair competition within the meaning of Article 10bis of the *Paris Convention* (1967)': at art 22(2)(b).

The World Intellectual Property Organization, however, has taken considerable interest in unfair competition and in 1996 published World Intellectual Property Organization, *Model Provision for Protection Against Unfair Competition* (WIPO Publication No 832) (Geneva, 1997) and there is some opinion expressed in that and other WIPO documents that art 2 of the *TRIPS Agreement* obligates member countries to regulate unfair competition through national law. See, eg, *Protection Against Unfair Competition Act 1998* (Barbados). See also Henning-Bodewig, above n 32, 23–4 (Property Rights of the World Trade Organization). See also The International Trademark Association, *Board Resolutions Unfair Competition* (3 March 1998) <<http://www.inta.org/Advocacy/Pages/UnfairCompetition.aspx>>, in which there is a call to expand globally the protection against unfair competition and the expressed opinion that this is required by art 2 of the *TRIPS Agreement*.

the subject.<sup>85</sup> Article 10*bis* was added to the *Paris Convention* in 1900 at the Brussels Diplomatic Conference for the Revision of the Convention. It required, in paragraph (1), that signatories provide the same treatment to citizens of other states that they gave to their own nationals (National Treatment).<sup>86</sup> Article 10*bis* reads as follows:

[Unfair competition]

- (1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
  1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
  2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
  3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.<sup>87</sup>

Individual contracting parties have responded in a variety of ways to their responsibilities under the Convention. In some countries, such as France, the theory of unfair competition found purchase within the law of torts.<sup>88</sup> In others, legislatures enacted specific laws to address the interests of business persons, consumers or both. For example, Spain, Denmark, Sweden, Belgium, Austria, Luxembourg, Greece, Portugal and Germany have relied upon specific civil laws, known as *lex specialis*, that protect, to varying degrees, the myriad interests

85 All members of the EU, Australia and the US are among the current 174 contracting parties to the *Paris Convention*, World Intellectual Property Organization, *Contracting Parties — Paris Convention*, <[http://www.wipo.int/treaties/en/ShowResults.jsp?treaty\\_id=2](http://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=2)>.

86 Further amendment to the *Paris Convention* at *The Washington Revision Conference* in 1911 obligated members to assure effective protection against unfair competition, and finally in 1925, *The Hague Revision Conference* added a general definition on unfair competition in para (2).

87 United States Patent and Trademark Office, *Manual of Patent Examining Procedures* (July 2010) <<http://www.uspto.gov/web/offices/pac/mpep/index.htm>>. See also art 10ter in which signatories undertake to assure that nationals of other member countries have effective remedies to repress unfair competition as addressed in art 10*bis*.

88 For a discussion of an interesting and recent case from France that considered character merchandising see above n 62 and accompanying text.

within unfair competition.<sup>89</sup> It also appears that this approach has been employed by the Republic of Korea.<sup>90</sup>

No matter the approach that is applied, the laws generally seem responsive to the requirements of art 10bis of the *Paris Convention*. Unfortunately, however, the actual result has been lack of uniformity in application and coverage. It is the current consensus that a fully competent and widely accepted definition of unfair competition is not likely forthcoming, at least within the countries of the European Union.<sup>91</sup> As noted by the European Space Agency:

Standards of ‘honesty’ and ‘fairness’ may differ from country to country to reflect the economic, sociological and moral concepts of a given society. Therefore, the notion of ‘honesty’ has to be interpreted by the judicial bodies of the country concerned.<sup>92</sup>

Originally designed to provide protection only to the honest trader through simple actions such as passing off as found in the UK, the principle of unfair competition has evolved in the international community to at times include, and in some situations to place as primary, the needs of the consumer.<sup>93</sup> For example, the content of the cause of action in the US is viewed, generally, as broad, inclusive, and directed to eliminating consumer confusion. As Story J noted more than a century ago, a classic case in unfair competition is one in which ‘unmitigated and designed infringement of the rights of the plaintiffs [is present] for the purpose of defrauding the public and taking from the plaintiffs the fair earnings of their skill,

89 See Ants Kukrus and Jaak Kaabel, *Effective Protection Against Unfair Competition in the Enlarging European Union* (2004) Tallinn University of Technology, 72 <[http://www1.mtk.ut.ee/varaska/2004/1\\_Maj%20arengu%20insttegurid/Kukrus\\_Kaabel.pdf](http://www1.mtk.ut.ee/varaska/2004/1_Maj%20arengu%20insttegurid/Kukrus_Kaabel.pdf)>.

90 «부정경쟁방지및영업비밀보호에관한법률» [Unfair Competition Prevention and Trade Secret Protection Act] (Republic of Korea), 30 December 1961.

91 Hogan Lovells, ‘Study on Trade Secrets and Parasitic Copying (Look-Alikes)’ (Final Report, Study MARKT/2010/20/D, European Commission, 2010) 106:

Our investigations suggest that the current regimes of protection available in Member States in respect of parasitic copying and the enforcement options open to rights holders are inconsistent and lead to different results in different Member States. This occurs in part because, as we have already established, views as to whether and when parasitic copying should be actionable differ across the European Union.

92 European Space Agency, *Protection against Unfair Competition* (4 March 2012) <[http://www.esa.int/esaMI/Intellectual\\_Property\\_Rights/SEMVO79DFZD\\_0.html](http://www.esa.int/esaMI/Intellectual_Property_Rights/SEMVO79DFZD_0.html)>, which states:

As a general rule, any act or practice carried out in the course of industrial or commercial activities contrary to honest practices constitutes an act of unfair competition; the decisive criterion being ‘contrary to honest practices’. In Belgium and Luxembourg honest practices are sometimes referred to as ‘honest trade practices’, in Switzerland and Spain as ‘the principle of good faith’ and in Italy as ‘professional correctness’.

93 Hogan Lovells, above n 91, 8 [48]:

The nature of unfair competition laws vary across the European Union, with some being enacted with the intention of regulating competition between traders and others being focused on the effect on consumers. Taking two examples at opposite ends of this spectrum: Germany and the UK; in Germany, whether a consumer is deceived or confused by the existence of the look-alike product is not relevant since the very fact that the look-alike imitates intentionally the original product is actionable. However, in the UK whether a consumer is confused is of paramount importance, otherwise one of the key elements of the tort of passing off (misrepresentation) is not met. It follows therefore that as long as an imitation does not confuse or mislead the public, it is a perfectly legitimate product in the UK.

labor, and enterprise'.<sup>94</sup> It is not limited to protection of reputation alone; broader predatory consequences can be addressed. To the contrary, however, it is clear that in both the UK and Australia the approach purports to be more traditional and conservative.<sup>95</sup> There is considerable rhetoric that expresses overt reservation to extending the principles of passing off to include broader principles of unfair competition such as those found in the US. Jacob LJ has observed, for example:

I think the tort of passing off cannot and should not be extended into some general law of unfair competition. True it is that trading conditions have changed somewhat over time — but I cannot identify any particular change which makes a general tort of unfair competition desirable, still less necessary. If the courts (or indeed Parliament) were to create such a tort it would be of wholly uncertain scope — one would truly have let the genie out of the bottle.<sup>96</sup>

It may be, in fact, that at least in some litigated cases, such as those involving character and personality merchandising, there has been some gradual convergence of the principles and transactional application of the action among the UK, Australia and the US, and the myriad principles that comprise the cause of action in these countries have evolved in ways leading to greater compatibility or even similarity. In this context, it may be fruitful for the reader to keep in mind the following statement of US principle found in *American Footwear Co v General Footwear Co* as the article considers the application of passing off principles in character merchandising cases in Australia:

‘[O]ne cannot sell his product by misappropriating the good will of another through misleading the public into thinking that it is “sponsored” by or derived from something else.’ Yet, liability in this area for misimpression or misappropriation has been limited. For example, one can capitalize on a market or fad created by another provided that it is not accomplished by confusing the public into mistakenly purchasing the product in the belief that the product is the product of the competitor. All the cases in this area which appellants rely upon involved proof of a substantial secondary meaning in plaintiff’s arbitrary trademark, or bad faith predatory conduct justifying relief. Here the district court found that there was no proof

94 *Taylor v Carpenter*, 23 F Cas 744 (CCD Mass, 1844). See also, *American Footwear Co v General Footwear Co*, 609 F 2d 655, 662 (2<sup>nd</sup> Cir, 1979):

Although at one time the law of unfair competition was limited to claims that one party had attempted to pass off his goods as those of another party, unfair competition is now held to encompass a broader range of unfair practices which may be generally described as a misappropriation of the skill, expenditures, and labor of another.

95 See, eg, World Trade Organization: Council for Trade-Related Aspects of Intellectual Property Rights, *Review Under Article 24.2 of the Application of the Provisions of the Section of the TRIPS Agreement on Geographical Indicator: Responses from Australia* (IP/C/W/117/Add.19), 9 July 1999. The document asserts that there is no general principle in Australia concerning unfair competition but that relevant considerations can be found in principles of passing off as well as the *Trade Practices Act 1974* (Cth), among other laws. The *Trade Practices Act* has been noted as an addition to or substitute for the common law tort of passing off in Australia. See *Q: What is Passing Off?* FindLaw Australia <[www.findlaw.com.au/faqs/1126/what-is-passing-off.aspx](http://www.findlaw.com.au/faqs/1126/what-is-passing-off.aspx)>.

96 *L’Oreal SA v Bellure NV* [2007] EWCA Civ 968, [161] (Jacob J).

that American's advertising was built thematically around Universal's television shows, or that American played down its own name to inspire confusion, or that American acted in any other way except by the use of the word 'bionic' to suggest any association with Universal's television enterprise. In fact, appellants concede that Universal's merchandising program uses the term 'bionic' to describe many products sold under 'The Six Million Dollar Man' mark and the 'Bionic Woman' mark; therefore, in view of this descriptive usage there would be no apparent reason for a consumer to assume that because the boots bore the mark 'Bionic' the creators of 'The Six Million Dollar Man' or the 'Bionic Woman' were automatically engaging their creations in the sponsorship of hiking boots.<sup>97</sup>

However, that is not to imply that there has been a complete merger of interests. For example, in the US the federal action for unfair competition under the *Lanham Act* has been said to essentially protect the right of publicity of celebrities.<sup>98</sup> Such a right is not found extant in either the UK or in Australia, and there is considerable judicial opinion that no such right exists in those countries. In addition, unfair competition in the US is said to include an action in misappropriation. To the contrary, such actions based upon notions of quasi-property have been disfavoured in Australia.<sup>99</sup>

In sum, while the underlying philosophies of passing off and unfair competition may vary, considerable similarities seem to have developed. The relationship between the theories is perhaps best envisioned as two circles, one inside the other. Passing off can be viewed as a smaller, more narrowly focused subset included within the larger circle of unfair competition. It entails a central concept of unfair competition, that of protecting the goodwill, labour, and reputation of one party against another party reaping the benefits of that labour and goodwill. Unfair competition, the larger circle, captures these notions, and in addition and as previously noted, may also include concepts such as misappropriation, the protection of a variety of personality rights and the broader interest of consumer protection. As observed, however, the inner circles may be expanding through the recognition of principles such as extended passing off. As a result, a company that seeks redress for claimed misuse of a mark in a country that applies a more restricted view of passing off may not be able to get the relief it would otherwise receive in a country that employed extended passing off or principles of unfair competition. Such was the case for Twentieth Century Fox ('Fox') and the notable Duff Beer cases, discussed below. Prior to elaborating on the details of those

97 609 F 2d 655 (2<sup>nd</sup> Cir, 1979) (citations omitted).

98 *ETW Corporation v Jireh Publishing Inc*, 332 F 3d 915, 923 (6<sup>th</sup> Cir, 2003). The case involved the use of the image of Tiger Woods in an artistic work:

The elements of a *Lanham Act* false endorsement claim are similar to the elements of a right of publicity claim under Ohio law. In fact, one legal scholar has said that a *Lanham Act* false endorsement claim is the federal equivalent of the right of publicity. See Bruce P Keller, *The Right Of Publicity: Past, Present, and Future*, 1207 PLI Corp Law and Prac Handbook, 159, 170 (October 2000).

See also, *Facenda v NFL Films Inc*, 542 F 3d 1007 (3<sup>rd</sup> Cir 2008). This case will be more fully discussed below in the section dealing with character merchandising in the US.

99 See above nn 36–49 and accompanying text.

and related cases, it is appropriate to first provide background on character merchandising, and discuss how passing off and unfair competition principles have been applied, in particular, to character merchandising disputes.

## VI CHARACTER MERCHANDISING — AN INTRODUCTION

The commercial exploitation of celebrities and such other entertainment products and services such as fictional characters implicates myriad personal and business interests, and the vehicles for recognising and protecting these interests vary widely. While some differences remain between the law applicable to protection of fictional characters and products in the US, and the laws found in Australia and England, the differences seem to be narrowing. Initially, it is important to distinguish between interest in personality and image that are secured by such vehicles as the right of publicity in the US, or *Iemoto Seido*, in Japan,<sup>100</sup> and the protection of other possible inanimate subjects often protected through principles of trademarks and principles of fair trade. As Laddie J clarified in *Irvine*:

[I]t will be useful to clear up one issue of terminology. ... [R]eference was made to sponsorship, endorsement and merchandising. ... When someone endorses a product or service he tells the relevant public that he approves of the product or service or is happy to be associated with it. In effect he adds his name as an encouragement to members of the relevant public to buy or use the service or product. Merchandising is rather different. It involves exploiting images, themes or articles which have become famous. To take a topical example, when the recent film, *Star Wars Episode 1* was about to be exhibited, a large number of toys, posters, garments and the like were put on sale, each of which bore an image of or reproduced a character or object in the film. The purpose of this was to make available a large number of products which could be bought by members of the public who found the film enjoyable and wanted a reminder of it. The manufacture and distribution of this type of spin-off product is referred to as merchandising. It is not a necessary feature of merchandising that members of the public will think the products are in any sense endorsed by the film makers or actors in the film. Merchandised products will include some where there is a perception of endorsement and some where there may not be, but in all cases the products are tied into and are a reminder of the film itself. An example of merchandising is the sale of memorabilia relating to the late Diana, Princess of Wales. A porcelain plate bearing her image could hardly be thought of as being endorsed by her, but the

100 Geoffrey R Scott, 'What do Jim Morrison, Kurt Cobain, Elvis Presley, and Utagawa Toyoharu have in Common? Protecting Artistic Legacy in the United States and Japan: A Comparison of US Legal Principles and Iemoto Seido of Japan' (2010) 26 *Connecticut Journal of International Law* 161; see generally Kenneth L Port, *Trademark and Unfair Competition Law and Policy in Japan* (Carolina Academic Press, 2007).

enhanced sales which may be achieved by virtue of the presence of the image is a form of merchandising.<sup>101</sup>

To emphasise, personality merchandising is the subject of product endorsement by, or association with, animate (or deceased) persons, or in some very limited situations, with characters that have been portrayed by such persons. ‘Character merchandising is the use of fictional characters [or fictional products] to promote the sale of various products and/or services’.<sup>102</sup> This article does not specifically address the sponsorship of a product by a human. Thus we are not directly concerned with regimes akin to the right of publicity as found in the US. Rather, the article focuses upon the use and possible protection of an inanimate character or a fictional product in the course of commerce.

### **A United States Law — ‘Character Merchandising’<sup>103</sup>**

The US protects characters, both fictional and in some cases, non-fictional and historic, through application of both trademark and unfair competition laws. Furthermore, US courts have tended to protect the images of characters that are affixed to merchandise as well as images of fictional products that a character uses within a storyline.<sup>104</sup> For example, in *DC Comics v Pan American Grain Mfg Co Inc*,<sup>105</sup> the plaintiff, DC Comics, owned the trademark rights to the popular superhero character Superman. The plaintiff also had a registration for Kryptonite, a fictional material that appears in the comic portrayal and to which Superman is sensitive such that when exposed to the material, he loses his super powers. The registration for Kryptonite covered only t-shirts and novelty items. The defendant had wanted to use the term, Kryptonite, for a prepared alcoholic fruit cocktail drink. The plaintiff filed an opposition to the defendant’s application for trademark. Among other things, the plaintiff claimed that it had focused enormous attention, effort and investment ‘to develop the Superman mythos, including the character, his associates, his world, and other indicia associated with him.’<sup>106</sup> Furthermore, it asserted that:

‘Superman has become associated with certain symbols and indicia which in the public mind are inextricably linked with the Superman character and which function as trademarks, both for literary and entertainment works featuring Superman and for various goods and services for which [DC Comics, the opposer] has licensed others to use these marks’ and that

101 [2002] All ER 414, 418 [9] (Laddie J).

102 Verbauwheide, above n 25.

103 The US has long provided protection for the merchandising of fictional characters and products. ‘Duff Beer’ has previously been a registered trademark on the principal trademark register, but it is now only registered on the supplemental registry. There are no known claims of infringement on any ground of the ‘Duff Beer’ mark in the US.

104 See generally, McCarthy, *McCarthy on Trademarks and Unfair Competition*, above n 44, vol 2, ch 10.

105 77 USPQ2d 1220 (TTAB, 2005).

106 *Ibid* 2.

one of these indicia is Kryptonite (a rock from Superman's home planet, Krypton, which has a debilitating effect on his powers) ...<sup>107</sup>

Consequently, DC Comics sought to protect its economic interests in the fictional element. In deciding in favour of the plaintiff, the Trademark Board observed that even though the mark would be used on unrelated products it was common knowledge that the use of trademarks on 'collateral' products was a fact of everyday life. In finding for DC Comics, the Trademark Board stated:

Consumers are likely to view KRYPTONITE as a merchandising mark in the same manner that Superman is a merchandising mark: the 'element' to which opposer gave the name 'kryptonite' has been used in the various Superman stories for so many decades, and is an integral part of the stories, to the point that it is akin to a character in the stories. In addition, because opposer coined the word 'KRYPTONITE' for the fictional substance (and therefore it has no other meaning), when consumers see the term they will view it as an indicia of the Superman mythos.

While applicant's prepared alcoholic fruit cocktails are not the same goods as those on which opposer's KRYPTONITE mark has been used or associated, the question is whether the parties' respective goods are sufficiently related such that consumers will believe that they come from or are associated with the same source. That is, in this marketing environment, including the licensing of commercial marks, will the purchasing public believe that applicant's prepared alcoholic fruit cocktail comes from or is sponsored by or associated with opposer? On this record, we find that the answer is in the affirmative.<sup>108</sup>

It was not a matter of competition between the parties that was at issue in the subject case nor was it confusion as to the source of goods or services that was determinative. Rather, and of considerable import, it was confusion as to sponsorship, affiliation or connection that precipitated the result.

Perhaps of greater evolutionary import, actual confusion is not required in order to obtain equitable relief under a claim of confusion as to affiliation.<sup>109</sup> As observed by the Court in *Triangle Publications Inc v Rohrlich*:

It is settled law that a plaintiff who has established a right to a trade name which is fanciful or arbitrary or has acquired a secondary meaning is entitled to protection of his reputation against the use of that name by others even upon non-competing goods, if the defendant's goods are likely to be thought to originate with the plaintiff. We can see no reason why the principle laid down by the foregoing decisions does not apply to the situation of confusion as to sponsorship ... In either case, the wrong of the defendant consisted in imposing upon the plaintiff a risk that the defendant's goods would be associated by the public with the plaintiff, and

107 Ibid 3.

108 Ibid 17–18.

109 *Warner Bros Inc v Gay Toys Inc*, 658 F 2d 76 (2<sup>nd</sup> Cir, 1981) [4].



it can make no difference whether that association is based upon attributing defendant's goods to plaintiff or to a sponsorship by the latter when it has been determined that plaintiff had a right to protection of its trade name. In each case the plaintiff is likely to suffer injury to his reputation and his trade name.<sup>110</sup>

A notorious example of an influential case of unauthorised association considered the adult film, *Debbie Does Dallas*, in which the producers employed cheerleader uniforms that were reminiscent of those worn by the Dallas Cowboy Cheerleaders of US professional football fame. In finding for the plaintiff, Dallas Cowboys Cheerleaders Inc, the Court stated:

In order to be confused, a consumer need not believe that the owner of the mark actually produced the item and placed it on the market. ... The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement. In the instant case, the uniform depicted in '*Debbie Does Dallas*' unquestionably brings to mind the Dallas Cowboys Cheerleaders. Indeed, it is hard to believe that anyone who had seen defendants' sexually depraved film could ever thereafter disassociate it from plaintiff's cheerleaders. This association results in confusion ...<sup>111</sup>

Within the context of character merchandising and similar marketing strategies, courts in the US have taken judicial notice of the phenomenon that customers have become psychologically accustomed to linking the commercial magnetism of an entertainment device to the product and the products with which it is associated in the marketplace. In taking such notice there is also considerable evidence that courts also assume that this linking is the result of assumed licensing of the image to those who exploit it. As early as 1983, survey expert Robert Sorenson, found 91.2 per cent of individuals responding agreed with the following assertion: 'No product can bear the name of an entertainer, cartoon character, or some famous person unless permission is given for its use of the owner of the name or character'.<sup>112</sup>

US courts have determined, however, that even if the public suspects that it is unlikely that the mark owner actually approved the improper use, the fact remains that the public will associate even the wrongful use with the mark.<sup>113</sup>

For example, in *Conan Properties Inc v Conans Pizza Inc*, the plaintiffs owned the mark for the fictional character 'Conan the Barbarian'.<sup>114</sup> The defendant used the name Conan as well as a character that looked very similar to the famous

110 *Triangle Publications Inc v Rohrlich*, 167 F 2d 969, 972-3 [6] (2<sup>nd</sup> Cir, 1948) ('*Triangle Publications*') (citations omitted).

111 *Dallas Cowboys Cheerleaders Inc v Pussycat Cinema Ltd*, 604 F2d 200, 204-5 [6] (2<sup>nd</sup> Cir, 1979).

112 Stephen H Harrison, 'The Merchandising Reporter's First Consumer Survey on Licensing' (1983) 2 *Merchandising Review* 22, cited in McCarthy, *McCarthy on Trademarks and Unfair Competition*, above n 44, vol 2, ch 10, 10-120.

113 *Coca-Cola Co v Gemini Rising Inc*, 346 F Supp 1183 (ED NY, 1972).

114 *Conan Properties Inc v Conans Pizza Inc*, 752 F 2d 145 (5<sup>th</sup> Cir, 1985).

‘Conan the Barbarian’ to promote its pizza company.<sup>115</sup> The Court reasoned that because the standard to be applied was consumer confusion as to the origin of the mark, the plaintiff was only required to prove that consumers would reasonably believe that the plaintiff approved of the pizza company’s use of the mark.<sup>116</sup> The Court enjoined the defendant’s use of the character in response to a survey which showed that consumers now expect to see endorsements of fictional characters in diverse arenas, including restaurant advertising and promotion.<sup>117</sup> The Court’s acceptance of the survey was particularly significant because it did not demonstrate consumer confusion as to the specific ‘Conan the Barbarian’ mark, but rather a general public perception about all characters. As a result, fictional characters may actually receive enhanced protection under the ‘likelihood of confusion’ standard because there already exists a preconception that fictional characters will often appear in multiple and diverse commercial situations. Further, the fact that the mark owner’s use is in a different medium or on a different product than that of the claimed interloper has not proved to be a barrier to equitable relief.<sup>118</sup> Direct competition has not been required.

Protection may also be given to unregistered trademarks at the federal level in the US under the unfair competition provisions of the *Lanham Act*.<sup>119</sup> This is relevant not only to affording protection to fictitious characters and products, in general, but also of particular significance to marks like ‘Duff Beer’ because it is registered only on the supplemental register. Consequently, it is considered unregistered for substantive legal purposes.

115 Ibid.

116 Ibid.

117 Ibid.

118 *DC Comics Inc v Powers*, 465 F Supp 843, 848 [8] (SD NY, 1978).

119 *Lanham Act*, 15 USC § 1125 (1946). While the section also considers cybersquatting and principles of dilution of famous marks, its historical core is the protection against unfair competition. Importantly, it states:

False designations of origin and false descriptions forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which —

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or ...

(B) ... shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

In addition, there are other rules and regulations in the US that address separate but related topics. For example, the Federal Trade Commission has promulgated rules that relate to testimonials. These would relate to and establish standards for such activities as celebrity endorsements. See, eg, 16 CFR §§ 255.0–255.5 (1980). The National Conference of Commissioners on Uniform State Laws also drafted a *Deceptive Trade Practices Act* that has been adopted in 12 US states. See, eg, Legal Information Institute, *Uniform Commercial Code Locator* (15 March 2004) Cornell University Law School <<http://www.law.cornell.edu/uniform/vol7.html#dectr>>.

In order to prove a violation in the US under the *Lanham Act* § 1125(a)(1)(A) (1946) in false sponsorship, endorsement or affiliation a claimant must show that: '(1) its mark is legally protectable; (2) it owns the mark; and (3) the defendant's use of the mark to identify its goods or services is likely to create confusion concerning the plaintiff's sponsorship or approval of those goods or services'.<sup>120</sup> The most typical claim under this provision is, in fact, the unauthorised use by one company of another's unregistered mark. The section also applies notwithstanding that the goods or services are competing or non-competing.<sup>121</sup>

The factors usually considered by a US court in the course of assessing whether a claim in unfair competition is viable include:

- (1) the degree of similarity between the owner's mark and the alleged infringing mark;
- (2) the strength of the owner's mark;
- (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase;
- (4) the length of time the defendant has used the mark without evidence of actual confusion arising;
- (5) the intent of the defendant in adopting the mark;
- (6) the evidence of actual confusion;
- (7) whether the goods, competing or not competing, are marketed through the same channels of trade and advertised through the same media;
- (8) the extent to which the targets of the parties' sales efforts are the same;
- (9) the relationship of the goods in the minds of consumers, whether because of the near-identity of the products, the similarity of function, or other factors; [and]
- (10) other facts suggesting that the consuming public might expect the prior owner to manufacture both products, or expect the prior owner to manufacture a product in the defendant's market, or expect that the prior owner is likely to expand into the defendant's market.<sup>122</sup>

A germinal case considering unfair competition in the context of fictional product merchandising in the US is *Wyatt Earp Enterprises Inc v Sackman Inc*.<sup>123</sup> The plaintiff was the producer of a series of motion picture programs for television entitled *The Life and Legend of Wyatt Earp*. Earp was an early American western figure of considerable historical reputation. The plaintiff had invested considerable sums in the series, and as a consequence the character of Earp possessed considerable commercial value and goodwill. In order to exploit the attendant

120 *Facenda v NFL Films Inc*, 542 F 3d 1007, 1014 [1] (3<sup>rd</sup> Cir 2008).

121 *Ibid* 1019 [4].

122 *Ibid*. See also, *A & H Sportswear Inc v Victoria's Secret Stores Inc*, 237 F 3d 198, 215 (3<sup>rd</sup> Cir 2000).

123 157 F Supp 621 (SD NY, 1958).

economic opportunity, the plaintiff had entered into a licensing arrangement with the defendant for the manufacture of cowboy costumes fashioned after the popular television figure. Following expiration of the licensing agreement, the defendant continued to manufacture cowboy suits that resembled the licensed suits in a considerable way. Even though it labelled the costumes in a slightly different manner, the defendant also continued to associate the suits with the Wyatt Earp character, and it denoted the suits as ‘official outfits’ in its catalogue. The plaintiff filed a claim under principles of unfair competition seeking to enjoin the defendant from so marketing its goods in this manner. In the course of its opinion, the Court observed:

The merchandise so promoted, in no way unique aside from its program identification, obviously sells much more readily than the same merchandise would sell without the program identification, as borne out by the fact that manufacturers pay and seek to pay substantial sums of money for the privilege of sponsorship, by way of licensing agreements. It can be found preliminarily, therefore, that the name and characterization of ‘Wyatt Earp’ as televised by the plaintiff has become identified in the mind of the consumer public with merchandise upon which the name has been imprinted; that this identification and good will has extended to the field of children’s playsuits sold and distributed under the name, mark and symbol ‘Wyatt Earp’; and that defendant is merchandising ‘Wyatt Earp’ playsuits because of a popular demand for merchandise identified with the program and the plaintiff.<sup>124</sup>

The court determined that the critical question in the case was whether the public was moved in any way to purchase the unlicensed suits as a result of their association with the television program of the plaintiff, the presumed source. The Court concluded that, in fact, the public was so moved. It stated:

The defendant’s use of the name created a likelihood that the public would believe, erroneously, that its playsuits were licensed or sponsored by the plaintiff, to the injury of the plaintiff’s good will and to the hazard of its reputation.<sup>125</sup>

It further concluded that it was not determinative that the plaintiff and defendant were not, in fact, direct competitors, as the issue was one of confusion of sponsorship. In so concluding it cited *Triangle Publications*:

In either case, the wrong of the defendant consisted in imposing upon the plaintiff a risk that the defendant’s goods would be associated by the public with the plaintiff, and it can make no difference whether that association is based upon attributing defendant’s goods to plaintiff or to a sponsorship by the latter when it has been determined that plaintiff had a right to protection of its trade name.<sup>126</sup>

124 Ibid 625.

125 Ibid.

126 Ibid 626, quoting *Triangle Publications*, 167 F 2d 969, 972–3 (2<sup>nd</sup> Cir, 1948).

The key inquiries in unfair competition claims are therefore, generally, twofold. First is whether the defendant intended to capitalise on the mark-owners work, mark, or efforts.<sup>127</sup> Second is whether the defendant's use confused consumers.<sup>128</sup> In applying these standards, courts have often observed that the presence of bad faith on the part of the interloper is a strong indication that the defendant has been unjustly enriched, and therefore has committed the tort of unfair competition. The Court in *DC Comics Inc v Powers* stated this reasoning as follows:

[I]t has been held that where the evidence demonstrates 'that another's name was adopted deliberately with a view to obtain some advantage from the good will, good name, and good trade which another has built-up, then the inference of (the) likelihood of confusion is readily drawn, for the very act of the adopter has indicated that he expects confusion and resultant profit.'<sup>129</sup>

As a result, when the defendant possesses a bad faith intent to misappropriate another's mark for the purpose of profiting from another's goodwill, courts are more likely to presume a likelihood of confusion. In turn, proof of bad faith results in a higher probability that a plaintiff will receive equitable relief.

## **B The Development of Principles of Character Merchandising in English and Australian Courts**

A common historical influence on character merchandising in both Australia and the United Kingdom<sup>130</sup> has been the early English case of *McCulloch v Lewis A May (Produce Distributors) Ltd*.<sup>131</sup> In *May*, the plaintiff was a famous

127 *American Footwear Corporation v General Footwear Co Ltd*, 609 F 2d 655 (2<sup>nd</sup> Cir, 1979).

128 *Ibid*.

129 *DC Comics Inc v Powers*, 465 F Supp 843, 848 (SD NY, 1978), quoting *Fleischmann Distilling Corp v Maier Brewing Co*, 314 F 2d 149, 158 (9<sup>th</sup> Cir, 1963). Cf *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451, 467 in which the Court observed:

Intention to take advantage of the goodwill of another does not of itself establish a cause of action, nor can there be a monopoly in the use of an ordinary English word. A court will, however, more readily infer where there is intention, that the promoters who know the field of business well, were justified in entertaining the hope or expectation that the attempt would succeed and it assists the conclusion that the public was so influenced. ... His Honour points out that acting in the hope or expectation of deriving a benefit from a resemblance to the plaintiff's name is no substitute for the primary requirement of distinctiveness or reputation but it is evidence which can assist an applicant's case. The intention of the breweries is to persuade consumers to believe that there is a strong association between their product and 'The Simpsons'. The breweries realised that they might be running a risk in promoting their can yet their intention was to obtain full benefit of 'The Simpsons' association while at the same time attempting to distance the product from the series just sufficiently to avoid liability under the Act or at common law.

130 Although 'Duff Beer' has not been the subject of litigation in the UK, it is a Community trademark registered in the UK by 20<sup>th</sup> Century Fox, the date of application for which was 25 August 1999. For additional information see Intellectual Property Office <<http://www.ipo.gov.uk>>. The same word mark and symbol are also registered as trademarks in Australia. See IP Australia <<http://www.ipaustralia.gov.au/>>.

131 [1947] 2 All ER 845 ('May').

but physically disabled presenter of children's radio programs; he was known as 'Uncle Mac.' The defendant sold cereal using the same name and also employed advertising copy on its packaging of the product that included the statements, 'Uncle Mac loves children — and children love Uncle Mac!' and 'You know the difficulties of travel these days, and will understand that Uncle Mac can't get about as freely as he would like to, but rest assured that all will come right in time and that he will always do his best to please his many friends.'<sup>132</sup> The plaintiff claimed that by using the references, the defendant passed off its goods as those of the plaintiff.

In the course of his opinion, Wynn-Parry J concluded that in order to frame a proper claim for passing off and to properly demonstrate requisite damage, a plaintiff must show a clear connection of his business with that of the defendant, that is, that they were engaged in a 'common field of activity.'<sup>133</sup> In finding against the plaintiff his Honour stated:

On the postulate that the plaintiff is not engaged in any degree in producing or marketing puffed wheat, how can the defendant, in using the fancy name used by the plaintiff, be said to be passing off the goods or the business of the plaintiff? I am utterly unable to see any element of passing off in this case.<sup>134</sup>

The *May* case was considered but not followed in Australia by the Supreme Court of New South Wales.<sup>135</sup> In the germinal case of *Henderson v Radio Corp Pty Ltd*, the plaintiffs were well-known professional ballroom dancers, and the defendant had manufactured and distributed a record of ballroom dancing music.<sup>136</sup> The defendant had included a photograph of the plaintiffs on the cover of the record album without permission. In their complaint the plaintiffs alleged that the unauthorised use of their picture on the album cover would lead buyers to believe that they recommended the record and that such was actionable as passing off. On appeal the Court rejected the reasoning of Wynn-Parry J in *May* and concluded that the photograph on the cover of the album would be understood by the public as a representation that the plaintiffs recommended the record and that the photograph was employed to induce customers to purchase it. In clarifying its position with respect to passing off and a requirement of a 'common field of activity', the Supreme Court observed:

We find it impossible to accept this view without some qualification. The remedy in passing off is necessarily only available where the parties are

132 Ibid 848.

133 Ibid 851. Wynn-Parry J cited the precedential opinion of Maugham J in *British Medical Association v Marsh* (1931) 48 RPC 565, and stated that it was

necessary to find that the plaintiffs had a business, and that, having regard to all the circumstances, it could properly be said that the acts of the defendant were likely to cause damage to the plaintiffs in that business, thus pointing, as I understand his Lordship's judgment, quite clearly to the necessity of showing connection between the two businesses.

134 Ibid.

135 See *Henderson v Radio Corp Pty Ltd* [1947] NSW 279 (Evatt CJ, Myers and Manning JJ).

136 Ibid.

engaged in business, using that expression in its widest sense to include professions and callings. If they are, there does not seem to be any reason why it should also be necessary that there be an area, actual or potential, in which their activities conflict. If it were so, then, subject only to the law of defamation, any businessman might falsely represent that his goods were produced by another provided that other was not engaged, or not reasonably likely to be engaged, in producing similar goods. This does not seem to be a sound general principle.

The present case provides an illustration of the unjust consequences of such a principle. For the purposes of this part of its argument, the appellant concedes that it is falsely representing that the respondents recommend, favour or support its dance music record, but it claims that because the respondents are not engaged or likely to be engaged in making or selling gramophone records, it is entitled to appropriate their names and reputations for its own commercial advantage and that the court has no power to prevent it doing so. It would be a grave defect in the law if this were so.

In our view, once it is proved that A is falsely representing his goods as the goods of B, or his business to be the same as or connected with the business of B, the wrong of passing off has been established and B is entitled to relief.<sup>137</sup>

In *Irvine*,<sup>138</sup> perhaps the seminal case in England on personality and character merchandising, Laddie J followed the lead of the Australian Court. The plaintiff in the case was a well-known race car driver. The defendant, in the course of promoting its radio station, had employed the photograph of the plaintiff without permission. The plaintiff claimed that this use damaged his reputation under principles of passing off.

In the course of his opinion, Laddie J observed that it was the goodwill of the plaintiff, Irvine, that was to be protected from predatory activity, and quoting Lord Macnaghton, his Honour noted:

What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom.<sup>139</sup>

To Laddie J, the purpose of the passing off action in this case was to vindicate the claimant's exclusive right to the value of goodwill not only against immediate damage that may result from specific misattribution as to the source of inferior goods but also to permit an individual to prevent another using his name and reputation without permission.<sup>140</sup> His Honour concluded that if someone acquired

137 Ibid.

138 [2002] 2 All ER 414.

139 *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217, 223–224, quoted in *Irvine* [2002] 2 All ER 414, 424 [33].

140 *Irvine* [2002] 2 All ER 414, 424 [34].

a valuable reputation and consequent goodwill, the principle of passing off could be employed to protect it against unlicensed use by others who would hope to ride free on and reap the benefits of its value.

In support of this view his Honour drew upon principles discussed above and now known as ‘extended passing off.’<sup>141</sup> As a result, his Honour determined that it was not necessary for the plaintiff to demonstrate that the individuals were competitors or that they shared ‘a common field of activity.’<sup>142</sup> Rather it was the deceptive use of one’s reputation that was important.<sup>143</sup> His Honour stated:

The law will vindicate the claimant’s exclusive right to the reputation or goodwill. It will not allow others to so use goodwill as to reduce, blur or diminish its exclusivity. It follows that it [was] not [considered] necessary [in a personality merchandising case] to show that the claimant and the defendant share a common field of activity or that sales of products or services [would] be diminished either substantially or directly, at least in the short term. Of course there ... still [remained] a need to demonstrate a misrepresentation because it is that misrepresentation which enable[d] the defendant to make use or take advantage of the claimant’s reputation.<sup>144</sup>

In concluding that Irvine had stated a viable claim in passing off for unauthorised use of his photograph in advertising, his Honour noted:

Not only has the law of passing off expanded over the years, but the commercial environment in which it operates is in a constant state of flux. Even without the evidence given at the trial in this action, the court can take judicial notice of the fact that it is common for famous people to exploit their names and images by way of endorsement. They do it not only in their own field of expertise but, depending on the extent of their fame or notoriety, wider afield also. It is common knowledge that for many sportsmen, for example, income received from endorsing a variety of products and services represents a very substantial part of their total income. The reason large sums are paid for endorsement is because, no matter how irrational it may seem to a lawyer, those in business have reason to believe that the lustre of a famous personality, if attached to their goods or services, will enhance the attractiveness of those goods or services to their target market. In this respect, the endorsee is taking the benefit of the attractive force which is the reputation or goodwill of the famous person. ...

‘Endorsement arrangements by sports stars are often entered into with a view to influencing the target audience’s choice’.<sup>145</sup>

141 Ibid 426 [38].

142 Ibid.

143 Ibid.

144 Ibid.

145 Ibid 426 [39]–[40].



## 1 Recent Legislation in the United Kingdom

Although there have not been any recent character merchandising cases of developmental note in the UK, there has been recent legislation that purports to implement the *EU Unfair Commercial Practices Directive*.<sup>146</sup> The legislation is known as the *Consumer Protection from Unfair Trading Regulations 2008* (UK).<sup>147</sup> It supplements the common law principles of passing off as found in the UK, and incorporates these principles into formal legislation, at least in part. However, the effect of the legislation upon passing off principles and character merchandising is as yet unknown. The Regulations do consider a trader's general good faith and honest market practices in the trader's field of activity.<sup>148</sup> In this context, a commercial activity is deemed unfair under the Regulations if it 'contravenes the requirements of professional diligence.'<sup>149</sup> Furthermore, a practice is deemed misleading and offensive if it relates to any marketing of a product 'which creates confusion with any products, trade marks, trade names or other distinguishing marks of a competitor,'<sup>150</sup> or if it in 'any way deceives or is likely to deceive the average consumer.'<sup>151</sup> Regulation 5, in fact, specifically states that this includes 'any statement or symbol relating to direct or indirect sponsorship or approval of the trader or the product.'<sup>152</sup> Although designed, purportedly, to favour the interests of consumers rather than to protect the goodwill of traders,<sup>153</sup> these provisions seem to expand protection of trade names and other symbols beyond that provided by the traditional principles of passing off. In fact, it appears to move in the direction of the type of protection one finds in the US under § 1125 of the *Lanham Act*.<sup>154</sup>

Finally, sch 1 of the Regulations which is entitled 'Commercial practices which are in all circumstances considered unfair' includes a rather long list of specific offensive practices. Two among them are of considerable importance to the current discussion on unfair competition and character merchandising. First, para 4 addresses sponsorship and association. It includes among unfair practices:

146 *Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 Concerning Unfair Business-To-Consumer Commercial Practices in the Internal Market and Amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council* [2005] OJ L 149/22.

147 *Consumer Protection from Unfair Trading Regulations 2008* (UK) SI 2008/1277.

148 *Ibid* reg 2(1).

149 *Ibid* reg 3(3)(a).

150 *Ibid* regs 5(1), 5(3)(a).

151 *Ibid* reg 5(2)(a).

152 *Ibid* reg 5(4)(f).

153 See *The Consumer Protection from Unfair Trading Regulations: A Guide for Businesses about the Requirements of the Consumer Protection from Unfair Trading Regulations 2008* (2010) <[http://www.newcastle.gov.uk/wwwfileroot/legacy/regen/phep/The\\_consumer\\_protection\\_unfair\\_trading\\_regs\\_2008.pdf](http://www.newcastle.gov.uk/wwwfileroot/legacy/regen/phep/The_consumer_protection_unfair_trading_regs_2008.pdf)>; Office of Fair Trading and Department for Business, Enterprise and Regulatory Reform, *Consumer Protection from Unfair Trading: Guidance on the Consumer Protection from Unfair Trading Regulations 2008* (2008) <[http://www.offt.gov.uk/shared\\_offt/business\\_leaflets/cpregs/oft1008.pdf](http://www.offt.gov.uk/shared_offt/business_leaflets/cpregs/oft1008.pdf)>.

154 *Lanham Act* 15 USC §1125 (2012).

Claiming that a trader (including his commercial practices) or a product has been approved, endorsed or authorised by a public or private body when the trader, the commercial practices or the product have not or making such a claim without complying with the terms of the approval, endorsement or authorisation.

In addition, sch 1 para 13 declares as unfair an action that approximates or is, in fact, passing off. It states that it is an unfair practice if one engages in:

Promoting a product similar to a product made by a particular manufacturer in such a manner as deliberately to mislead the consumer into believing that the product is made by that same manufacturer when it is not.

As the legislation is implemented, it may serve to expand protection given to creators of fictional characters and products.

### **C Australia — Character Merchandising and Duff Beer**

Recent Australian cases seem to reflect views quite similar to those represented by *Irvine* in which value derived from association or affiliation with character caché was recognised in the UK.<sup>155</sup> For example, in *Hogan v Koala Dundee Pty Ltd*,<sup>156</sup> Mr Hogan and others sought an injunction against the defendant's sale of Australian souvenirs bearing similarities to the central character in the *Crocodile Dundee* films. Hogan complained that the respondents had breached s 52 of the *Trade Practices Act 1974* (Cth) and that the association created between the souvenirs and the fictional character of Dundee violated principles of passing off. Pincus J enjoined the respondents from further use of the association and concluded that, 'the inventor of a sufficiently famous fictional character having certain visual or other traits may prevent others using his character to sell their goods.'<sup>157</sup> In upholding the common law claim in passing off of the plaintiffs, his Honour stated:

Here, Mr Chesterman QC argued that the koala image was akin to a parody of the image of Paul Hogan in the film and he relied upon certain United States parody cases ... He contended that people would be likely to think that, if the respondents were using 'Crocodile Dundee' images in the shop by licence, Paul Hogan's face would not have been replaced by that of a koala, nor would all mention of Paul Hogan's name have been omitted. I agree. In my opinion, however, there is nevertheless a clear representation of association with the film's images. Mr Chesterman pointed out that each of the elements complained of is by itself common enough. For example, koalas are, as are bush hats and, perhaps less so, hats with teeth in the band and so forth, but the combination of images is something else again.<sup>158</sup>

155 [2002] 2 All ER 414.

156 (1988) 20 FCR 314.

157 Ibid 323.

158 Ibid 327.

Australian courts continued to evolve principles that gave rise to the protection of characters in a later case, *Pacific Dunlop Ltd v Hogan*.<sup>159</sup> In that case, the fictional character of Crocodile Dundee, as portrayed by another actor, was again employed, this time in an advertisement of certain faux leather boots that roughly replicated the famous ‘knife scene’ of the original film. The plaintiffs had filed suit under s 2 of the *Trade Practices Act 1974* (Cth) for deceptive advertising as well as in passing off. The trial court found in favour of the plaintiffs. There was evidence at trial that it was a widespread custom in ‘character merchandising’ situations for persons who held intellectual property rights in fictional characters to grant licences to others, giving them permission to manufacture or deal in products in association with a representation of those characters.<sup>160</sup> Of tremendous significance to the development of this field, the trial judge inferred from this that the purchasing public would be aware of the custom and presume that licensing would or should have occurred. There was also evidence presented of the broad use of the images of animate sportsmen, entertainers and other public figures to promote products and services and that this included situations in which celebrities would appear not only as themselves but also in character.<sup>161</sup>

At the appellate level, Beaumont J characterised the essential issue in the *Pacific Dunlop* case as ‘whether the appellant has conveyed the message that the first respondent has agreed to an advertisement for the appellant’s goods in which an image identified with the respondents is seen to endorse the goods.’<sup>162</sup> His Honour noted that Goff LJ in *HP Bulmer Ltd & Showerings Ltd v J Bollinger SA* had stated:

Not every kind of connection claimed will amount to passing off; for example if one says that one’s goods are very suitable to be used in connection with the plaintiff’s. On the other hand in my view there can be a passing off of goods without representing that they are actually the well-known goods which the plaintiff produces or a new line which he is supposed to have started. It is sufficient in my view if what is done represents the defendant’s goods to be connected with the plaintiff’s in such a way as would lead people to accept them on the faith of the plaintiff’s reputation. Thus for example it would be sufficient if they were taken to be made under licence, or under some trading arrangement which would give the plaintiff some control over them.<sup>163</sup>

Beaumont J observed a significant difference between the mere use of a character such as in a parody, and one in which the character is ‘embedded’ in an advertisement.<sup>164</sup> His Honour reasoned that in the latter situation a viewer could well conclude that the character is perceived as endorsing the object of the advertising. In finding for the plaintiff, Hogan, his Honour concluded that the

159 (1989) 23 FCR 553, 554 (*‘Pacific Dunlop’*).

160 Cf *Wyatt Earp Enterprises Inc v Sackman Inc*, 157 F Supp 621 (SD NY, 1958).

161 *Pacific Dunlop* (1989) 23 FCR 553, 576.

162 Ibid 582.

163 Ibid 580, quoting *HP Bulmer Ltd & Showerings Ltd v J Bollinger SA* [1978] FSR 79, 117.

164 *Pacific Dunlop* (1989) 23 FCR 553, 582; Cf *Tolley v JS Fry & Sons* [1931] 1 AC 333.

Dundee figure was seen as sponsoring and recommending the appellant's shoes and, as such, the use was passing off.<sup>165</sup>

In a separate opinion in the case Burchett J asserted that the importance of character merchandising was in the creation of an association of the product with the character. In this context, his Honour believed that the powerful visual medium employed in television advertising, in particular, served to give effective force and immediacy to the vague messages that otherwise might be contained in character merchandising. Consequently, 'a pervasive feature is not so much the making of statements that may mislead the mind directly, as suggestions that may inveigle the emotions into false responses.'<sup>166</sup>

Burchett J further stated that in the Hogan case there was a clear 'endorsement of the appellant's shoes by Mr Hogan's almost universally appreciated Crocodile Dundee personality, and through that of an association between Mr Hogan and the product so endorsed.'<sup>167</sup>

#### **D 'Duff Beer' in Australia**

In 1996, the Australian courts were presented with a unique case involving the famed television series *The Simpsons* and a fictional product, 'Duff Beer', as used in the cartoon.<sup>168</sup> The owner of the marks, Fox, sought relief against two local Australian breweries that produced a beer in can form that employed the word 'Duff' on the label. Fox claimed that the cartoon series and its fictional characters and products, including Duff Beer, had acquired substantial goodwill and reputation in Australia and that the defendants were guilty of deceptive conduct under the *Trade Practices Act 1974* (Cth) as well as passing off through the association of the breweries' products with the plaintiff's fictional product and cartoon series.

Fox presented extensive evidence that proved the cartoon had been broadcast broadly throughout Australia and New Zealand since 10 February 1991, and that references to Duff Beer had appeared in nearly all episodes, some in a very prominent manner. Fox also demonstrated that it had employed the various characters of the series in advertising over this time period and had, since 1989, licensed the numerous characters, including Duff Beer, through a variety of

165 *Pacific Dunlop* (1989) 23 FCR 553, 582.

166 *Ibid* 584.

167 *Ibid*.

168 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451.

character merchandising arrangements.<sup>169</sup> The accumulation of this evidence led the Court to hold that *The Simpsons* had a strong reputation in Australia.

The breweries presented marketing reports which documented their thorough research on the effects of the use of the Duff Beer mark. This included the use of consumer focus groups. These reports indicated that use of the term ‘Duff’ on a beer can create a strong association with *The Simpsons*. Because *The Simpsons* carried a young, irreverent, and fun connotation, the breweries concluded that the term would be successful in attracting a young age group to the beer. With respect to the views of the focus groups the Court observed:

The findings noted that almost all the respondents were highly familiar with the television series, ‘*The Simpsons*’ and instantly recognised the product as drunk by ‘Homer Simpson’ and considered it was one which would have to be tried. The product quality expectations were not high. The concept of Duff Beer was seen as a ‘joke’, a ‘bit of a trick’, or a ‘vehicle for fun’.

A large number of the beer drinkers claimed they would try it. The research claimed, ‘it is a symbol of the whole attitude/lifestyle that makes *The Simpsons* such a popular program with this age group’. The researchers’ observation recorded that the product had a strong market potential.<sup>170</sup>

Most significantly, the report gave the advice that the term ‘Duff’ would only be successful as the name of a beer if the term were used in association with *The Simpsons*. The report also noted that establishing such an association would permit the beer to basically sell itself. The presence of such an association would drive consumers to buy the beer, without further promotional support. The report stated:

To say that a Duff Beer brand would generate interest would be an understatement: *the target market will not be able to leave this can on the shelf. The Simpsons appear to enjoy widespread, if not universal, popularity. It has the ultimate credential — it is ‘cool’.*

A beer which is based on *The Simpsons* will need little, if any, promotional support. This product seems to be in tune with the market ...<sup>171</sup>

The report affirmatively rejected the notion of intentionally disassociating the cartoon series from the beer as counterproductive because that strategy ‘*doesn’t*

169 Ibid 456, the Court also stated:

The merchandise comprises T-shirts, caps, sweat shirts, tank tops, ceramic mugs, trading cards, greeting cards, mouse pads, swim wear and canvas show bags to mention only a few. It is proposed to license and market boxer shorts and other goods depicting characters from the series.

Licensed merchandise relating specifically to ‘Duff Beer’ and sold prior to the hearing date, include T-shirts and caps marketed by ‘Top Heavy Pty Limited’.

170 Ibid 460.

171 Ibid 461 (emphasis in original).

work as it removes the brand from its source of current franchise and its fun positioning.<sup>172</sup>

However, the breweries tried to formally distance themselves from the direct use of Duff Beer as seen in *The Simpsons* series by changing the colour of the can and abandoning the rough script of the fictional product in favour of solid lettering.<sup>173</sup> Further, letters were sent to distributors that acknowledged ‘that “another Duff Beer” [was featured in] “*The Simpsons*” TV show’ but also stated that ‘this [was] a completely fictitious product.’<sup>174</sup> ‘Retailers were “encouraged” to not use “*The Simpsons*” imagery or logos in supporting “Duff Beer” as these were not owned by ... [the breweries], and there may be risk of infringing legal copyright.’<sup>175</sup> No disclaimer, however, actually appeared on the can.

Given these facts, the Court discussed the elements required to prove a case for the individual causes of action of deceptive conduct under *Trade Practices Act 1974* (Cth) s 52 and of passing off. Although the two causes are closely related, their distinct goals are at variance. In the deceptive conduct claim, it is the public that is the beneficiary, while the focus in passing off is protection of the goodwill and reputation of the business proprietor. The latter claim would only be proved by evidence demonstrating the deliberate creation by the breweries of an association between the breweries’ Duff Beer can and *The Simpsons*’ program. It would not be sufficient that the claimed interloper merely intended to take advantage of the goodwill of Fox. However, the Court noted that when those who use another’s distinctive mark are aware of the business potential of using the word and the use results in consumer confusion, the courts have been willing to interfere and enjoin actions of the interloper. Although the breweries had attempted to create formal distinctions between the marks, the Court believed that, in this case, their purposes in using the word ‘Duff’ were to influence consumers to believe that their beer was associated with *The Simpsons*, to exploit the goodwill developed by Fox, and to reap the benefits of *The Simpsons* fame. The Court noted with favour that in *Fido Dido Inc v Venture Stores (Retailers) Pty Ltd*, Foster J stated:

I have come to the view that *it is reasonable in this day and age to assume a state of knowledge in the buying public that characters appear in character merchandising as a result of some system of at least sponsorship or approval by a character himself* in the case of a living person, or the owner of a character in the case where it is inanimate.<sup>176</sup>

The Court did observe that unlike most character merchandising cases it was not a fictional character that was referenced, but rather a fictional product. However, in this case, the ‘make-believe’ product was coupled with not only the main

172 Ibid 461–2 (emphasis in original).

173 Max Eddy, *Do You Want to Drink Duff Beer? Technically, You Can* (20 February 2012) Geekosystem <<http://www.geekosystem.com/real-duff-beer/>>.

174 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451, 462–3.

175 Ibid 463.

176 Ibid 464, quoting *Fido Dido Inc v Venture Stores (Retailers) Pty Ltd* (1988) 16 IPR 365, 371 (emphasis in original).

fictional character but also a fictional institution, Duff Brewery, that employed faux advertising including signage. The composite of features was all deemed an integral part of the broader fictional environment that the fictional character inhabited in the cartoon series. As a consequence, the Court concluded:

No doubt, the assignation of the name ‘Duff’ to the product was designed to achieve a more believable specific fictional effect than to have an anonymous generic ‘beer’ can and it serves to endow the characters with more focused identifiable ‘human’ traits.

The evidence shows that the use of the ‘Duff Beer’ name on the breweries’ can is sufficient to invest the beer in the minds of consumers with many of the associations of ‘*The Simpsons*’. Accordingly, in my view, the principles which apply to character image or title association are equally applicable to the name of a product which features in the program, in this instance, ‘Duff Beer.’<sup>177</sup>

The Court then turned its attention to passing off and referenced the five elements identified in the extended passing off UK decision of the *Advocaat Case*.<sup>178</sup> As implied by these five elements, passing off is quite similar to a deceptive conduct action, as both require a misrepresentation to customers. However, passing off protects the harm done to the reputation of the trader, while deceptive conduct focuses upon the harm done to consumers.<sup>179</sup> Furthermore, the Court indicated that a pinnacle point for deceptive conduct and passing off cases seems to revolve around whether the defendant’s use of another’s mark is based upon the public’s underlying assumption that the wrongful use is associated with the mark owner. Passing off may not require exact replicas when the foundation for exploitation is based upon such underlying wrongful association.

The Court did not dwell on Fox’s claim of passing off as it had already concluded that most of the elements to such a claim were satisfied under its discussion about the breweries’ deceptive conduct. It held that because all five required elements were adequately presented, the breweries were guilty of passing off.<sup>180</sup> Also, given the testimony that the producers of *The Simpsons* (consistent with their

177 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451, 466 (Tamberlin J).

178 *Advocaat Case* [1979] AC 731, 742. The elements are:

(1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers ... or ultimate consumers of goods supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.

179 *Ibid.* See, eg, the distinction recognised at 754:

That is to say the misrepresentation was that the respondents’ ‘Old English Advocaat’ was a liqueur of the kind that enjoyed the reputation attached to genuine advocaat in England. I note in passing that the justification for the passing off action to prevent such misrepresentation continuing is not to protect the public (who might suffer no prejudice from it, if they had never tasted genuine advocaat) but to protect the appellants’ property in the goodwill.

180 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451, 472.

licence agreements) had refused to promote alcohol to young audiences, the Court held that it was reasonably foreseeable that Fox would be harmed, and that the potential harm would result in actual damages.<sup>181</sup> Consequently, and without giving much specific attention to the claim the Court summarily concluded that, ‘the producers have made out their case in relation to passing off.’<sup>182</sup>

## 1 Recent Legislation in Australia

Australia has recently acted to supplement the principles of passing off reflected in *Pacific Dunlop Ltd v Hogan*,<sup>183</sup> by promulgating the *Competition and Consumer Act 2010* (Cth). It is too soon to know the effect that the legislation will have on the protection of fictional characters and products. It is, however, worthy of note due to its potential impact on the area. The Act, which has been effective from January 2011, supersedes the *Trade Practices Act 1974* (Cth) which had long regulated commerce in Australia, and is known as the Australian Consumer Law (‘ACL’).<sup>184</sup> The new Act is structured to provide a uniform, nationwide scheme for addressing consumer protection issues, and accordingly, the ACL has been independently enacted into law by each state and territory. Consumer protection provisions of the former *Trade Practices Act 1974* (Cth) are now found in sch 2 of the new Act.

The ACL is extraordinarily comprehensive and much broader than legislation of similar focus found in the UK. The new Act addresses myriad subjects that are of considerable interest to consumers including warranties and guarantees, product safety, protection from unfair and unconscionable terms in consumer contracts, and prohibitions on false and misleading conduct and representations. Of particular relevance to the present discussion, is sch 2 s 29 ‘False or misleading representations about goods or services’. That section addresses both purported endorsements and testimonials as well as sponsorship and association. It states in relevant part:

- (1) A person must not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services:  
...
  - (e) make a false or misleading representation that purports to be a testimonial by any person relating to goods or services; or ...
  - (f) make a false or misleading representation concerning:
    - (i) a testimonial by any person; or

181 Cf *Twentieth Century Fox Film Co v Brouwerij Haacht NV* (Unreported, Court of Chamber of Commerce in Brussels, 12 January 2011) for a similar argument in the Fox case in Belgium, wherein the Court there held that the argument proved that Fox would not be harmed.

182 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451, 472.

183 (1989) 23 FCR 553.

184 *Competition and Consumer Act 2010* (Cth) s 4(1), sch 2.



- (ii) a representation that purports to be such a testimonial; relating to goods or services; or
- (g) make a false or misleading representation that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits; or
- (h) make a false or misleading representation that the person making the representation has a sponsorship, approval or affiliation; ...<sup>185</sup>

Also, sch 2 s 151 'False or misleading representations about goods or services' specifically states that a person commits an offence under the Act if he breaches any of the above standards.<sup>186</sup>

While there remain some remarkable distinctions between the law applicable to protection of fictional characters and products in the US and those employed in Australia and the UK, the differences seem to be narrowing. With the introduction of extended passing off in the UK and the adoption of similar principles in Australia, protection is broadening under the passing off theory to include sponsorship, affiliation and association. This state of affairs exists notwithstanding the reservations and protestations of judges and commentators against attempts to introduce expanded notions of unfair competition into the jurisprudence of either country. Further, and as is evident in the Australian Duff Beer case, courts in this particular subject area seem to be moving beyond mere protection of the reputation of traders and appear to be gravitating toward giving greater and considerable recognition to the interest of the public and to claims of consumer deception that are the result of misassociation. Should this sensitivity continue, and in light of the new and broader protection under the recent *Competition and Consumer Act 2010* (Cth) in Australia, the standards found under the rubric of unfair competition may soon begin to approximate one another, at least in the laws of Australia and the US.

## **E Duff Beer in Belgium**

While the protection of fictional characters and products seems to be recognised, generally, in the US, and appears to have gained considerable purchase in Australia and the UK, this condition does not necessarily exist in the greater global community. This could be due to not only differences in the application of discrete legal traditions and resulting principles but also to variable consumer perceptions concerning the intensity and distribution of the caché of such characters and products, and the proper role to be played by those symbols in commerce. The faux product Duff Beer, the subject matter of the above-mentioned dispute in Australia, may be a convenient vehicle to employ in investigation of the broader topic because legal attention concerning exploitation of the mark has

<sup>185</sup> Ibid sch 2 s 29.

<sup>186</sup> Ibid sch 2 s 151.

been reported in such countries as Belgium, Spain, Mexico and Argentina. Of particular interest in this regard is a case that was recently concluded in Belgium concerning the symbol.<sup>187</sup>

In the spring of 2011, the Belgium Court of Commerce was presented with claims by Fox that the defendant breweries had infringed its copyright and trademark rights in ‘Duff BEER’<sup>188</sup> the denoted symbol of a fictitious product employed in the cartoon series, *The Simpsons*.<sup>189</sup> Fox alleged that the brewery companies, including Brouwerij Haacht NV, had not only used the word mark, ‘Duff BEER’, but had also used certain relevant colours and designs on some of their beers that were similar to distinctive features on the fictional beer. Fox argued the defendants’ use violated the terms of European trademark laws, namely the *Community Trade Mark Regulation*,<sup>190</sup> as applied to Fox’s two registered trademarks for Duff Beer.<sup>191</sup> It sought damages as well as an injunction against further use.

In a counterclaim the brewing companies asked the Court to invalidate the Community trademarks of Fox for all goods,<sup>192</sup> for which they were registered pursuant to arts 51, 52 and 7(g) of the Regulation.<sup>193</sup> Articles 51 and 52 of the Regulation permit a defendant in an infringement suit to assert that a mark is

187 See Eriq Gardner, ‘Why Hasn’t Fox Sued Makers of Duff Beer?’ *The Hollywood Reporter*, 7 December 2009 <<http://reporter.blogs.com/thresq/2009/12/fox-duff-beer-trademark.html>>. Duff Beer is also sold in various other countries in both South America as well as in Europe notwithstanding that Fox has not apparently granted licences for the use of the symbol.

188 The Trade Marks and Designs Registration Office of the European Union, Trade Mark Nos 001289842 and 001341130.

189 *Twentieth Century Fox Film Co v Brouwerij Haacht NV* (Unreported, Court of Chamber of Commerce in Brussels 12 January 2011) [Niels Pepels trans].

190 *Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark* [2009] OJ L 78/1, arts 9(1)a, 9(1)b or 9(1)c (‘*Community Trade Mark Regulation*’).

191 The Trade Marks and Designs Registration Office of the European Union, Trade Mark Nos 001289842 and 001341130. A search of the Community trademark database of the Office for Harmonization in the Internal Market (EU) for the mark ‘Duff Beer’ discloses that as of 6 October 2012 there are three registrations noted. They include: 1. A registration by 20<sup>th</sup> Century Fox Film Corporation, Figurative Mark Number 001341130, denoted ‘Cancellation Pending’. 2. A registration by 20<sup>th</sup> Century Fox, Figurative Mark Number 001289842, denoted ‘Registered’. 3. A pending application for ‘Duff Beer’, Figurative Mark Number 008820763, submitted by applicant M&B Treuhand GmbH Wirtschaftsprüfungsgesellschaft. (The mark has a different configuration). The application is noted as ‘Application Opposed’.

192 Goods are classified in the EU using the Nice system. See, Office for Harmonization in the Internal Market (Trade Marks and Designs), *Nice Classification* (27 March 2007) <<http://oami.europa.eu/en/database/euroace.htm>>.

193 *Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trade Mark* [1994] OJ L 11/1. See also *Community Trade Mark Regulation* [2009] OJ L 78/1. As later noted, the goods registered under registration number 1341130 were in classes 18, 28 and 32 of the Nice Classification and included non-alcoholic soft drinks, and those under registration 1289842 were in classes 16, 20 and 21 of the Nice Classification and included ‘drinking glasses, beer mugs, pint glasses, long drink glasses’. For searching Community trademarks, see Office for Harmonization in the Internal Market (Trade Marks and Designs), *Searching the Community Trade Mark Database: CTM-ONLINE* (16 August 2012) <<http://oami.europa.eu/ows/rw/pages/QPLUS/databases/searchCTM.en.do>>.

invalid due to improper registration in violation of art 7(g).<sup>194</sup> Article 7 of the Regulation lists the types of marks that are barred absolutely from receiving registration. Sub-part (g) specifically prohibits registration of ‘trade marks which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service ...’<sup>195</sup>

The Court first considered whether Fox’s registered marks in Duff Beer were valid under *Community Trademark Regulation*, art 7. Fox presented three basic arguments. First and with respect to the threshold issue of whether the marks might deceive the public, Fox argued that a mark could only be considered misleading and deceptive if the public were confused as to the origin of goods.<sup>196</sup>

Notwithstanding that this position seemed to be fully consistent with the policy of the Regulation as stated in the preamble,<sup>197</sup> the Court rejected this argument. It instead noted that the express language of the Regulation stated that a mark can be deceptive as to the quality or nature of the good, and in this case it concluded that the deception was with respect to the nature of the good. It observed:

The court determines that the Community trade marks indeed mislead the public since the word ‘BEER’ is an integral component of the figurative sign that is part of the registered mark and it is neither registered nor used for beer. The marks were registered solely for Class 28 (puzzles, toy figures, board games, Christmas tree decorations, flying saucers) and Class 32 (carbonated and non-carbonated soft drinks, ginger ale, fruit juices ...).

The public that is confronted with the Community trade mark of plaintiff, a drink of plaintiff or any other product to which it refers and upon which the word ‘BEER’ is used, could reasonably infer that the product contains alcohol and is fermented beer. This is so even while the Community trade marks of plaintiff are registered for different kinds of drinks without even mention of one that is an alcoholic beverage.<sup>198</sup>

194 In the US this would be equivalent to that which is known as a deceptive mark. In order for a mark to be deceptive and be barred from registration, it must contain misinformation or a misdescription, which is believed to be correct by the viewing public and is material to the decision of the public in purchasing the good. ‘[D]eception is found when an essential and material element is misrepresented, is distinctly false, and is the very element upon which the customer reasonably relies in purchasing one product over another.’ *Gold Seal Company v Weeks*, 129 F Supp 928, 934 (D DC, 1955), affirmed in *SC Johnson & Son v Gold Seal Co*, 230 F 2d 832 (DC Cir, 1956).

195 *Community Trade Mark Regulation* [2009] OJ L 78/1, art 7.

196 As discussed above, US trademark infringement is heavily focused on whether the public would incorrectly associate a mark’s origin.

197 *Community Trade Mark Regulation* [2009] OJ L 78/1, (8). ‘The protection afforded by a Community trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, should be absolute in the case of identity between the mark and the sign and the goods or services’.

198 *Twentieth Century Fox Film Co v Brouwerij Haacht NV* (Unreported, Court of Chamber of Commerce in Brussels 12 January 2011) section 4(1) [Niels Pepels trans].

Second, Fox asserted that because registration number 001289842 included ‘drinking glasses, beer mugs, pint glasses, long drink glasses ...’<sup>199</sup> and that these could certainly serve as vessels for both alcoholic and non-alcoholic drinks, the classification was not deceptive. Fox believed that glasses could be suitable for any beverage for which they were advertised. Fox had also, however, presented testimony of the creator of *The Simpsons* who stated that he had never planned to bring an actual alcoholic Duff Beer on the market because the show had no desire to encourage younger audiences to drink. The Court held that Fox’s proffered argument was contradictory to the testimony it had submitted that demonstrated that they did not promote the use of alcoholic drinks, and as a result, dismissed the argument. As noted above, Fox had presented the same argument to the Australian Court that held, contrary to the Belgian Court, that the evidence of intended use was not deceptive, but rather it deemed the use by the defendant brewery in that case was deceptive.<sup>200</sup> In addition, the conclusion of the Belgian Court may be considered improper or at least unusual because a claim that a trademark is misleading is traditionally assessed in light of the goods and services for which the trademark is registered and not in light of its actual or intended use.<sup>201</sup>

Finally, the Belgian Court addressed Fox’s claim that the term ‘beer’ can be used to refer to both alcoholic and non-alcoholic beverages. While the Court acknowledged that the general statement can be true, it noted that when non-alcoholic beer is intended, the term is typically accompanied by a modifying word that refers to either a fruit or vegetable. Examples of this might be the non-alcoholic beverage known as ‘Ginger Beer’ and the American beverage ‘Root Beer.’ In this case, the only modifying term was ‘Duff’ and the Court perceived this as a reference to the fictional alcoholic beer that is drunk by the adult cartoon character, Homer Simpson, who appears in the series. This fictional beer was, in fact, considered an alcoholic beverage by the audience. As a result, the Court considered the mark to be deceptive because the public would see the term beer and believe that it referred to alcoholic beer, even though Fox had registered the mark for soft drink. Despite Fox’s numerous attempts to uphold its registrations for ‘Duff BEER’, the Court ultimately held both registrations were invalid under arts 52 and 7(g) European trademark law.<sup>202</sup>

The analysis and conclusion of the Court as to deception has been seriously questioned. As described previously, the customary standard for assessment of the misleading character of goods used in the context of registration has been to evaluate the nature and quality as they relate to the goods and services for which the mark is actually registered and not with respect to the actual or intended

199 The Trade Marks and Designs Registration Office of the European Union, Trade Mark No 001289842.

200 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451.

201 Olivier Vrins and Katia De Clercq, *Trademarks, Virtual Products and Homer Simpson’s Favourite Beer* (June 13, 2011) International Law Office <<http://www.internationallawoffice.com/newsletters/Detail.aspx?g=81c2530c-ba24-4363-835c-1bf7a941a170>>.

202 Note that while registration number 001341130 is currently noted as ‘Cancellation Pending,’ registration number 001289842 is noted as ‘Registered.’ See above n 191 and accompanying text.

use. Consequently, the Court may have erred in its analysis.<sup>203</sup> Furthermore, even if the mark could be considered misdescriptive, there does not appear to be any suggestion that the alcohol content of a beverage was truly material to the public who might be induced to purchase goods inspired by the cartoon series. As a consequence, one could conclude that either the Court failed to appreciate the phenomenon of character merchandising and the resultant commercial magnetism generated among consumers by popular entertainment media and series such as *The Simpsons*, or the cultural phenomenon through which the caché of fictional characters and products is presumed to inure to third party goods or services with which they might be associated is not naturally extant in Belgium. In order to resolve the issue, additional information and evidence on consumer habits and perceptions and the propensity for commercial confusion would be required before any legitimate conclusion could be drawn. Consequently, caution is advised.

It may be that the significant differences between the Belgian decision and the approaches found in Australia and the US are, in fact, grounded in the phenomenon that courts in the latter two countries are willing to assume that 1) marks comprising fictional characters and products possess a distinctive commercial magnetism, and 2) they would not be employed in association with a third party product or service without the authority of the owner of the mark.<sup>204</sup> In Belgium, however, it may be that either fictional characters and products do not culturally possess the requisite magnetism, or even if they do, consumers do not conclude that the symbols may only be used with the permission of the creator as is often presumed by courts in Australia and the US.

The Belgian Court proceeded to next consider the viability of the registration under art 51 of the Regulation.<sup>205</sup> In general, art 51 addresses the notion of abandonment of a registration and states that a mark may be declared invalid if it is not used for a period of five years for the goods and services for which it is registered. In an attempt to demonstrate that the mark had been in use for the requisite period, the plaintiff directed the Court's attention in this regard to a website upon which it offered goods employing the mark. The Court observed, however, that the website appeared to focus upon the American consumer (prices were quoted in US dollars on the site) and that the plaintiff had not provided any figures for sales within the Community. As such, the plaintiff had failed to prove any normal use of the mark within the European Community within the requisite five year period and the registration was revoked.

Unfortunately, this approach may be perceived as reflecting a rather limited view of commerce in contemporary society in which servers can be located far from the markets served by websites. One could conclude that the Belgian Court failed to be as impressed as are courts in Australia, the UK and the US by the considerable commercial effect of the internet and other communication media. As has been advised previously, however, one should exercise caution to

203 Vrins and De Clercq, above n 201.

204 Cf above nn 103–29 and accompanying text with respect to the US view and above nn 156–82 and accompanying text with respect to the view in Australia.

205 *Community Trade Mark Regulation* [2009] OJ L 78/1, art 51.

avoid drawing a precipitous conclusion that may be grounded upon presumed but potentially erroneous perceptions of consumer beliefs and behaviour. As Edward Hall, an American anthropologist, has stated:

Culture is man's medium; there is not one aspect of human life that is not touched and altered by culture. This means personality, how people express themselves ... the way they think, how they move, how problems are solved ... as well as how economic and government systems are put together and function. However, like the purloined letter, it is frequently the most obvious and taken-for-granted and therefore the least studied aspects of culture that influence behaviour in the deepest and most subtle ways.<sup>206</sup>

While the paradigm of the calculating and critically self-interested consumer should not be discarded, considerable evidence within the field called behavioural or experimental economics exists that suggests human judgments are often motivated by numerous non-rational psychological forces when making economic decisions.<sup>207</sup> There is anecdotal evidence, for example, that consumers in Belgium, unlike those in Australia and the US, fail to attach broad significance to the caché of fictional characters and products.<sup>208</sup> Consequently, more information would certainly have to be obtained or additional evidence submitted to a court before a credible determination could be made concerning consumer views and assumptions.

Notwithstanding that the ruling pursuant to art 7(g) would have been sufficient to resolve the issues of the case,<sup>209</sup> the Court proceeded to analyse Fox's claim for trademark infringement. In so doing it concluded that the brewery companies' use had not infringed Fox's marks under the various relevant subsections of art 9(1) of the Regulation.

Pursuant to art 9(1)(a), a mark owner has the right to prevent third parties from using any sign which is identical to the mark owner's mark in the course of trade in relation to goods or services which are identical for which the Community Mark is registered.<sup>210</sup> The Court was not persuaded by the argument that the fictional beer is identical to the product of physical, alcoholic beer and summarily

206 Edward T Hall, *Beyond Culture* (Random House, 1976) 16.

207 See Daniel Kahneman, *Thinking, Fast and Slow* (Farrar, Strauss and Giroux, 2011). See also Jack S Levy, 'Daniel Kahneman: Judgment, Decision and Rationality' (2002) 35(2) *PS: Politics & Political Science* 271.

208 Conversations with Attorney Niels Pepels of the Netherlands suggest that the psychosocial response to and the consumer assumptions about fictional characters and products in Belgium are significantly different than those found in Australia, the US and the UK. He suggests that consumers in Benelux countries rarely view fictional symbols as possessing the same level commercial caché found in Australia, the US or the UK and do not naturally assume that use of these characters can be made only with permission. This may, however, be changing with the popularity of such characters as Tintin.

209 *Community Trade Mark Regulation* [2009] OJ L 78/1, art 7(g) lists the types of marks, in general, that are barred, absolutely from receiving registration. Subsection (g) specifically prohibits registration of 'trade marks which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service ...' See above nn 188–202 and accompanying text.

210 *Community Trade Mark Regulation* [2009] OJ L 78/1, art 9.

stated that not a single requirement of sub-s (a) was satisfied. With respect to this claim it observed:

Not only is the sign on the bottles not identical to the trade marks of plaintiff, moreover, the products (namely the beer) are not identical to the products for which the trade marks of plaintiff are registered; the trade marks of plaintiff are registered for all sorts of goods including soft drinks and other drinks, but not for beer or other alcoholic beverages (Class 33). The trade marks are not used for beer or other alcoholic beverages by plaintiff.<sup>211</sup>

The Court also held that art 9(1)(b) provided no relief to the registrant, Fox. Subsection (b) of art 9(1) grants a mark owner the right to prohibit use by third parties of a sign that is similar to the registered mark, is used for identical or similar products as the registered mark and is likely to cause public confusion.<sup>212</sup> In considering this subsection, the Court first concluded that the marks were neither identical nor similar. It observed that while the component word marks on the label were similar, the composite marks were not. It ruled that one must take into account the complete impression of the entire allegedly infringing product into account, and as such, the marks could not be considered similar. Second, the Court evinced the view that the alcoholic goods of the defendant were neither identical nor similar to those non-alcoholic drinks or other goods for which the Community trademark had been registered. As a result, it again determined that sub-s (b) was not applicable.

Unfortunately, the Court did not address the last phrase in sub-s (b) in which the Regulation states that likelihood of confusion includes the likelihood of association. As has been determined in numerous character merchandising disputes in the US and Australia, the concern of misassociating character marks with free riding goods is the considerable problem to be addressed. The Court may have overlooked or failed to acknowledge the propensity of the average contemporary customer to presume that goods that appear with fictional entertainment characters or products are perceived as associated or affiliated with, or sponsored by, the developer of the character, even if the goods are not competing or the signs are not identical. On the other hand, it could be that the Court's opinion accurately reflects consumer perspectives in Belgium, and the population in that country reacts differently to fictional characters and products than do populations in other cultural environments. Perhaps the stature, station and economic influence of fictional characters is considerably different in Belgium than in the US or Australia.<sup>213</sup>

The Court turned to sub-s (c) but found that this subsection also failed to support Fox's claims with respect to its registrations for toys and soda. Subsection (c) specifically addresses dissimilar products,<sup>214</sup> and the purpose of the provision

211 *Twentieth Century Fox Film Co v Brouwerij Haacht NV* (Unreported, Court of Chamber of Commerce in Brussels 12 January 2011) [Niels Pepels trans].

212 *Community Trade Mark Regulation* [2009] OJ L 78/1, art 9(b).

213 This has been suggested in the course of the authors' conversations with Attorney Niels Pepels of the Netherlands.

214 *Community Trade Mark Regulation* [2009] OJ L 87/1, art 9(c).

appears to be to prevent an interloper from taking advantage of or riding free on the goodwill or reputational caché that a mark holder has developed in its mark by implying an unauthorised association or affiliation with the mark. This is often known as blurring the distinctive nature of a mark. The Court determined that sub-s (c) requires that the registered marks are known to and have a reputation in the Community where the unauthorised use occurred. The Court, however, specified that to determine whether a mark was known to the relative public, the public must be defined as those that are ‘reasonably well-informed and reasonably observant and circumspective consumer[s] of the goods or services for which the trade mark is registered.’<sup>215</sup> To meet this burden, Fox offered proof of the reputation it developed not only through broadcast of its immensely popular cartoon series, but also through its website which was accessible in Europe. It also offered evidence of products made available for sale in Europe that contained the Duff Beer mark. The Court rejected this as inadequate. First, it perceived that there was no outlet market created in the Community and that the website Fox created was deemed to be directed to an American rather than a European audience. Second, the reputation that Fox developed for the fictional beer that appeared in the cartoon series was dissimilar from the toys and soda for which the mark was registered.

Finally, the Court established a principle that use of the unauthorised sign must affect the public’s behaviour in the market place to be protected. It stated:

[I]n applying article 9.1.c *Trade Mark Regulation*, it must be shown that the economic behaviour of the average consumer of the goods or services for which the trade marks of plaintiff are registered, has changed as a consequence of the use of the litigious sign or that there is a substantial possibility that this behaviour will change in the future. This is not proven by plaintiff in the case at hand.<sup>216</sup>

This additional requirement came as a surprise to some.<sup>217</sup>

In sum, the Belgian Court held that although the relevant public may recognise Duff Beer as the fictional beer Homer Simpson drinks, the public does not recognise it as a label for toys and soda. Consequently, it felt that Fox did not meet its burden of proof to prevail under a 9(1)(c) claim for infringement. Unfortunately, this ruling seems to effectively eviscerate a claim under sub-s (c), particularly as it relates to issues of character merchandising. In comparison to courts of numerous jurisdictions that have considered character merchandising and have recognised the considerable economic value that results from the public’s

215 *Twentieth Century Fox Film Co v Brouwerij Haacht NV* (Unreported, Court of Chamber of Commerce in Brussels 12 January 2011) [Niels Pepels trans] (emphasis added).

216 *Ibid.* Compare this case and the judicial assumptions made concerning customer motivation to that of *Wyatt Earp Enterprises Inc v Sackman Inc*, 157 F Supp 621 (SD NY, 1958). In the US case, the Court took considerable notice of the commercial impact that fictional character and products have on the behaviour of customers in the US. Consequently, the genuine cultural question that needs to be further considered is the manner in which customers in Belgium respond to the association of fictional characters with products, an issue not specifically addressed in the Belgian case.

217 Vrans and De Clercq, above n 201.



recognition of associated entertainment products,<sup>218</sup> the Belgian Court discounted this phenomenon. Contrary to the Belgian Court's view, it seems that art 9(1) (c), particularly insofar as it is directed to dissimilar goods, was focused upon just such an action of misaffiliation. If that is a credible reading of sub-s (c), the Court seems to have interpreted the Regulation in an unduly constrained manner that eliminates application to this area of growing concern and recognition. Of perhaps greatest significance, however, is the social and cultural role played and the resultant value of fictional characters and products in the course of commercial activities of Belgium. While homogeneity is not to be expected, harmonisation with global economic conditions may suggest a different result at least insofar as consumers to recognise the transferable cache of fictional characters and products.

## **1 Could Unfair Competition Law Protect Fictional Characters and Products in Belgium?**

Character merchandising and the interests in virtual marks, media formats and related intangibles<sup>219</sup> is a multi-billion dollar industry and, as observed herein, other vehicles such as trademark law principles of unfair competition,<sup>220</sup> passing off, copyright infringement and confidential communications have often been mustered to protect these interests.<sup>221</sup> Use of unfair competition also appears fully consistent with the principles of the European Community. As noted in the preamble to the *European Communities Trade Marks Directive*:

This Directive should not exclude the application to trade marks of provisions of law of the Member States other than trade mark law, such as the provisions relating to unfair competition, civil liability or consumer protection.<sup>222</sup>

The harmonisation of registered trademark law did not intend to adversely affect any national laws relating to unregistered trademarks and the like.<sup>223</sup>

218 Hogan Lovells, above n 91. See also, Olswang LLP and Sukhpreet Singh, 'The FRAPA Report 2011: Protecting Format Rights' (Report, The Format Recognition and Protection Association, 2011).

219 See Georges Decocq, 'Cyber Consumer Protection and Unfair Competition' (2007) 11(3) *Electronic Journal of Comparative Law* 1.

220 Note that the Belgian Beer Club and the Belgian Beer Brewers' Union with the help of Belgian MP Sven Gatz have launched a campaign to try to employ principles of unfair competition to protect Belgian sourced beer.

'Apparently, we're victims of our own success', says Philippe Buisseret of the Belgian Beer Brewers' Union in *Gazet van Antwerpen*. 'Every country offering Belgian beer, whether it's Great Britain, Italy, France or the United States, tries to imitate our manner of brewing. Local beer producers see that the typical Belgian beers are selling well and try to make their profit from that.'

See 'Belgian Beer Threatened by Unfair Competition', *Expatica* (online) 20 March 2010 <[http://www.expatica.com/be/news/community\\_focus/\\_Belgian-beer-threatened-by-unfair-competition\\_-\\_61041.html](http://www.expatica.com/be/news/community_focus/_Belgian-beer-threatened-by-unfair-competition_-_61041.html)>.

221 See Ed Waller, *FRAPA: The Law is on Your Side* (16 August 2011) C21 Media <<http://www.c21media.net/archives/56400>>.

222 *Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to Approximate the Laws of the Member States Relating to Trade Marks* [2008] OJ L 299/25, (7) ('*European Communities Trade Marks Directive*').

223 See Hogan Lovells, above n 91.

Consequently, it has been suggested that Fox could well obtain protection of the ‘Duff Beer’ mark in Belgium through the application of principles of unfair competition.<sup>224</sup>

In Belgium, unfair competition is covered by the Act of April 6th, 2010 concerning Market Practices and Consumer Protection.<sup>225</sup> The definition of professional diligence contained therein at art 2(O)<sup>226</sup> is substantially similar to the definition

224 Vrins and Clercq, above n 201. Certain secondary Community laws, Directives and Regulations of the European Union, also address relevant topics. See, eg, *Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to Approximate the Laws of the Member States Relating to Trade Marks* [2008] OJ L 299/25, (13). Before the single European Act took effect, the European Community had, for example, enacted several Directives that dealt with consumer protection. One, based only on former art 100 (now art 94) of the *Treaty Establishing the European Community* (‘TEC’), included *Directive 84/450/EEC Relating to the Approximation of the Laws, Regulations and Administrative Provisions of the Member States Concerning Misleading Advertising*, [1984] OJ L 250/17. This advertising has also included a person, such as a celebrity, who on occasion promotes a product for a fee. In addition and based upon former art 129a (now art 153(3)(b)) which was inserted into the TEC by the *Treaty of Maastricht*, the Community adopted Directives on such subjects as unfair terms in consumer contracts (*Directive 93/13/EEC of the European Parliament and of the Council on Unfair Terms in Consumer Contracts* [1993] OJ L 95/29), on injunctions for the protection of consumers’ interests (*Directive 98/27/EC of the European Parliament and of the Council on Injunctions for the Protection of Consumers’ Interests* [1998] OJ L 166/51), on the sale of consumer goods (*Directive 1999/44/EC of the European Parliament and of the Council on Certain Aspects of the Sale of Consumer Goods and Associated Guarantees* [1999] OJ L 171/12) and on unfair commercial practices (*Directive 2005/29/EC of the European Parliament and of the Council Concerning Unfair Business-To-Consumer Commercial Practices in the Internal Market and Amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) 2006/2004 of the European Parliament and of the Council* [2005] OJ L 149/22 (‘*Directive on Unfair Commercial Practices*’)). Of some importance, art 5 of the *Directive on Unfair Commercial Practices* prohibits certain trade practices and defines these as unfair if they are contrary to professional diligence. Professional diligence is further defined in art 2(h) as ‘the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or the general principle of good faith in the trader’s field of activity.’ These would seem to support protection of character merchandising in appropriate circumstances. See Matthew Bender, *Smit & Herzog on the Law of the European Union* (at July 2012) [1.03], [12.03]–[12.06]; Henning-Bodewig, above n 32, ch 3.

225 *Loi du 6 Avril 2010 Relative aux Pratiques du Marché et à la Protection du Consommateur* [Law on Market Practices and Consumer Protection] (Belgium) (12 April 2010) (‘*Market Practices Act*’). See also Lex Fori News, *Belgium: Some Recent Changes in Belgian Consumer Protection Legislation*, Bienvenue Sur Le Site Fori <[http://www.lexforinews.net/index.php?option=com\\_content&view=article&id=51%3AAbelgique-quelques-changements-recents-dans-la-legislation-belge-concernant-la-protection-des-conso&catid=35%3Anewletter-nd1&Itemid=60&lang=en](http://www.lexforinews.net/index.php?option=com_content&view=article&id=51%3AAbelgique-quelques-changements-recents-dans-la-legislation-belge-concernant-la-protection-des-conso&catid=35%3Anewletter-nd1&Itemid=60&lang=en)>. Under art 95 of the prior Act, the *Loi du 14 Juillet 1991 sur les Pratiques du Commerce et sur l’Information et la Protection du Consommateur* [Law of 14 July 1991 on Commercial Practices, Information and Consumer Protection] (Belgium) (‘*Trade Practices Act 1991*’), a specific procedure had existed that allowed traders to obtain a cease and desist order against other traders who commit acts of unfair competition. See Ashurst, *Executive Summary and Overview of the National Report for Belgium* (Executive Summary, European Commission, 2004) <[http://ec.europa.eu/competition/antitrust/actionsdamages/executive\\_summaries/belgium\\_en.pdf](http://ec.europa.eu/competition/antitrust/actionsdamages/executive_summaries/belgium_en.pdf)>; See also *New Commercial Practices and Consumer Act 2010* (Belgium) <<http://www.lexgo.be/fr/articles/New%20Commercial%20Practices%20and%20Consumer%20Protection%20Act,45443.html>>.

226 *Market Practices Act*, art 2(O):

O) professional diligence: the standard of special skill and care which the company is reasonably expected to demonstrate in its field vis-à-vis the consumer, in accordance with honest practices in commercial matters;

of the same term in *Directive 2005/29/EC*.<sup>227</sup> Chapter 4 of the *Market Practices Act* considers forbidden practices in general, sub-s 2 specifically addresses unfair (disloyal) commercial practices and sub-s 3 considers deceptive commercial practices.<sup>228</sup> Article 84 defines unfair commercial practices as those that are inconsistent with the requirements of professional diligence and are likely to distort the economic behaviour of the average consumer. Article 86 prohibits businesses from engaging in unfair commercial activity, art 88 specifically addresses parasitic behaviour in which there is a misrepresentation of sponsorship and affiliation, and art 89 prohibits marketing strategies that cause confusion with respect to any trademark, trade name or symbol.<sup>229</sup> Finally, art 95 prohibits any act contrary to honest practices in the market by a company which affects or may affect the professional interests of one or more other traders (*concurrency de'loyale*).<sup>230</sup>

It has been suggested that the action by the breweries in the Duff Beer case could be considered parasitic behaviour under the *Market Practices Act* of 2010 insofar as it is an attempt by the breweries to ride free on the reputation developed by the cartoon series *The Simpsons*. This view would certainly be consistent with decisions of other countries with respect to character merchandising.<sup>231</sup>

In a judgment dated 29 May 2009,<sup>232</sup> the Belgian Supreme Court modified what appeared to be a rather broad protection against the sale of imitation goods. The general rule prohibiting such trade had developed over a considerable period and appears to have been founded upon general and traditional principles of passing off and 'servile imitation'. The source of the protection in this case was apparently

227 *Directive on Unfair Commercial Practices* [2005] OJ L 149/22. Article 5 prohibits Unfair Commercial Practices and defines them as those contrary to professional diligence. Professional diligence is defined in art 2(h) as 'the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or the general principle of good faith in the trader's field of activity.'

228 See also, Lex Fori News, above n 225.

229 The current 2010 Act requires that the individuals be competitors. In addition, art 94 of the former *Trade Practices Act 1991* had addressed consumer interests, including access to information, constraints upon advertising and the use of specific commercial practices such as sweepstakes. Article 93 of the *Trade Practices Act 1991* applied to the imitation of another's commercial achievements. Henning-Bodewig, above n 32, 77–85. This was often considered a form of forbidden parasitic behaviour. See Pronovem Intellectual Property Group, *Action for Unfair or Parasitic Competition* (2001) <<http://www.pronovem.com/infoip/patents/unfair.php>>.

230 The former *Trade Practices Act 1991* did not require that individuals be competitors. It did offer protection in its art 93, for the private interests of traders (*concurrency de'loyale*) in which the economic interests of sellers is addressed under principles of honest practice that were quite similar to the principles found in art 10bis of the *Paris Convention*. See Henning-Bodewig, above n 32; Pronovem Intellectual Property Group, above n 229. This could be considered the classic form of unfair competition. See Hogan Lovells, above n 91. See also Jan Kabel and Frauke Henning-Bodewig, 'Should the Objectives of the Rules on Unfair Competition be the Protection of Competitors, or Consumers, or of Other Interests? How Should Any Conflict between These Objectives be Resolved?' *International Report for the LIDC Amsterdam Congress on Competition Law* <[http://www.ivir.nl/publications/kabel/LIDC\\_International\\_Report.pdf](http://www.ivir.nl/publications/kabel/LIDC_International_Report.pdf)>.

231 See, eg, *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451.

232 Cour de cassation [Belgium Court of Cassation], C.06.0139.N, 29 May 2009. See especially §§ 5–7.

the *Trade Practices Act 1991*.<sup>233</sup> Under this general principle, goods would be protected under the following circumstances:

- (1) the imitated product was the result of relatively significant creative efforts and investments, was sufficiently original and had a certain economic value; and (2) the imitator had not made the slightest creative effort to distinguish its product from the ‘original’, while at the same time taking advantage of the efforts and investments of the producer of the ‘original’.<sup>234</sup>

In its decision, the Supreme Court refined the above principles and clarified that mere application of the standards would no longer result in a per se violation of fair trade practices. It asserted, however, that it would remain unlawful to trade in imitation products if such activity either violated a separate intellectual property interest in the object or if an offer to trade was made ‘under accompanying circumstances that conflict with the requirements of fair trade practices.’<sup>235</sup> This offer would include any advertising that created confusion as to the origin of the product as well as any other exhibited ‘illicit behavior’.<sup>236</sup>

Of potential significance to the Duff Beer claim, the Court of Cassation in Belgium on 15 September 2011 clarified the state of the law with respect to ‘blocking’.<sup>237</sup> The blocking principle purports to bar protection under unfair competition principles to any mark that is capable of protection under trademark law as an infringement.<sup>238</sup> The original registrant in the case argued that notwithstanding that the registration relevant to the case had been revoked, it was still entitled to protection under the *Paris Convention* because the use by the opposing party was purportedly confusing. The Court ruled that a mark that had been registered as a Benelux figurative mark but that had been revoked due to non-use for a period of five years could not gain broad protection under the alternative principles of unfair competition. It noted that the *Benelux Convention on Intellectual Property* specifically states that no protection can be afforded to a trademark unless it is registered, and consequently, if the basis of confusion is as to the specific sign employed (that is, the use is claimed to be a trademark infringement), the Benelux legislation would limit or ‘block’ protection. It concluded further, however, that if the confusion is the result of use of a similar sign in a broader context of confusing activities, the use may be independently constrained under principles of unfair competition.<sup>239</sup>

233 *Trade Practices Act 1991*, arts 93, 95.

234 Herman D Bauw, *Less Protection against Imitation of Products Not Protected by an Intellectual Property Right* (September 2009) Eubelius <<http://www.eubelius.com/en/spotlight/less-protection-against-imitation-products-not-protected-intellectual-property-right>>.

235 Ibid.

236 Ibid.

237 See *Trade Practices Act 1991*, art 96(1).

238 See Ashurst, above n 225.

239 See, eg, Pieter Callens, *No Protection for Non-Registered Trade Marks on Unfair Competition* (December 2012) Eubelius <<http://www.eubelius.com/en/spotlight/no-protection-non-registered-trade-marks-based-unfair-competition>>.

In an even more recent decision of the Commercial Court of Brussels on imitation goods and the consequences of misassociation, Lego Juris AS complained that the cuboid packaging of Ice Watches sold by the defendant, TKS SA, infringed the shape trademark of the Lego Bricks toy. TKS challenged the Lego shape marks on the basis that they were functional. In addition Lego claimed that TKS's use of the cuboid box was a form of unfair competition. The Court concluded that Lego failed to prove confusion between the registered shape mark of its brick toys and the Ice Watch box. It did, however, find that there was confusion on the commercial origin of the products as a result of use of the similar familiar shape. It concluded that consumers might perceive the similarity as direct or indirect support of TKS by Lego. Of interest, while the Court did not find consumer confusion between the packaging of the Ice Watch and Lego's registered shape mark, it did enjoin use of the packaging by application of broad principles of misleading commercial practices.<sup>240</sup>

Considering these developments and in response to the question posed at the beginning of the last section of this article, it would seem that the Duff Beer mark could receive protection in Belgium under principles of unfair competition and standards of fair trade. Insofar as the breweries could be deemed to have engaged in predatory or parasitic behaviour by benefiting freely from the notoriety and fame created in the Duff Beer and *The Simpsons* marks by the investments of Fox, there certainly could have been consumer confusion and consequent deception created by the activities of the defendants.

## VII CONCLUSION

The relationship between a popular entertainment device and the response of a fan has been likened to a religious experience. It is influenced not only by the collective behaviour of its 'congregation' but also the psychosocial responses of individual followers.<sup>241</sup> As a consequence, select characters and symbols often take on a public meaning. As noted by one author, celebrity and fictional characters may be 'a lens through which the tenets of indigenous cultural and the political construct may be observed in magnification.'<sup>242</sup> As a vehicle of modern communication and discussion, discourse on fictional characters and products as well as the response given by legal regimes in the course of deciding whether to afford legal recognition to their value, often considers societal idealism, psychological identifications, and political and economic goals and realities. One can, for example, gain an impression and appreciation of that which is integral

240 Van Bael Bellis, *Belgium: Ice Watch Packaging is Unfair Competition but No Infringement of Lego Brick Trade Mark* (31 January 2012) Mondaq <<http://www.mondaq.com/x/162546/Trademark/Ice+Watch+Packaging+Is+Unfair+Competition+But+No+Infringement+Of+Lego+Brick+Trade+Mark>>.

241 'The image is of a nest full of baby birds straining their necks to devour whatever mother brings home': Frank Hoffman and William Bailey, *Fashion & Merchandising Fads* (Harrington Park, 1994) 8.

242 Geoffrey R Scott, above n 100, 165.

to a given culture by observing the meaning and significance given to fictional characters and products as well as the attention given to their protection and preservation.<sup>243</sup>

In the US, for example, it has been acknowledged that entertainment characters play a significant social role. As observed in a recent judicial decision:

Entertainment and sports celebrities are the leading players in our Public Drama. We tell tales, both tall and cautionary, about them. We monitor their comings and goings, their missteps and heartbreaks. We copy their mannerisms, their styles, their modes of conversation and of consumption. Whether or not celebrities are ‘the chief agents of moral change in the United States,’ they certainly are widely used — far more than are institutionally anchored elites — to *symbolize* individual aspirations, group identities, and cultural values. Their images are thus important expressive and communicative resources: the peculiar, yet familiar idiom in which we conduct a fair portion of our cultural business and everyday conversation.<sup>244</sup>

Given the nature of the world marketplace, however, the emphasis is not upon individual constituents alone. The entire global community is being sculpted by the rapid pace of innovation in technology and the media. As countries develop and experience a decline in the role played in their respective economies by hard industry and manufacturing, they are perceiving an increase in the role played by intangibles and intellectual property.<sup>245</sup> Many countries,<sup>246</sup> including Australia, the US, and the collective European Union, have become increasingly aware of

243 Ibid.

244 *Comedy III Productions Inc v Gary Saderup Inc*, 25 Cal 4th 387, 397 (Cal, 2001), quoting Michael Madow, ‘Private Ownership of Public Image: Popular Culture and Publicity Rights’ (1993) 81 *California Law Review* 125, 128.

245 Of interesting note is that at the time of the negotiation of the Australia-US Free Trade Agreement considerable attention was given to issues that would affect the Australian entertainment and film industries. This is not an isolated event. The US has also considered entertainment policy in the course of addressing international trade concerns. For example, entertainment issues entered directly into the negotiation process of the agreement with Korea. In the course of preliminary discussions with Korea, the US government presented four pre-requisite conditions. One related to a reduced ‘screen quota’ on US films. Only upon elimination or acceptance of a reduced quote, did the US agree to proceed. See Department of Foreign Affairs and Trade, *Australia-United States Free Trade Agreement: Fact Sheets: Overview* <[http://www.dfat.gov.au/fta/ausfta/outcomes/01\\_overview.html](http://www.dfat.gov.au/fta/ausfta/outcomes/01_overview.html)>; Jun Hwi-gon, *Korea Agrees to Slash Screen Quota for Domestic Films* (10 March 2006) HanCinema <<http://www.hancinema.net/korea-agrees-to-slash-screen-quota-for-domestic-films-5536.html>>; Kim Sung-mi, *US Business Leaders Demand Won’s Rise, Screen Quota Cut* (25 September 2003) YaleGlobal Online <<http://yaleglobal.yale.edu/content/us-business-leaders-demand-wons-rise-screen-quota-cut>>; Ivan Bernier, *The Recent Free Trade Agreements of the United States as Illustration of Their New Strategy regarding the Audiovisual Sector* (2004) 13–14 <[http://www.coalitionsuisse.ch/doss\\_sc/unesco\\_ccd/bernier\\_us\\_ftas\\_and\\_av\\_sector1.pdf](http://www.coalitionsuisse.ch/doss_sc/unesco_ccd/bernier_us_ftas_and_av_sector1.pdf)>.

246 ‘The market share of US films in 2010 [in Korea] was 47.3%, a bit higher than the 46.5% of Korean films. ... Unlike previous years, films from Europe, China (including Hong Kong and Taiwan) and Japan each captured about 2% of the [Korean] marketplace.’ Korean Film Biz Zone, *Analysis of 2010 Korean Film Industry* (21 January 2011) <<http://www.koreanfilm.or.kr/jsp/news/reports.jsp?mode=VIEW&seq=2>>; See also, Hyung Doo Nam, ‘The Emergence of Hollywood Ghosts on Korean TVs: The Right of Publicity from the Global Market Perspective’ (2010) 19 *Pacific Rim Law and Policy Journal* 487.

the great contributions entertainment goods and services have given their gross domestic product.<sup>247</sup> As a consequence, many nations have found it not only profitable, but also necessary, to consider modifying their laws in order to become more sensitive to the artist and entertainment business.<sup>248</sup> This has often included the consideration of means by which to control the commercialisation of celebrity image and fictional characters and products.

Entertainment companies, including Fox Entertainment, are also facing a challenging conundrum. They have become aware that they will only grow and succeed if they are able to engage successfully in the transnational marketplace, yet the same companies also appreciate that they run a large risk of losing the value of their property if a given country does not offer adequate legal protection for their efforts and to their goods. The protection of business reputation, goodwill and the reduction of parasitic behaviour may assist in meeting the challenges, and as such, principles of passing off and unfair competition may need to evolve and adapt in response to cultural reflections and economic demands, a dynamic but optimal and proper balance between the competing interests might be achieved.

A number of evolutionary (and at times revolutionary) advances in legal theories have been developed that are suited to the protection of fictional characters and products in the US, Australia and the UK. In this context, the importance of giving due consideration to the cultural meaning and use of fictional characters and products and the resulting consumer assumptions as to their significance has been noted. It has also been observed that the assessment by courts concerning the role played by popular fictional symbols can vary considerably in the global community. As a result, in some countries, of which Belgium is perhaps a representative, the warp and woof of the blanket of protection is not yet complete. Holes do still exist in the fabric. The subject continues to be in a dynamic state in which legal tradition, the viewpoints of human participants and the perceived needs of the commercial market are struggling to find a proper balance.

247 PricewaterhouseCoopers, *Consumer Spending to Grow Australian Entertainment and Media Industry* (2 August 2010) <<http://www.pwc.com.au/media-centre/2010/em-outlook-aug10.htm>>.

248 The Korea Film Council has a program through which it offers a 25 per cent cash incentive on foreign film production costs incurred for goods and services in Korea. See Korean Film Biz Zone, *Location Incentive* <<http://www.koreanfilm.or.kr/jsp/coProduction/locIncentive.jsp>>.





