But character merchandising deceives nobody. Fictional characters capture the imagination, particularly of children, and can be very successfully exploited in the marketing of a wide range of goods.\textsuperscript{290}

\textbf{FICTIONAL CHARACTER MERCHANDISING IN THE UNITED STATES OF AMERICA AND UNITED KINGDOM}

\textsuperscript{290} Re Hollie Hobby Trademark (1984) IPR, 486, 488
CHAPTER 5

FICTIONAL CHARACTER MERCHANDISING IN THE UNITED STATES OF AMERICA AND UNITED KINGDOM

All of us are familiar with characters such as Mickey Mouse, Donald Duck, Bugs Bunny, Superman, Batman, Spiderman, Dora, Chota Bheem, Mighty Raju, Barbie, and what not… all invented and found in movies, cartoons shows, books or comics. The commercial exploitation of such characters is huge in the entertainment industry and India is one of the largest film and television industries in the world today with over 1000 feature films released annually, 45 million private DTH subscribers and over 842 television channels airing fiction and non fiction shows. Nevertheless, fictional and cartoon characters have gained much popularity and admiration from children, across the globe in a short span of time.

Cartoon Characters are the oldest and most popular merchantable characters ever created. Character is derived from the ancient Greek work ‘Kharakter’. Characters include both fictional and cartoon. Fiction is a form of any work that deals, in part or in whole, with information or events that are not real but rather, imaginary. As to what constitutes a protectable fictional character has been defined by David B Feldman as, ‘Fictional character has three identifiable and legally significant components: its name, its physical or visual appearance and its physical attributes and personality traits or Characterization’. Fictional and cartoon characters are invented by the author, who has absolute intellectual property rights over such created character.

5.1 PROGRESSION OF CHARACTER MERCHANDISING

The concept of Character Merchandising first revolved around fictional cartoon characters of Mickey Mouse and Donald Duck of Walt Disney Studio. Soon after, this got extended to Spiderman, Barbie, Ben 10, Cheeka pug of Hutch, Chota 291

Bheem, Zoo-Zos of Vodafone, and so on. The images of Mickey and Minnie on Cadbury chocolates, the images of Spiderman and Superman on various apparels and consumer products, human character Fido Dido, used for the promotion of aerated soft drink 7-up, Pug dog and the latest, Zoo Zoo’s featured in Vodafone are best examples of fictional characters.

Though the contextual meaning of the ‘character’ is broad enough to sweep into its contours everything, from cartoon characters (like Mickey mouse or Donald Duck) to human based characters (fictional characters like Tarzan and real celebrities), it is this merchandising which has been infringing the trademark laws and the common law principles. Internationally, the protection to these characters began with the International Classification of Goods & Services established by the Nice Agreement.

Companies and other entities are generally engaged in merchandising activities to establish or increase consumer affiliation and build brand image with many possible variations, we could encounter; jackets or t-shirts with a large choice of college or sports emblems: calendars, pencils, key chains with logos and toys that bear Disney symbol or sweatshirts, jackets with character of images being circulated through retail outlets.

Millions of dollars are derived in the commercialisation of these characters that appear on toys, clothing, lunch boxes, and literally hundreds of other consumer products. Walt Disney revenue crosses over USD 26 billion annually in North America, Europe and Latin America selling toys, clothing and furniture 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 of Marvel’s famed heroes and villains, including Spiderman. In addition, Disney has merchandising tie-ins with Mc Donald, which markets and dispenses millions of Disney products through fast food restaurants. Warner Brothers also continue to

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292 Nice Agreement concerning the International Classification of Goods and Services for the Purposes of Registration of Marks (1957)
293 Sabarinath M, 'Disney to Enter Retail Licensing’, The Economic Times (online) 16 May 2001; Assessed on 25.04.2014
profit from their long list of licensed characters of which Superman and Batman are the most notable. With this much money at stake, it’s no surprise that trademark holders demand royalties for use of ‘their’ mark on shirts, key chains, jewellery and related consumer products.

5.1.1 Origin of Merchandising Right: From Trademark as a ‘Brand’ to Trademark as a ‘Product’

From the earliest days, merchandisers have used names and other symbols to indicate the source of their wares. These marks enable merchandisers to develop reputations for quality and assure customers that goods sold under the merchandisers brand will live up to that reputation. A brand based assurance of quality would mean nothing if imitators could apply it to their own goods or services and pass them off as having come from the trademark holder. Doctrinally, trademark law prevents interlopers from appropriating trademark holder’s goodwill by using their marks in a way that suggests some association, affiliation or sponsorship between the parties or their products. Informed consumers will make better-informed purchases, which will increase their overall utility and push producers to develop better quality products and ensure efficient resource allocation.

Against this backdrop, the so-called ‘character merchandising rights’ are in effect an application of the character right; the main purpose of such a right is to give the character in question rights of exclusive dealing over the exploitation of its name and image in any goods. When fans buy t-shirt with the name of their school, team or rock band, they are almost always buying product bearing an established mark entitled to some form of trademark protection. Similar to Celebrity rights, English law has no specific protection for rights in characters and associated merchandising activity where characters are not registered. It is felt that ‘any attempt to legislate in this area would be likely to create legal or administrative difficulties disproportionate to any problems that it would obviate.’

Hence an action in Passing Off is the only remedy against such unauthorised use of characters,

294 Para 4.3, ‘Reform of Indian Trade Marks law; Holyoak Jon; United Kingdom Character rights and merchandising rights today; Journal of Business Law (1993); Westlaw India
if such characters are not registered. Trademark law existed to protect against the consumer deception that occurs when one party attempts to pass off its goods as those of another.

A large number of characters, both real and fictitious are likely to give rise to merchandising activity, far superior legal protection is given to those from fiction, simply because copyright and trademark law will be able to protect and reward the creative endeavour that goes into the creation of such a character. This was confirmed by the House of Lords in a well known case which concerned the exploitation of the Popeye newspaper cartoon figure by an unauthorised merchandiser in the form of dolls, toys, brooches and other mementoes. The protection under the then Copyright legislation was held to benefit the plaintiffs even though there was no evidence that the defendants had based their models on any particular drawing of the character.

5.1.2 Birth of Fictional Character

In the 1920’s, a man sat down with a pencil and a piece of paper and drew a mouse. He called it ‘Mickey’ and with this new creation he ushered in a new form of art, entertainment and merchandising. More and more characters came to the foray and this led to the development of fictional character. Slowly, commercial exploitation was identified as a revenue generation mechanism and the expedition of merchandising came to play.

Such images play a crucial role for the public. Real and Fictional characters like Tarzan, Falstaff, Superman, Spiderman, Batman, Dora, Barbie, etc., may be better known and more valuable than any particular work in which they appear. The characters are protectable only to the extent that they are used to identify the source of certain goods and/or services. They are a source identifier, being that the owners of these characters earn royalties for their creations. Before such rights of trademark in characters can be found to exist, the law requires that the character must have

developed what the law refers to as ‘secondary meaning’. For example, everyone knows from where the character ‘Mickey Mouse’ has come from…Disney, so is the character ‘Bugs Bunny’ coming from ….Warner Bros.

Stories may come and go, but characters always remain in our memory and is less forgotten. Characters are agile and slippery creatures, difficult to grasp firmly, and may move from one story to another, from one medium to another, changing, growing and undergoing new experiences. It is capable of an existence independent of the stories that gave it life. Felix the Cat, was the first ever cartoon icon, which started its journey in 1920s. Donald Duck, Mickey Mouse and Pluto were the cartoon characters which were introduced by Disney Brother’s cartoon Studios (Box Office Mojo.com, 2004).

When a fan buys a poster or a cup bearing an image of his star, he is buying a likeness, not a product from a particular source. Fictional characters capture the imagination, particularly of children, and can be very successfully exploited in the marketing of a wide range of goods. Many commentators have expressed views as to what constitutes a protectable fictional character. Leon Mellman says, fictional character consists of one or more of three elements:

- It can be an idea – a general concept, which is basic and ever-present
- It can be the ‘expression’ or detailed development of an idea – a ‘person’ created textually) by verbal description and/or by storytelling that goes beyond ‘description’), visually (by two-dimensional art, eg., a drawing or three dimensional art, eg., a statue or a doll; …), or even by a living portrayal…
- It can be name or image

Marks break ‘character’ into three discrete elements for legal analysis: name, physical appearance and personality, which he equates with

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Therefore a fictional character may consist of various elements, including name, physical appearance, voice, pattern of speech, mannerisms, personality, attitudes, background, attire and may be many things such as an animal, an alien, a car, an insect, a robot, or even an invisible thing. Such characters have a tangible existence in the specific words, pictures, mannerisms and sounds created by their author. These elements create an image in the mind of the reader or viewer, which forms the basis for recognising the character, an image which may be more vivid than life; 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 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.

Therefore a character is more than a physical description and a name at the very least, we are entertained. They are not frozen in one form; their life histories may expand as they undergo new experiences. For example, the characters exhibited by Ben 10 or Ninja Hattori for heroism, courageousness and bravery, Superman displayed extraordinary leaping ability, which became the power of flight, Mickey Mouse changed in physical appearance and behaviour, Shaktimaan gave the magical power concept, Chotta Bheem showed clever and intelligent character, the amazing Spiderman with his flying web shooting character, Mighty Raju with his extraordinary speed and magical powers and so on. It is also interesting to note that some of these characters have got their names like from the role portrayed by them, like ‘Raju’ transversed into ‘Mighty Raju’, the ‘Bheem’ character into ‘Chotta Bheem’ etc.,

For years, fictional characters have entertained the public while bringing substantial financial award to their creators. If we consider Walt Disney’s merchandise licensing operations, the same covers a diverse range of product categories, the most significant of which are: toys, apparel, home décor and

furnishings, stationery, health and beauty, food, footwear and consumer electronics. The company licenses characters from its film, television and other properties for use on third-party products in these categories and earns royalties, which are usually based on a fixed percentage of the wholesale or retail selling price of the products. Some of the major properties licensed by the company include: Mickey and Minnie; the Marvel properties including Spider-Man, the Avengers and Iron Man; Disney Princess; Cars; Disney Jr.; Star Wars; Winnie the Pooh; Monsters University; and Toy Story.

One also needs to look at the longevity and financial success of these characters such as Mickey Mouse (over 83 years), Superman (over 73 years) Batman (over 70 years) and so on… Consumers are more likely to connect owners and creators with the use of their characters as the characters step out of their fictional world.

Practically, producers of goods who use merchandising marks on or in relation to their goods take licenses from people assumed to have the right to prohibit the use of the mark or to license its use. The producer applies the image of animation goods or services in order to get merchandising benefits. The benefit called ‘cartoon’s character merchandising rights’ is bought by many enterprises permitting or franchising other companies to explore toys, stationery, clothing and so on or operating their own derivative goods relating to animation image. Conversely, if the goods are pirated and counterfeited, there will be negative impact on merchandising rights earnings for animation companies and cause significant damage to the animation business.

But English law does not recognise a merchandising right per se; it does not recognise that such a rights exists and that such merchandising right arises simply by virtue of the famous or reputation of a merchandising character and its consequent value in merchandising.
5.1.3 Sources of ‘Characters’ in Merchandising

Merchandising of fictional and cartoon characters is one of the oldest and best known form of merchandising involving use of unique traits of a famous character such as appearance, name, image, sounds / dialogues on consumer products, etc., which may be two- dimensional reproduction (drawings, stickers, etc.,) or three-dimensional reproduction (dolls, key rings, etc.). The sources from where these characters are derived include literary, artistic and cinematographic works.

**Literary works:** From the classic children’s literature such as Alice in Wonderland, the Adventures of Pinnocchio to the cartoon strips of Garfield, Aladdin, Chacha Choudhari, Shaktimann, Shikari Shambhu and Aladdin and the Wonderful lamp, literary works have been one of the largest source of fictional and cartoon characters. In a literary work, the artist describes the characters in its novels and the reader visualises it. Tintin, Tarzan, were some of the well-known cartoon strips which became so popular around the world. In fact it is understood, Tintin also appeared on Belgian postage stamps and Euro coins. Owners and creators seek greater legal protection in part to ensure that no one harms the character by putting it in unflattering or disharmonious situations. For example, Walt Disney Company does not permit its licensees to ‘depict Mickey Mouse’ in an unattractive manner which would harm its reputation.

**Artistic works:** Unlike literary works, where the physical appearance and characterisation are visualised by the reader based on the description of the character, cartoon and fictional characters created through artistic works are apparent to the readers, as they are created by the authors based on their imagination and the physical appearance and characters reside in the minds of the public who view the pictures. Various classical artistic paintings of Raja Ravi Verma, Leonardo Da Vinci’s Mona Lisa to the latest M F Hussain’s also form part of merchantable characters.

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Kewalramani Nishant, Character Merchandising; Journal of Intellectual Property Rights, Volume 17, September 2012, pp 454-462;
**Cinematographic works:** Cinematographic works either in the form of animated movies or television serials and other multimedia commercials, provide far more reach to the public through its characters, as it impacts the viewer to a larger extent based on its physical appearance and characterisation. Unlike the above, the characters are visually perceived by the viewers through their senses, as the characters are captured in the form of motion. We have a lot of animated movies such as Chotta Bheem, Jackie Chan, Kung Fu Panda, Tarzan, Mighty Raju, the Lion King, Shrek, Rio 2, Aladdin, Alice in Wonderland, Mickey Mouse and Donald Duck, and many more…, which is immensely popular among kids of all age group. This sector unlike others, also derives the maximum revenue to the creator of the fictional and cartoon character and all such characters which is used in merchandising.

When characters gain such popularity, the artiste reprising the character and the character itself become synonymous. In such cases, the creator of the character exploits the character by way of character merchandising, licensing the characteristics features etc., According to a study carried out by a website, Disney’s revenues from merchandising and licensing sales accounted for about US $ 28.6 billion in 2010, which is almost 20 times their theatrical revenue\(^{300}\). Similarly, another survey conducted on the major revenue license holders, listed Disney, Warner Brothers and Marvel Consumer products as the top three Global licensors in the year 2011 in the Entertainment industry while Mattel, Sanrio and Hasbro were in the Toy / Character category\(^{301}\). In the year 2012, Disney has continued its trend of increase in revenue, controlling 80% of the entertainment category earning US $ 39.4 billion, followed by Warner Brother with US $ 6 billion\(^{302}\).

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300 http://www.thewrap.com/media/article/report-disney-made-286b-2010-licensed-merchandise-27526/; Assessed on 02.06.2013  
301 Lisanti Tony; Top 125 Global Licensors; http://www.rankingthebrands.com/PDF/Top%20125%20Global%20Licensors%202011,%20License%20Global.pdf; Assessed on 02.06.2013  
5.2 POSITION IN THE UNITED KINGDOM

Trademark protection for cartoon or fictional characters is the same as the protection for any other trademark and can be protected as a name or device. *Section 1 of the Trademarks Act, 1994* defines a ‘trade mark’ as ‘any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings. A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging’.

The House of Lords in *Re Hollie Hobby Trademark*\(^{303}\) featuring the image of a fictitious child, originally used on greeting cards and designated to be exploited by licensing agreements with other traders, the present and future of the trademark approach of fictional character merchandising seems promising\(^{304}\).

Similarly, the *Trade Descriptions Act, 1968* prevents any false or misleading statements made in the course of trade. As per section 3 of the said Act, misleading statement may extend to the price, origin of the goods, quality or any other false statement featuring the goods sold is made punishable under the Act.

From a historical perspective, protection afforded to trade symbols was initially limited to ‘technical marks’ i.e. those in the taxonomy of marks deemed inherently distinctive. Marks that were considered descriptive or were mere trade names would only be protected after acquiring ‘secondary meaning’ through the original common law form of Passing Off. When characters are at the helm of their popularity and become an indicatory of source, the character owners have a great incentive to oversee any and all character-related uses resulting in an untoward use which may damage the goodwill of the owner. Such being the monetary value of a character, creator applies to register the character as a trademark to prevent others from using an identical or similar mark. Registered trademarks provide the creator

\(^{303}\) [1984] R.P.C. 329
with stronger and apparent rights of legal action. Another source of protection for trademark holders is an action for dilution which concerns the weakening of the distinctive quality of a trademark.

However there are certain limitations, on trademark protection. Firstly, as the trademark protects only the character’s name and sometimes, its physical appearance, secondly, trademark protection is tied to marketplace perceptions of a character, therefore a certain level of popular recognition is necessary to earn trademark protection. Thus, trademark can protect only well known characters: a character that has had little public exposure would not benefit from the protection of trademark law. Thirdly, trademark law does not protect characters that have become so popular that the public no longer associates them with one source.

In the well known Rowling case on the character Harry Potter, the defendant counterclaim that Harry and Lily Potter were infringing on the trademarks created by a rather different children’s book Stouffer had published in 1984. Stouffer had named her characters Larry and Lily Potter. The Judge Schwartz, in addition to finding that Stouffer’s claims had no basis, also awarded Rowling, her publisher and producer all legal costs and $50,000 in exemplary and punitive damages against Stouffer, as the name Harry Potter was well known character, though not registered.

Unlike the English courts, registration of the trademark ‘harry potter’ in respect of clothing was permitted by Australian Federal Court in Time Warner Entertainment Company LP v. Stepsam Investments Pty Ltd. Mr. Farah and Ms Jennifer being the directors of Stepsam devised the mark ‘harry potter’ and granted an exclusive license of the mark ‘harry potter’ to Wombat Enterprises Pty Ltd to use it for clothing sold in the boutiques. Time Warner, a well known American media and entertainment company, acquired from Ms J K Rowling the right to make films based on the books she had written concerning the fictional

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305 Scholastic, Inc., J K Rowling and Time Warner Entertainment Company L.P v. Nancy Stouffer; No. 99 CIV. 11480 (AGS); United States District Court, Southern District New York, December 5, 2000
306 [2003] FCA 1502 (Fed Ct (Aus) (Sgl Judge)
character Harry Potter and Warner opposed Stepsam’s application to register the mark ‘harry potter’.

The matter heard before Wilcox J. found in favour of Stepsam on grounds of lack of inherent distinctiveness, as the mark satisfied a reasonable likelihood that other traders would legitimately wish to use the expression ‘harry potter’ in relation to clothing, the mark did not have the requisite degree of inherent distinctiveness to satisfy s. 41(2). Further the court held that there could be no ‘misrepresentation’ amongst the public on the use of the mark ‘harry potter’ in clothing sector.

On the endorsement on the clothing of the words ‘harry potter’, the Judge held that any association in the public mind between the name ‘Harry Potter’ and the product would not have been with the fictitious character created by J.K. Rowling, but rather with Wombat’s clothing.

5.2.1 Character Merchandising under Trademarks Law – Protecting Source Identification

No one who buys a Mickey Mouse shirt supposes that the quality of the shirts owes anything to Walt Disney Production. However, there is a presumption that the character is being licensed by the owner to the manufacturer of the clothing. In Brown v. Its Entertainment Inc., it was held that trademark law protects cartoon characters in relationship to the use of those characters in commerce to identify the source of a particular product. It is only a right affiliated with commercial use because the primary goal is to prevent consumer confusion. For example, a consumer would assume that a product that incorporates the image of Mickey Mouse originated from or was authorised and/or endorsed by the Disney Company. But if unprotected, Character Merchandising will be open to piracy. The protection, if any of the original inventor of the character will lie only in a Passing Off action.

307 34F. Supp. 2d 854 (E.D. N.Y. 1999)
Trademark law was not designed for the projection of character and merchandising rights. Indeed, if given a thought, what cannot be registered as a trade mark, immediately one’s name *simpliciter* comes to mind, as trademark centres around ‘distinctiveness’. Names are registrable if in distinctive forms.

For seeking an infringement protection under the Trademarks Act, 1994

- Registration of the character or image is mandatory [Section 9(1)]
- The proprietor must be able to establish that he has used or intends to use the mark on or in relation to the goods for which registration is sought.
- The relevant tests of distinctiveness must be satisfied. Surnames and descriptive words are difficult to register.
- Logos or fictional characters may be registered on establishing sufficient distinctiveness, but problems may arise on how a cartoon figure, is to be portrayed for the purposes of the representation of the mark concerned [Section 1(1)]

Another source of protection to trademark holders is an action for ‘dilution’, a state based subset of trademark law that concerns the weakening of the distinctive quality of a mark or trade name. Beginning with *Fischer v. Star Co.*, the case established that graphic character’s names, configurations, and indicia could function as marks once they have acquired secondary meaning. In this case, plaintiff was a cartoon artist who had entitled a book, “Mutt ‘N’ Jeff Cartoons” and registered the trademark “Mutt ‘N’ Jeff” in his own name. The defendant Star contracted to carry the cartoons in its newspapers. Star changed some of the captions on Fisher’s cartoons and Fisher revoked his contract with Star. Star’s employees then drew and published cartoons, representing Fisher’s cartoons. The trial court enjoined Star from using Fisher’s trademarks in connection with cartoons. The appellate court affirmed, stating, “[a] person who uses an unregistered name or mark can prevent others using the same so as to deceive the public into thinking that the business carried on by such persons and the goods sold by them are his”.

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*231 N.Y. 414, 132 N.E. 133 (1921), cert. denied, 257 U.S. 654 (1921)*
The court used a dilution-type analysis to enjoin Star Co.’s unauthorised use of Mutt and Jeff cartoons, holding that, “.............may result in the public tiring of the ‘Mutt and Jeff’ cartoons by reason of inferior imitations or otherwise, [and such unauthorised uses would be] an unfair appropriation of [Fisher’s] skill and the celebrity acquired by him in originating, producing and maintaining the characters and figures so as to continue the demand for further cartoons....”

The court also analysed that the figures and names have been so connected with Fisher as their originator or author, that the use by another of new cartoons exploiting the characters ‘Mutt’ and ‘Jeff’ would be unfair to the public and to the plaintiff. A statutory interpretation of a graphic character can function as a protectable mark. The stylized drawings of characters, even if they were pictorial representations of the dolls which they marked, were fully capable of serving as trademarks. This rule applies even where a character is used as a mark on goods within which it serves an expression function.

5.2.2 The more ‘famous’ the Character, the ‘less’ protection under Trademark Law

Under the law of registered trademarks, although the rationale of the system is still to be prevalent, origin deceptiveness infringement actually depends on satisfying a number of distinct requirements, principally that the plaintiff’s mark is validly registered and that the defendant’s use of it falls within the definition of infringement. This can give advantage to the plaintiff as compared to his position under the law of Passing Off and infringement does not depend on proof of actual deceptiveness.

In Edgar Rice Burroughs Inc. v. Manns Theatres the mark ‘TARZAN’ was rejected registration because nothing at all in the word TARZAN would suggest to the consumer or trade partners that a film, magnetic tape recording or games, toys and playthings had anything to do with the applicant company or with anyone else.

309 Re DC Comics Inc., 689 F.2d 1042 (C.C.P.A. 1982)
The word TARZAN had no indication of origin and was devoid of any distinctive character, which excluded it from trademark protection. The court observed that such use diluted the value of the registered mark and resulted in a likelihood of confusion as to authorship or sponsorship, although no proof of confusion had been provided. The mark was not adapted to distinguish the applicant’s goods because the word TARZAN was well-known and had passed into the language by 1965, thus ‘the mark had a direct reference to the character and quality of the goods.

In another interesting case, the American Greetings company intended to expand its operations in the UK by registering the name ‘Holly Hobbie’ as a trademark under section 17 of the Trade Marks Act, 1938. They used the mark extensively on greeting cards and other stationery items, and following the enormous success of the mark, they decided to extend it to other goods as toilet products, tableware, lamp shades, and silver boxes in which they had never traded, nor had ever intended to trade.

The ‘Holly Hobbie’ trademark application was refused, throughout each level of its journey through the British administrative and judicial systems on grounds that American Greetings was trafficking in the mark, contrary to s. 28(6). This decision of the Assistant Registrar was upheld by the Chancery Division, the Court of appeal and finally the House of Lords. Though, Section 28 of the Trade Marks Act, 1938, permitted for ‘registered use’ practice, the Registrar was empowered to decide whether it was against public interest and whether the owner of the trademark continues to retain a measure of control over the use of the mark by the user. But however, not everyone agreed with this decision, as the dissent predicted that such a decision would open the whole field of character merchandising to piracy.

Another interesting case on refusal to register the trademark was in Re Elvis Presley Enterprises v. Sid Shaw Elvisly Yours, where, Elvis Enterprise, a

311 Re American Greeting Corp’s Application (‘Hollie Hobbie’) 1 W.L.R. 189, 1 ALL E.R. 426, R.P.C. 329 [1984]
company with the rights derived from Elvis Presley under US law to exploit Elvis Presley’s name and image in the US. The said company applied for registration in the UK of the names ‘Elvis’, ‘Elvis Presley’ and a signature version of the name ‘Elvis A’ in various cosmetic products. The application was opposed by a businessman Mr Sid Shaw, who had for many years merchandised Elvis Presley’s memorabilia in London’s East End since 1982 under the name ‘Elvisly Yours’. The application was rejected on the ground that the mark failed to satisfy section 9 i.e. actual distinctiveness and was neither an invented word, because even if ‘Elvis’ was invented for Elvis Presley it had long since entered the language.

Distinctiveness is a concept which has been extensively defined by the judiciary and where Lord Parker in one case expressed, ‘in my opinion, in order to determine whether a mark is distinctive it must be considered quite apart from the effects of registration. The question, therefore is whether the mark itself, if used as a trademark, is likely to become actually distinctive of the goods’\(^\text{313}\). Indeed the paradox that arises in this case is that ‘the more famous the artist is, the less protection there is, in the sense that once an artist has achieved fame, they can no longer apply to protect their name by means of a trade mark.

Du Cross, TARZAN and Elvis Presley suggest that the more well-known the character is, the less protection there is, in the sense once a fictional character has achieved fame, the creator can no longer apply to protect its name by means of a trademark. Owners of fictional characters shall draw a lesson from the explicit reference to TARZAN in this case to apply for trademark registration (at least for the name) as early as possible, before the character finds significant fame, otherwise running the risk of the application being rejected because of the mark serving as ‘mere image carrier’. The message to those wishing to turn profit from the merchandising of fictitious character or famous personalities is quite clear: ‘apply to register any trade marks in relation to the personality as soon as possible. By the time the character has achieved fame, it may be too late to register’.

\(^{313}\) Registrar of Trademarks v. W & G du Cross; [1913] AC 624 at 634-635
English courts do not grant remedies for Character Merchandising unlike US courts due to the reluctance to accept that consumers will necessarily be misled into believing that the use of a name or other attribute of a character (real or fictional) indicates a relationship between the character (or its owner) and the trader concerned. It is difficult to register the make if it has attained huge fame or is not distinctive. These exceptions are already granted under the Trademarks Act. However, the statute affords protection for registration unlike real characters. Character Merchandising cases fail to be treated in the same way as other Passing Off cases, and in the absence of misrepresentation, there can be no actionable wrong. Assuming if a misrepresentation is established, damage cannot be assumed to flow from it, but must be established. A misrepresentation which causes no damage is equally not actionable.

5.2.3 Statutes Protecting Fictional Characters – Passing Off and Common Field Activity

Passing Off in Character Merchandising is no different in principle from any other Passing Off case and should be assessed in the light of the modern formulation of the law set out in the English Advocatt case. The underlying principles of tort appear to be generally accepted as what is known as the ‘Classic Trinity’ of goodwill in the goods or service in question, a misrepresentation by the defendant and consequential damage. In order to show that the plaintiff has the goodwill necessary to sustain a Passing Off action, there must be evidence that the plaintiff is engaged in a business.

Secondly, it appears that the proof of a misrepresentation causing confusion may sometimes be difficult to establish in cases involving the merchandising of fictional characters or real persons, except in cases where the defendant in a Passing Off action exploits a fictional character in a medium similar to the one in which it was originally portrayed by the plaintiff. It involves a misrepresentation of the source of goods. However, it is not the only relevant misrepresentation on which the tort can be founded. The plaintiff will generally have to prove that members of the
public would believe the plaintiff had licensed the use of the character in circumstances where damage to the goodwill in the business would be prejudiced. A further problem relates to the likelihood of confusion. Passing Off, like other actions to protect industrial property demands consumer deception or the likelihood thereof, before an action will succeed.

In *Boston Hockey v. Dallas Cap & Emblem*[^314^], the National Hockey League and several of its member clubs brought suit to enjoin the manufacture and sale of emblems bearing their trademarks. The district court found no infringement, reasoning that consumers did not necessarily expect an affiliation between the emblem seller and the hockey teams. This decision broke new theoretical ground and effectively wrote the confusion requirement out of the Lanham Act. But subsequent decisions have condemned the Boston Hockey court’s approach to likelihood of confusion in merchandise cases. Most courts required trademark holders to establish a genuine likelihood that the use will confuse consumers as to the source, sponsorship or affiliation and without proof of such confusion, these claims generally fail. This was the case where the court rejected University of North Carolina’s infringement suit against a t-shirt manufacturer based on a failure of proof that consumers viewed the shirts as sponsored by the University[^315^].

Excepting the Boston Hockey case, courts have always found a likelihood of confusion in merchandising cases and most have based their decisions not on a new general right to prevent unjust enrichment or control merchandising, but on evidence that the public actually believed the trademark holder licensed the defendant’s product. It is considered that if the creator of a fictional character has never traded and built up goodwill in goods other than in relation to the original work, the likelihood of confusion will not be proved, since it has been considered that the use of the character outside the context of the original work would not mislead consumers who could not reasonably believe in the relationship between the plaintiff and the defendant.

[^314^]: 510 F.2d 1008 (5th Cir. 1975)
The Common Field Activity

The courts have often taken a view that Passing Off remedy will lie only where the parties are engaged in a ‘common field of activity’. To avail oneself of an action in Passing Off, the character merchandiser or any other trader, must establish a reputation in order to build goodwill under a symbol of identity. A new entrant who has not yet built goodwill under a distinguishing mark so as to show a basis for finding that the defendant has created some confusion as to its source in the public mind, will not have any remedy. Under these general principles, courts have prevented the character merchandiser from seeking relief in the tort of Passing Off.

Thus, another trader in different line of business could exploit the name and reputation of a fictional character without recourse by the original user. When this occurs, the character merchandiser is unprotected unless it is able to prove that his business is in some way related to that of the defendant. The rationale behind this requirement is that it indicates the need for a real possibility of confusion between the parties in the minds of the public. This is a logical adjunct to the need for the claimant to establish that the Passing Off has damaged his business or goodwill. The courts have rejected cases on the ground of absence of common field of activity between the plaintiff and the defendant.

The theory of common field activity started in McCulloch v. Lewis A May where McCulloch, being a popular children’s radio broadcaster ‘Uncle Mac’ and the defendant started selling ‘Uncle Mac’s puffed Wheat’ without the permission of the BBC, Uncle Mac’s employer at the time. Not only did the cereal use the name ‘Uncle Mac’ it was also designed in such a way to associate the cereal with the Celebrity, by including the statement, ‘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’. However, despite such close connection, the court did not

316 [1947] 2 All E.R. 845,
confirm on acts of Passing Off by defendant, as it was unwilling to accept that the public were aware of merchandising activities. The court held that ‘if the plaintiff was 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’.

Perhaps most ironic was the decision in Kojak case\textsuperscript{317}, where the defendant was not only allowed to produce lollipops based on a television detective, Kojak, they were also able to successfully prevent a licensed manufacturer from producing a similar product, due to the absence of the common field of activity. Walton J was clearly skeptical of both the scope and public benefit of the practice of character licensing, observing that the man in the street would not conclude from the mere use of an invented character’s name that the defendant had been given a license to use that name and that the use of the name carried a guarantee as to the quality of the product.

The Judge concurrently acknowledged that ‘there may come a time when the system of character merchandising will have become so well known to the man in the street that [...] he will say to himself: they must have a license from the person who owns the right in the television series’. According to the curt, the public would not believe that there was any overlap between the film and the lollipop industry.

This attitude of the Judges survived in Wombles Ltd v. Wombles Skips Ltd\textsuperscript{318}, where a wide disparity in the fields of activity was fatal to a claim in Passing Off. The publishers and owners of copyright in the fictitious ‘Womble’ characters (who picked up rubbish on Wimbledon Common) were unable to restrain use of the ‘Wombles’ name by the manufacturer of builder’s rubbish skips due to lack of common field of activity by the owner of ‘Wombles’. Even though the plaintiff had licensed the Wombles’ name and picture for all sorts of goods, they were not using the name on garbage containers. Under English law, if there is no obvious link in

\textsuperscript{317} Tavener Rutledge Ltd v. Trexapalm Ltd; [1975] F.S.R. 479
\textsuperscript{318} [1975] F.S.R. 488
the fields of activity, regardless of any character licenses, there is no remedy under
the law of Passing Off. The Kojak and Wombles case suggest that the creator of a
fictional character could not control unauthorized use of his or her creation unless
some artistic copyright, design right or trademark had been used in replicating the
character and that the mere use of a name could not, without more, be actionable.

Similar to the above in **Halliwell & Others v. Pannini SpA**\(^{319}\) (Spice Girls
case), the plaintiffs who were the Spice Girls, a highly successful pop group sued the
defendants who published a sticker collection entitled ‘The Fab Five’ featuring the
plaintiff. The plaintiff’s sought to restrain the supply or distribution of the sticker
collection and contended that because the cover of the sticker collection did not say
that it was not authorized by the plaintiffs, the public who purchased the collection
would be misled into believing that the collection is authorized by the plaintiffs.

The Judge said that for the plaintiffs to succeed, they have to establish three
things; firstly that they have a properly arguable cause of action, secondly, that the
balance of convenience favours the grant of the injunction and thirdly, that damages
would not be an adequate remedy. The plaintiffs would also have to establish that
the public would be confused on seeing the defendant’s publication as if it was
published by the plaintiffs or that the quality was authorized by them. As the
plaintiff’s failed to establish the above, the court held that there would be greater
damage caused to the defendants by the grant of injunction. This case was another
blow to the character merchandising industry in its series.

In **Lego System Aktieselkab v. Lego M. Lemelstrick Ltd**\(^{320}\), the plaintiffs
were the manufacturers of very well-known plastic toy bricks for children. The
defendants were selling plastic garden sprays and sprinklers under the Lego brand
name. It was held that the plaintiffs were entitled to restrain the defendants use of
the ‘Lego’ name clearly, there was no common field of activity in the usual sense
here and the fact that both parties were making plastic articles was not any part. The
famous ‘Lego’- plastic toy brick even lowered the requirements for evidence of

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\(^{319}\) 1997 LEXIS (Ch. June 6, 1997) (Eng.).

\(^{320}\) [1983] F.S.R. 348
damage by deciding that the public would assume that any product embodying a well-known brand was made or licensed by the brand owner and that the plaintiff might wish to exploit its renown in areas yet outside its present activities which was harmed by the defendant’s current use of the brand in these areas. This, it is submitted, would be equally applicable to a fictional character merchandising situation with the successful character being the well-known brand. The Danish toy brick maker Lego, successfully stopped the use of the name by a plastic irrigation manufacturer. The courts appeared to just accept that the ‘Lego’ was such a recognizable brand that anyone would automatically assume there was a link.

In IPC Mags v. Black and White Music, the plaintiffs character-merchandised a popular sci-fi character, ‘Judge Dredd’. The defendants produced a Judge Dredd record, containing a song about the character, without permission, interlocutory injunction was refused. However, Goulding J acknowledged the ‘arrival’ of character merchandising and observed, ‘...[T]he whole business of character merchandising, as it is called, where use is made of the reparations of a well known fictitious character like Mickey Mouse or Superman to give a name to and add to the popularity of the goods not otherwise connected with that character, is one …of considerable recent commercial development’.

In all the above cases, success to a passing off action was possible if a link was established between the plaintiff and the defendant’s business i.e. the plaintiff could succeed only if he was in the same field of business as that of the defendants, which the Judges construed would lead to consumer confusion and deception. Despite consumer confusion was proved, the courts were reluctant to grant relief citing absence of common field activity theory.

5.2.4 ABBA, Wombles and Kojak case – An Analysis with Mirage case

Slowly towards the end of the 19th century, courts started recognizing that the common field of activity is irrelevant (though to some extent) and the first case

\[ \text{\cite{[1983] FSR 348, 352}} \]
was in *Mirage Studios v. Counter-Feat Clothing co Ltd*[^322]. In this case, the plaintiff’s created the fictional cartoon characters known as Teenage Mutant Ninja Turtles and owned the copyright in drawings of these characters. The plaintiff’s business included the turning to profit of the turtle characters by licensing the reproduction of them on goods sold by others. The plaintiffs did not manufacture or market the goods themselves. Royalties from the licensing accounted for a significant part of the plaintiff’s business income.

The defendant made drawings of humanoid turtles based on the concept of the plaintiff’s characters rather than on any particular drawing of the plaintiff’s characters, but they turned out to be similar in appearance to the plaintiff’s characters. The defendants contended that they did not attempt to replicate (or counterfeit) genuine goods bearing Turtle figures, instead drawings made of humanoid-looking Turtles, which bore resemble to the genuine Turtles were made. The defendant’s licensed their drawings to various clothing manufacturers for reproduction on casual wear.

Here, Browne-Wilkinson VC out rightly rejected the common filed of activity as a condition of Passing Off and held in favour of the plaintiff. Browne – Wilkinson VC distinguished Mirage Studios from Lyngstand by stating that there was no property in a name under English law whereas Mirage Studios concerned material in which the plaintiff had a copyright. He also stated that cases such as Lyngstad might ‘require reconsideration’ in the light of ‘the change in trading habits’. This was a landmark judgment pronounced by the court deviating from the earlier theories of common field activity. However, this laid more emphasis on copyright rather than trademark law, nevertheless, still holds good in the law of trademarks.

ABBA and Wombles cases are similar to each other. In Wombles, the plaintiff was the creator and merchandising of the fictitious ‘Wombles’ character. The characters were being commercially exploited. However, the defendant was

[^322]: [1991] F.S.R. 145 (Ch D)
engaged in the business of providing skips for rubbish collection – not part of the plaintiff’s business. There was no reason why the plaintiff should have not a remedy in this case because the goodwill of his business was being attacked by the defendant. The plaintiff was refused relief on the ground of absence of common field of activity between the plaintiff and the defendant.

In the ABBA case, Oliver J refused the interlocutory injunction of the plaintiff, members of the famous pop group who were attempting to stop the defendants from marketing goods bearing pictures of members of the group and the group’s name. The plaintiff relied on the decision of the Australian High Court in *Henderson v. Radio Corp* in support of the same argument that the group had developed a local goodwill in the ABBA image which was deserving protection. Oliver J held that there was insufficient evidence of confusion i.e. misrepresentation which would make the public to believe the goods to be licensed or endorsed was that of the plaintiff. However absence of common field of activity was also a reason for dismissal of the suit.

In the Kojak case, the plaintiff was an image marketer exploiting the kudos associated with Kojak by selling ‘Kojakpops’ lollipops of high quality which had extra appeal because of its name. The defendant claiming to be licensees of the promoters of Kojak in the UK, went into the same business. The defendant argued that because he had been licensed by the owners of right in the Kojak series, the law of Passing Off ought to protect his market. However, the plaintiff got his injunction as there was evidence that the plaintiff’s goodwill was hijacked by the defendant and the public would mistake the new lollipop for the defendant’s – hence the plaintiff would suffer damage. The plaintiff had ‘Kojak’ image which was being exploited by the defendant.

Similarly, in another well known case, the claimant advertised shoes by referring to a particular scene in the file Crocodile Dundee. Paul Hogan was equally successful in protecting the image he had developed in this case. Here, the court said that misrepresentation must involve use of the image in question to convey the
existence of a commercial connection between the plaintiff and the goods and services of the defendant on the basis that the public would be deceived into thinking that the shoes had some authorised link with the character Crocodile Dundee who, according to Burchett J, was a persona of the plaintiff in the eyes of the public\textsuperscript{323}.

Two cases in the recent past show the importance of fictional character merchandising in the English courts. In the recent \textit{Fleischer Studios, Inc v. AVELA Inc}\textsuperscript{324}, the heirs of the creator of the ‘Betty Boop’ character were prevented from encoring the marks in the image and name of the character, owing in part to claims of aesthetic functionality. On the facts, Fleischer the cartoonist, created the character of Betty Boop in the 1930s. A decade later Fleischer sold the rights to the character and dissolved his company. In the early 1970s, Max Fleischer family revived the Fleischer cartoon business and reasserted ownership in the character of Betty Boop.

As Fleischer could not establish title to the Betty Boop character, he submitted applications to the federal register for registration of the image and name of the Betty Boop character and started to license the character to third parties for use in connection with toys, dolls and so forth. Meanwhile, AVELA, an independent poster company also used the character of Betty Boop on posters, dolls and apparel but without seeking the authorization from Fleischer. Feischer opposed AVELA’s use of the Betty Boop character. But the court found in favour of AVELA because as a matter of law, Fleischer had not produced sufficient evidence of secondary meaning in Betty Boop image and thus the issue was not triable.

In another recent case against he same defendant (Betty Boop case) in \textit{Hearst Holdlings Inc v. AVELA Inc}\textsuperscript{325}, Hearst Holdings Inc, since 1984 was granting licenses for the use of Betty Boop images and words on merchandise in the UK. Hearst is the proprietor of UK and Community trade marks in the works

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\textsuperscript{323} Hogan v. Pacific Dunlop; [1989] 12 IPR 225
\textsuperscript{324} 636 F.3d 1115 (2011) (9\textsuperscript{th} Cir (US))
\textsuperscript{325} [2014] EHWC 439 (Ch) (IPEC)
‘BETTY BOOP’ and a device depicting the 1930s cartoon character. By 2006, Hearst had built up annual sales of licensed Betty Boop merchandise amounting to $24 million in the UK and $280 million worldwide. AVELA entered the UK market in the year 2009, operating in the same segment as Hearst, licensing artworks from its portfolio to be used as merchandise. Its portfolio included images of Betty Boop extracted from old movie posters.

Hearst complained that AVELA’s production and licensing of merchandise depicting images of Betty Boop which were similar to its registered device and/or the works ‘BETTY BOOP’ or ‘BOOP’ amounted to trade mark infringement and Passing Off. Hearst contended that because of its investment and licensing of official merchandise, the marks acquired substantial goodwill and reputation in the UK and Europe, while AVELA contended that its use of Betty Boop was purely decorative and that it made no representation to consumers about the origin of the merchandise.

Birss J commented upon the difference between images of famous people and fictional characters in the minds of consumers and was of the opinion that an image of a famous person is unlikely to lead a consumer to believe that the merchandise originates from a single official source. The court rejected AVELA’s arguments and found the case fit for trademark infringement under section 10(1), (2) (3) of the Trademarks Act, 1994 and reiterated that Betty Boop’s popularity among current generations was directly attributable to the work carried out by Hearst in developing the brand over a number of years prior to AVELA entering the market. It was due to Hearst operations, including exercising approval rights and having quality control of licensee’s products that the brand had acquired substantial value. The court held that Hearst had significant goodwill in the UK in its Betty Boop merchandise and that AVELA’s use of the words ‘Official Licensee’ on its swing tags misled end consumers who would assume that the product to be official Betty Boop merchandise.
This case provides the nuances between images of famous people and fictional characters, although as per Birss J.’s findings, characters per se cannot be registered, protection of a brand or a mark might extend beyond the specific words and device registered where substantial reputation and goodwill has been created and consumers have been educated to believe that an official source of that character merchandise exists.

Post Mirage case, the trend of the courts have been leaning more on proof of the trinity principles of Passing off and seldom do they seek to interfere on absence of common field of activity theory. This is quite relevant from the standpoint of the plaintiff, as they are relieved from the burden of proving it, as otherwise, unless they are in the common business as that of the defendant, no action would lie and the offenders would easily pass through without any hurdles.

In the similar lines, in Ian Richard Allen v. Robert Redshaw, Ian, an artist, writer and puppeteer, staged a puppet show called ‘Mr. Spoon and Button Moon’. Mr. Allen designed the puppets, sets and props for the show, producing numerous individual drawings and paintings for the show and for posters, badges and other merchandise featuring the characters, pros and sets from the show. The show was a huge success and ran for seven series from 1980 to 1988. Mr. Allen received royalties from the programmes and owned the rights in the underlying artistic works. He also exploited the underlying rights by granting merchandise rights. The defendant, Mr. Redshaw sought to obtain a license from Mr. Allen, which did not work out between the parties.

As Mr Allen denied, Mr. Redshaw started producing and selling Button Moon-inspired merchandise on Amazon through his own Kapow Gifts site on eBay. Mr. Allen issued proceedings for copyright infringement and Passing Off. Mr. Redshaw’s defence was that he did not intend to copy Mr. Allen’s copyright works but that he intended to create a parody, though he accepted that his products were loosely based on upon the Button Moon designs. He pointed to a number of

\[326\] [2013] EWPCC B1
differences which he said distinguished them and prevented them from being copies and had also put up a disclaimer to that effect. However, the court found that the disclaimer appeared on the packaging for the T-shirt. But it was very small print on the back of the wrapper and difficult to see, though the disclaimer actually stated 100% unofficial, produced from original artwork and photographs and independently produced without endorsement or affiliation with the artists and persons depicted within.

As the above favoured Mr. Allen, on the quantum of damages, Miss Michaels chose to assess the notional royalty by reference to the amount with Mr. Redshaw would have had to pay Mr. Allen upfront for an appropriate license for the period during which he sold the goods and the Judge calculated damages based on a two-year deal which amounted to £ 3736.24 plus interest. He was also entitled to an injunction and to his costs. This judgments closely falls in place to the Mirage case (as the facts are very similar to it), except that damages were additionally awarded here. So it could be said that the courts have made stricter norms on damages, while upholding the judgment in the Mirage case.

The public expect to buy what they think are getting, the genuine article. Where the public mistake an article for a genuine one, there is a misrepresentation that it is genuine. In a case like this, there is second misrepresentation, that it is licensed. There is no need to prove that the misrepresentation caused the purchases complained of. This misrepresentation must injure the business or goodwill of another trader; that was critical question in this case – what was the plaintiff’s goodwill? The originator of the genuine article has a business interest in controlling the quality of goods on the market; such quality affects the value of his rights, and that is the goodwill which is to be protected. Therefore the quality control interest on the part of licensors means they can succeed in a case even though they have no direct involvement in the market in which the defendant operates.

The Irvine’ case was a breakthrough in the UK law as the courts granted reliefs in Passing Off cases. Post Irvine, many noticeable decisions were
pronounced by the court deviating from the common field activity concept, which was prevalent in the UK and served as an excuse for dismissing cases. The whole importance of character merchandising is the creation of an association of the product with the character, not the making of precise representation. Its implication have hardly yet been explored in the Courts. Their exploitation involves the application of established principles in an unfamiliar setting, where a pervasive feature is not so much the making of statements that may mislead the mind directly.

5.3 POSITION IN THE UNITED STATES OF AMERICA

Similar to established Right of Publicity, the US protects characters, fictional, non-fictional and historic, through application of both trademark and unfair competition laws. Unlike the cumbersome process of registration in the UK, registration of cartoon characters is easy in the USA. In DC Comics v. Pan American Grain Mfg Co Inc\textsuperscript{327}, the plaintiff, DC Comics, owned the trademark rights of 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 superpowers. The registration of Kryptonite covered only t-shirts and novelty items. The defendant had wanted to use the term, Kryptonia, for a prepared alcoholic cocktail drink. The plaintiff filed an opposition to the defendant’s application for trademark.

In finding for DC Comics, the Trademark Board stated: \textit{Consumers are likely to view Kryptonite as a merchandising mark in the same manner that Superman is a merchandising mark}: 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 additional, because opposer coined the word ‘Kryptonite’ for the fictional substance (and there it has no other meaning), when consumers see the term they will view it as an indicia of the Superman mythos. Also

\textsuperscript{327} 77 USPQ2d 1220 (ITAB, 2005)
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.

Similarly, in yet another case, the plaintiffs owned the mark for the fictional character ‘Conan the Barbarian’, the defendant used the name Conan as well as a character that looked very similar to the famous ‘Conan the Barbarian’ to promote its pizza company. 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 mark328.

In the Mattel Inc case329, an American toy manufacturing company (the appellants herein) having varied products and brands including that of BARBIE dolls, opposed the registration of the respondent’s application to register trade marks in connection with its small chain of Montreal suburban “Barbie’s” ‘restaurant services, take-out services, catering and banquet services’ on the basis that use of the name (albeit in relation to different wares and services) would create confusion in the market place among consumer’s mind between the source of the well-known BARBIE products and the source of the respondent’s less well-known restaurants. The appellants stated that the name BARBIE and that of her ‘soul mate’ KEN, has been into massive marketing of the doll and accessories and has created a strong secondary meaning which, in appropriate circumstances, associates BARBIE in the public mind with the appellant’s doll products, besides licensing of BARBIE trademarks as an expanding and lucrative commercial opportunity.

Though, the appellant had attempted to demonstrate a connection between food and food-related products sold under its own BARBIE trademarks and the applicant’s restaurant services, the Board did not accept the submission that there was any real connection between the two. The Board found that the respondent’s mark was not likely to be confusing with any of the Mattel’s BARBIE marks,

328 Conan Properties Inc v. Conans Pizza Inc; 752 F 2d 145 (5th Cir, 1985)
329 Federal Court of Appeal (2005), 329 N.R. 259, 2005 FCA 13
notwithstanding the fame of the appellant’s trademark. The Board was satisfied that there was no likelihood of confusion in the market place having regard to all the surrounding circumstances and rejected the opposition and allowed the registration.

On appeal, the Judge rejected Mattel’s application to introduce fresh evidence in the form of a survey proffered to show the likelihood of confusion between the marks because in his view the survey ‘had some blatant and determinative shortcomings that undermined its relevance considerably’. The appellants sought to adduce fresh evidence in the form of a survey which purported to show that for 57% of the participants, BARBIE dolls came to mind when they saw the Barbie’s restaurant logo while 36% of the participants believed that the company that manufactured BARBIE dolls might have something to do with the logo of Barbie’s restaurant.

Despite the survey, the court found certain loop-holes in the survey and held that the result was that the survey could not be used to establish the existence of a real likelihood of confusion, for the reason being, the respondents were not properly informed on the survey and was not fair in selecting the respondents as the survey excluded anyone who was even aware of the respondent’s Barbie’s restaurants. It mostly included those people who may or may not ‘likely’ to be misled by the applied-for-trademark. Also, most of the questions in the survey were leading type of questions only.

The survey only showed that Mattel’s BARBIE trademarks were indeed famous. There was no concrete evidence of any confusion. The appellate court concluded that no error had been committed by the applications judge in rejecting the survey evidence because of the way the survey firm had framed its questions.

In the US, a character is protected under trademark law when the character functions as a form of identification of goods or service and commands public acceptance and recognition. This protection would prevent the exact duplication of the trademark owner’s character or the imitation of that character where the likely
result is to cause public confusion, mistake or deception with regard to source of the goods or services that is identified with that character.

In *Walt Disney Prods v. Air Pirates*\(^{330}\), the infringers admitted copying the names and appearances of the characters, but placing them in very different situations than those used by Disney, i.e. in adult, counter culture comic books. The court rejected the infringer’s defence. The court co-mingled copyright and trademark doctrines by stating that Disney characters used by the defendants had achieved a high degree of ‘recognition’ and ‘identification’ and that these elements helped make the characters protectable under both laws.

A question arises that when so is the case, why was Mattle ‘Barbie’ rejected? Similar pronouncement should have been given by the court, as the name ‘Barbie’ had achieved high degree of ‘recognition’ and ‘identification’ and would definitely create confusion with the restaurant service provider. But unfortunately, the court had a different ruling, which went against ‘Barbie’.

### 5.3.1 The Lanham Act, 1946

Despite the pervasiveness of merchandised products in our society, the scope of protection of trademark merchandising is not explicitly defined under the rule of trademark law but instead constitutes one of the most controversial issues in the trademark debate. Historically, the validity of trademark merchandising was first addressed by a series of judicial decisions in the 1970’s that expanded the interpretation of the traditional requirement for trademark infringement – ‘likelihood of consumer confusion’ – to include confusion as to products ‘sponsorship or affiliation’ to directly protect trademarks used on promotional goods. Regardless of these criticisms, courts continued to favour this practice, as merchandising grew in popularity due to changes in the economy. Trademark protection started precisely based on the premise that trademarks were property of their owners that should be protected against the trespass of unscrupulous competitors.

\(^{330}\) 581 F.2d 751 (9th Cir. 1978), cert. denied, 439 U.S. 1132 (1979)
In New Dana Perfumes Corp v. The Disney Store, Inc.,[331] where the ‘Tinker bell’ character (originally of Disney ‘Tinker Bell’ later sold to New Dana ‘Tinkerbell’) was again used by the predecessors of New Dana as trademark in children’s cosmetics and toiletries, New Dana filed suit against all uses by Disney, except for exact replicas of Disney’s cartoon version of Tinker Bell (where Disney owned copyright in this character). However, New Dana’s action failed on the ground that New Dana’s use of the ‘Tinkerbell’ mark was actually famous and confusion prevailed among the marks, more so considering Disney’s nearly 40 year’s use of the words ‘Tinker Bell’ on a wide variety of products.

But after the amendment in 1988, Section 43(a) of the Lanham Act [False Designations of Origin and False Descriptions Forbidden], provides that anyone can prohibit the ‘any person who, 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 act, 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, .... 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’.

As a result of this change, trademark owners can now legitimately prohibit any use of their marks, whether registered or not, on products that consumers can ‘reasonably ‘think of as being related with ‘the same source, or thought or be affiliated with, connected with, or sponsored by, trademark owner[s]. Protection may also be given to unregistered trademarks at the federal level in the USA under the unfair competition provisions of the Lanham Act.

In order to prove a violation in the USA under section 1125 of the Lanham Act in false sponsorship, endorsement or affiliation, a claimant must show that it

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[331] 131 F. Supp.2d.616 (M.D. pa. 2001)
owns the mark, the said mark is legally protectable and 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. Notwithstanding the above, fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark or use of the mark in news reporting and news commentary was excepted.

5.3.2 Federal Trademark Dilution Act, 1995

Common law courts initially based their jurisdiction over infringers on defending trademark owners from the invasion of their property and did not require proof of consumer confusion. Courts rejected this position in favour of a confusion-based protection in the early 20th century and the adoption of the Lanham Act in 1946 codified the judicial approach into law. Besides, the rise of consumerism and the globalisation of trade, resulted in the adoption of the Federal Trademark Dilution Act, 1995 and enhanced the protection of trademark value for famous marks, regardless of any consumer confusion by basing it on a likelihood of dilution of trademark distinctiveness.

The Federal Trademark Dilution Act, 1995 is primarily intend to create a cause of action for trademark dilution. Dilution law protects the distinctive quality and selling power of the trademark and provides relief even if consumers are not confused. The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.332 This is significant for the plaintiff as he is relieved from proving consumer confusion, which is essential in a Passing Off action. Both tarnishing and blurring, essentials in a dilution cause of action diminish the plaintiff’s reputation and commercial value in the trademark.

5.4 LICENSING OF FICTIONAL CHARACTER MARKS & FRANCHISING

Licensing is an important mechanism in the success of a trademark as it extends the geographic range and also the product range of the trademark. Being an effective business tool and strategy it helps in expansion of the existing business territory and also the nature of the business. If licensing is not recognised, persons may be forced to pass off their goods under counterfeit goods in the market. Hence, licensing has become a means of preventing duplication of goods in the market and requires relatively higher supervision and control and is therefore legally regulated practice Similarly, Franchising refers to a business situation where a franchisor controls and supervises the exploitation of a trademark while he allows the use of trade name, its reputation and the get-up.

5.4.1 Journey of Licensing from Lawful to Unlawful

Licenses were sometimes declared invalid (unlawful) as a fraud on the public, and the licensors risked forfeiture of their rights in the mark through a finding of abandonment. In Bowden wire v. Bowden Brake\textsuperscript{333}, the courts held that if a registered trademark is licensed it may become invalid if it ceases to show a ‘connection in the course of trade’ with the registered proprietor or otherwise becomes deceptive by the act of the registered owner. A licensed trademark loses its distinctiveness and fails to impart its most important function of distinguishing the goods of the owner from the goods of others. This was the case in the UK until the courts were reluctant to permit licensing of trademarks because of the risk of public deceit. After the development of the theory of ‘connection in course of trade’ which shares a lot common with ‘quality control’ theory, licensing has become common\textsuperscript{334}.

In India in the Dristan case\textsuperscript{335}, Judge S K Mukherjee noted this principle of ‘connection in course of trade’ as, ‘In my judgment, if a trademark is used in such a

\textsuperscript{333} (1913) 31 RPC 385 (HL)
\textsuperscript{334} Coles Proprietary Ltd v. Need; (1933) 50 RPC 379
\textsuperscript{335} American Home Products ... vs Mac Laboratories Private Limited; AIR 1986 SC 137
manner that the connection between the proprietor of the trademark and the goods in relation to which the trademark is used is maintained and the public is not deceived or confused as to the origin and character of the goods there will be honest bona fide trade use of the trademark’.

The above proviso was further clarified in the **Gujarat Bottling Co v. Coca-Cola Co**[^336], where the court held that so far a connection in the course of goods and the proprietor of the mark, licensing of trademarks, registered or unregistered may be permitted. In the USA, these shifts in law were noted in the case as, ‘…. Not until the 1930’s did a trend develop approving of trademark licensing…. And not until the passage of the Lanham Trademark Act in 1946 did that trend become the rule...’[^337]

### 5.4.2 Principle of ‘Source Indicators’ and ‘Quality Control’

Under the Patent regime, a patent holder is at liberty to draw the benefits of the invention solely by licensing it. For example, the multinational company, IBM followed it as a standard practice to license its inventions and earn revenue by way of obtaining royalty payments. The Trademarks Act, 1999 provides for the use of a trademark (registered) not only by the registered user but also by a third person with the consent of the registered proprietor in a written agreement without registering that person as a ‘registered user’. However, there is slight difference of licensing under patent and trademark law. As trademarks are treated as ‘source indicators’, which make an implied reference to quality and reputation, section 50 (1) (d) of the Trademarks Act, 1999 provides that in the event of fault of the proprietor failing to maintain the quality control upon the licensee, the Registrar can in his own action or on an application by any person, cancel the registration of the registered user. Hence, the trademark owner shall allow others by way of licensing to use his trademark in relation to goods not connected with him.

[^336]: 1996 PTC 89 at 96-97
[^337]: K Mart Corp v. Cartier Inc; 486 US 281
As the main revenue for a fictional character is by way of licensing to other traders, it would be rewarding to give some thought to the provisions which ought to be included in an agreement under which the owner of the rights of a character licenses its use in connection with articles of merchandise. The relationship between the proprietor and licensee would be governed by the statutory obligations and the law emerging from the provisions of the 1999 Act, the terms and conditions in relation to matters prescribed and those governing the relationship between the licensor and the licensee in the agreement between them and the stipulation that the licensee must operate and apply the trademark on the goods and services under the overall quality control of the proprietor.

Today, licensing is a huge revenue maker and due importance should be given in any agreement involving license of trademarks. The following are some of the clauses to be captured in a licensing agreement for protection and prevention of piling of cases.

- **Exclusivity or non exclusivity** of the license is the crux of the Agreement. It is suggested to grant non exclusive license because the licensor will have the right to license it to other traders and derive revenue out of the mark, however, without affecting the already granted license.

- The next issue is on the character which is proposed to be licensed. The Agreement should specify the character(s) and the goods on which they may be used. The restricts use in other goods of the licensee. It would also be judicious on the part of the licensee to ensure that the licensor does not license the same character to his competitor.

- Another aspect in the agreement is the definition of the territory in which the goods are to be sold. The territory to be defined categorically as an Annexure, as it is generally this clause, which gives rise to a dispute.

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338 Character Merchandising; Report prepared by International Bureau; WIPO; available at: http://www.wipo.int/export/sites/www/copyright/en/activities/pdf/wo_inf_108.pdf; assessed on 02.03.14
• The **term** or **period** of the license should be fixed and captured in the document with provisions as may be found agreeable permitting the licensee to renew the license. It is always desirable to limit the length of the license, unless required long-term

• **Financial terms** of the agreement, i.e. Payment of Royalty by the licensee and whether such royalty is lump sum or based on the sales volume or a combination of both or of a minimum guarantee sum plus royalties at regular intervals, with an indication of the means of calculation of those royalties. Right of the licensor to inspect the books of the licensee is a must to protect the interest of the licensee.

• Specific clauses on preventing the right to reproduce the character, without change, in its design and appearance as furnished to the licensee.

• Another important clause is on **non-assignment or transfer** of the rights granted to the licensee in favour of any third party by the licensee. This is critical in any license agreement

• A general **indemnification** clause that the licensee will hold the licensor harmless against any claims made by third parties because of the use of the articles may violate any other intellectual property rights.

• Provision for **termination** of the agreement by the licensor if the licensee fails to manufacture, exploit and sell the articles and to carry on efficiently and in good faith under the agreement.

• Indication that the licensee should inform the licensor of any unauthorised use of the character by third parties within the territory covered by the agreement and cooperate with the licensor in any proceedings initiated against such third parties.

• From the perspective of maintaining and enhancing the image, the quality of goods manufactured by the licensee musts be controlled. For example, licensee shall pay attention not to damage the honour, reputation or dignity and trust of the licensor and shall neither alter the content without good reason, nor handle the contents in a manner that damages the character thereof
- **Audit Rights** to the licensee for inspection into the books of the licensee to verify and scrutinise computation of sale of goods affixing the character licensed under the Agreement.

The aforesaid are a few major clauses which are most relevant in any licensing agreement between the parties for effective use of the licensed character and simultaneously affords protection to the licensor against offenders and infringers.

### 5.5 INTERNATIONAL PROTECTION OF CARTOON CHARACTERS

Unfair Competition regarding cartoon characters generally encompass the notions of misappropriation and/or misrepresentation. In the Unfair Competition claim, a plaintiff alleges that it uses a certain character to identify its business and that the defendant is using an identical or substantially similar character in connection with its business for the purpose of falsely associating plaintiff’s character with defendant’s business. Like in other claims, the primary question in Unfair Competition claim as laid in *Felix Cat Production Inc. v. New Line Cinema*\(^{339}\), ‘Is there a likelihood of confusion?’ If the reply is affirmative, claim succeeds. Article 10bis of the *Paris Convention for the Protection of Industrial Property* lists protection against unfair competition and prohibits the acts intended to create confusion and mislead the public and also cause discredit to the establishment.

Unlike traders, who have sought protection offered by the law of Passing Off, Character Merchandiser is a new type of trader who seeks to exploit the market in a particular type of goods. He sees that money can be made from a fictional character he has created, or the hard won and valuable reputation of his personality and seeks to gain and protect a market. But the position in India is still in an evolutionary phase. Notwithstanding the freedom to use public domain characters in new works, likelihood of confusion requires preventive actions. In these situations,

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new users must employ labels or disclaimers to disclose that the new work is not written, drawn, authorised or sponsored by the original author. Thus, although trademarks may now be registered for licensing purposes, trademark law appears not to be as effective a weapon as desired by fictional character owners to vanquish unauthorised merchandising.

The creation of fictional character undoubtedly is a process requiring specific skills and resources. But the law provides some space for copycats and the like to jump on the character’s success. The decisive authorities of Mirage Studios limit the character owner’s protection to some extent, driving scholars to call for a ‘merchandising right’ as a property right, allowing the financial benefit of the goodwill of a merchandisable character to accrue extensively to the person responsible for creating it or making it famous. At the same time overprotecting intellectual property has to be regarded as harmful as under protecting it, because creativity is impossible without a rich public domain to draw upon. It should be left to the consumer to decide whether he wants to buy authorised merchandising or to be indifferent as to the source of the product – or even deliberately purchase merchandising articles as ‘unofficial’. However, as long as no deception occurs, the goodwill of the fictional character will suffer no harm and the fictional character’s owner could still reasonably exploit his endeavours.

The recent rejection in the California courts of any legal right of the trustees of the Diana Memorial Fund to prevent reproduction of dolls which bear a resemblance to Princess Diana, would suggest that the courts, even in the USA, have accepted that there are limits to the continuous and uncritical extension of character merchandising rights. But such remedy is possible only if the creator sues the infringer. This question will need to have a relook, as many products are sold in the market with famous cartoon characters, but the creators seems less to benefit, as the infringer goes scot free. There is no proper mechanism to prevent such illegal sales and it is to the authorities to device proper strategy to prevent products being sold with imitated cartoon characters.
Though licensing is a legal act which can be used in Character Merchandising, but unfortunately, not many opt this route and the shortest possible extent is to use the images/pictures of well known characters and celebrities (without the consent and permission of the owner) in their products and maximize the profit.