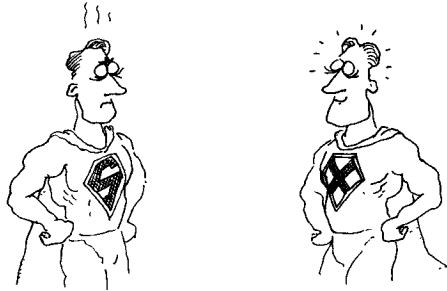


# Character Merchandising: Legal Protection in Today's Marketplace

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## I. INTRODUCTION

Recent communication and marketing trends have provided new methods of exploiting another's reputation for commercial gain. The appearance or characteristics of celebrities or fictitious characters can be exploited by association with various products.<sup>1</sup> A recent judicial definition of character merchandising is making use of "the reputation of a well-known fictitious character like Mickey Mouse or Superman to give a name to, and add to the popularity of, goods not otherwise connected with that character".<sup>2</sup> The international appeal of certain personalities or fictitious characters as a result of television programmes, books, magazines, toys, records, stationery and the like is well recognised.<sup>3</sup> Examples of character merchandising proliferate. The cartoon character "Ginger Meggs" is estimated to be worth up to two million dollars in retail sales in Australia, with eighty products being made under licence, ranging from greeting cards to margarine.<sup>4</sup> Other examples of merchantable Australian characters include, "Humphrey B. Bear", the "Play School"

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1. *Childrens Television Workshop Inc v. Woolworths (NSW) Ltd* [1981] 1 N.S.W.L.R. 273, 275 per Helsham CJ.
2. *I.P.C. Magazines Ltd v. Black and White Music Corporation* [1983] F.S.R. 348, 350 per Goulding J.
3. Note 1 *supra*, 275.
4. *B & T Advertising, Marketing and Media Weekly* ("B & T"), 26 November 1981, 5.

Characters, "Dot and the Kangaroo", "Alexander Bunyip" and the "Man from Snowy River".<sup>5</sup> Endorsement of products by well-known personalities is also a thriving business. For example, "Sheridan" bed coverings use "leading Australian women" to reassure people of the quality of their product<sup>6</sup> and sports personalities are frequently used to endorse such disparate products as life assurance and beer. In fact, the use of personalities, real or imaginary, to sell products and services has evolved into an industry of its own, with fictitious characters being created as part of a marketing package which is launched in a co-ordinated sales drive. Examples of this character-creation marketing include "Strawberry Shortcake", a small scented doll with numerous friends and accessories, which was created by a greeting card company and grossed \$US 100 million from sales in her first year, from 600 products identified with the character.<sup>7</sup> Similarly, in Australia, a cartoon character "Dr Snuggles", was launched with a marketing package including live theatre, radio, newspapers, magazines, records, books, tapes and food as the character merchandise mix.<sup>8</sup>

Where personalities are used to promote products and create brand awareness, advertisers take care to use a celebrity with high popularity ratings, according to audience research studies,<sup>9</sup> but who do not overshadow the product they endorse, detracting from the advertiser's message.<sup>10</sup> Obviously, character merchandising has enormous commercial importance, both from revenues generated from the direct sale of character products, as well as from royalties and the licensing of manufacturers to sell reproductions of characters and to use names.

In this area the law has not kept pace with commercial practice. Despite an array of statutes, including section 52 of the Trade Practices Act 1974 (Cth) and the copyright, trade marks and design laws, the pirating of character merchandise often evades the protective regimes created by these statutes.

Although the law has long protected traders against appropriation of their reputation by trade rivals through the tort of passing off which has been adapted to new circumstances,<sup>11</sup>

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5. C. Addison, "Toy Firms Ad Spree" *B & T*, 18 March 1982, 13.

6. *B & T*, 12 November 1981, 5.

7. *B & T*, 29 October 1981, 6.

8. *B & T*, 5 November 1981, 30.

9. Note 6 *supra*, 6.

10. Note 7 *supra*, 17.

11. M. Blakeney and J. McKeough, "Recent Developments in Passing Off" (1984) 12 *A.B.L.R.* 17.

non-traders may find it difficult to use traditional remedies to safeguard their image. Character merchandising is an area where cases have shown the need for a concept of unfair competition beyond the traditional confines of the passing off formula. Australian courts have considerably circumscribed the tort, requiring a common field of activity<sup>12</sup> or "a relevant business nexus"<sup>13</sup> before granting relief.

## II. COPYRIGHT

Statutory schemes for the protection of intellectual property rights often prove deficient in preventing misappropriation of a character or its attributes, as intellectual property protection will depend on the way a character is represented. While copyright has the widest scope for protection of character merchandise,<sup>14</sup> the intangible nature of the property sought to be protected leaves the courts as the appropriate arena for protecting the reputation a character has acquired where copyright does not. Copyright does not protect ideas, only the form in which they are expressed, that is, the reproduction of a character in dramatic, musical, literary, or artistic form.<sup>15</sup> It is possible to use copyright if the features of a character are identifiable from the reproduction. In *King Features Syndicate Inc. v. Kleeman Ltd*<sup>16</sup> the plaintiff had copyright in cartoons of "Popeye". The defendants, without a licence or authorisation, imported and sold "Popeye" dolls and brooches. An injunction was granted on the grounds that the dolls and brooches reproduced the cartoon figure in a material form, thus infringing copyright. Not all characters are reproduced in a material form so as to infringe copyright, and even so, persons who copy items from an original of different dimensions may raise the defence in section 71 of the Copyright Act 1968 (Cth) which provides that:

- (a) the making of an object of any kind that is in three dimensions does not infringe the copyright in an artistic work that is in two dimensions, and

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- 12. *Cue Design Pty Ltd v. Playboy Enterprises Pty Ltd* (1983) 43 A.L.R. 535.
  - 13. Note 1 *supra*, 281.
  - 14. See L. Stevenson, "Protection of Character Merchandise Rights" [1977] *E.I.P.R.* 66, 67.
  - 15. Copyright Act 1968 (Cth) s.31. For the threshold criteria as to when copyright subsists, see R. Durie "Character Merchandising" [1981] 1 *C.L.B.* 28.
  - 16. [1941] A.C. 417.

- (b) the making of an object of any kind that is in two dimensions does not infringe the copyright in an artistic work that is in three dimensions if the object would not appear to persons who are not experts in relation to objects of that kind to be a reproduction of the artistic work.

This defence will arise once reproduction of the work in a material form has been established, which involves manifesting the essential features of the original in an item which bears a marked resemblance or likeness to the original.<sup>17</sup> Copyright may also subsist in a photograph<sup>18</sup> and a single frame from a film.<sup>19</sup>

The requirement of reproduction in a material form means that copyright protection is not available to protect characters as such. Thus another may use the character in a play or book, since a character is not a "work" but an idea,<sup>20</sup> unless expressed in some concrete form. Copyright will rarely protect names as it is well established that the titles of books, films, and plays, and characters' names are not usually substantial enough to be literary works within section 32 of the Copyright Act.<sup>21</sup> Copyright in the names of fictitious characters was denied in *Wombles Ltd v. Wombles Skips*<sup>22</sup> and *Taverner Rutledge v. Trexapalm Ltd*<sup>23</sup> although the characters under discussion, respectively the "Wombles" and "Kojak", had achieved notoriety and were well recognised by name. Although this could constitute sufficient establishment of reputation to found a passing off claim, a literary work is something intended to provide information, instruction or pleasure in the form of literary enjoyment,<sup>24</sup> which a name alone could rarely do. The Committee to Consider the Law on Copyright and Designs (U.K.) did not consider titles and names to involve a sufficient level of skill and labour in their production to be protected by copyright.<sup>25</sup> This Committee also examined the idea of introducing a "character right" under copyright law to supplement existing protection afforded to characters as literary, dramatic or artistic works. The Committee was reluctant to do so because of the difficulties in deciding "what are the essential

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17. J. Sterling & G. Hart, *Copyright Law in Australia* (1981) 117.

18. Copyright Act 1968 (Cth) s.10.

19. Note 17 *supra*, 51.

20. *Taverner Rutledge Ltd v. Trexapalm Ltd* [1977] F.S.R. 479.

21. *Exxon Corporation & Ors v. Exxon Insurance Consultants International Ltd* [1981] 2 All E.R. 495.

22. [1975] F.S.R. 488.

23. [1977] F.S.R. 479.

24. *Exxon Corporation & Ors v. Exxon Insurance Consultants International Ltd* [1981] 3 All ER 241, 248 *per* Stephenson L.J. (on appeal).

25. *Report of the Committee to Consider the Law on Copyright and Designs* Cmnd 6732 London, H.M.S.O., 1977, 228.

features that make the character distinctive and which are therefore worthy of protection.”<sup>26</sup> The Committee concluded that “an unfair competition law would probably provide the most satisfactory solution”<sup>27</sup> in protecting the use of characters.

### III. TRADE DESIGN

Copyright may be claimed under the Designs Act 1906 (Cth) for designs that are applicable to one or more of the purposes of ornamentation, patterning, shaping or configuration of an article.<sup>28</sup> For a design to be registrable it must be a new or original design<sup>29</sup> not previously published in Australia before registration is applied for.<sup>30</sup> Such registration confers copyright in the person registered as owner<sup>31</sup> for a period of up to sixteen years.<sup>32</sup> The copyright so conferred allows the owner exclusive right to apply the design or authorize others to do so.<sup>33</sup> Infringement of copyright in a registered design is deemed to have occurred if a person applies the design or an imitation of it, or imports into Australia (for sale or business purposes) any registered article in respect of which the design is registered, without the authority of the owner.<sup>34</sup> Copyright under the Designs Act cannot be conferred on certain articles which may gain protection under the Copyright Act, including articles that are primarily literary or artistic in character and on which there is printing. This includes bookjackets, calendars, greeting cards, postcards, labels, transfers<sup>35</sup> and other items which are often part of a character merchandise mix.

Registration under the Designs Act of a work also protected under the Copyright Act will cause loss of protection under the latter Act;<sup>36</sup> there is no double protection. Sometimes, however, protection is afforded under neither statute. This is so when an artistic work (protectable by the Copyright Act) which is also registrable as a design (but is not so registered) is nevertheless

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26. *Ibid.*

27. *Ibid.*

28. Designs Act 1906 (Cth) s.4.

29. *Malley's Ltd v. J.W. Tomlin Pty Ltd* (1961-2) 35 A.L.J.R. 352, 353 defines “new or original” as “enough individuality of appearance to distinguish it”.

30. Designs Act 1906 (Cth) s.17(1).

31. *Id.*, s.15. For criteria of ownership see s.14.

32. *Id.*, s.26.

33. *Id.*, s.12(1).

34. *Id.*, s.30(1).

35. Design Regulation 11.

36. Copyright Act 1968 (Cth) s.75.

“applied industrially”.<sup>37</sup> Industrial application of the corresponding design of an artistic work occurs when the design is used to ornament, pattern or shape articles in accordance with section 5(b) of the Designs Act, and more than fifty articles are so produced.<sup>38</sup> Section 77 of the Copyright Act provides that protection is lost in relation to articles sold for fifteen years from the date on which articles made to the corresponding design were first sold. Thereafter no copyright exists for the design as extended to all associated designs and articles. During the initial fifteen year period however, copyright will subsist in articles to which a corresponding design of an artistic work has not been industrially applied. This reduction of copyright protection for mass produced items applies as described above to artistic works made on or after 1 May 1969, when section 77 came into effect. Before that date, the intention of the author at the time of creation as to whether the work would be used industrially was the touchstone for deciding whether copyright protection continued once an item was mass produced.<sup>39</sup>

#### IV. TRADE MARKS

A mark that is distinctive of goods or services is registrable as a trade mark by the proprietor thereof. Section 24 of the Trade Marks Act 1955 (Cth) provides that a trademark can be a person's name or signature, an invented or ordinary word (as long as it does not refer directly to the quality of the goods or services and is not a geographic name or surname), or any other distinctive mark. Registration of a mark is only possible if it is being used at the time of application and will be used in the future within Australia by the applicant for registration. The Act provides that importing goods already marked or exporting them once marked is still use of the trademark within Australia.<sup>40</sup> There are exceptions to the requirements of use and proposed use in section 45(1). One of these allows a proprietor of a trademark to register another as the registered user. This provision would appear to be useful to a proprietor of a character merchandise trademark, who could register it pending licensing to a manufacturer. However it has been held recently in England<sup>41</sup> that the equivalent section does not mean a person can register the name of a fictional

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37. *Id.*, s.77(1).

38. Copyright Regulations 17(1) (SR 1969 no. 58). See also R. Durie, “Character Merchandising” (1981) 1 *C.L.B.* 28.

39. *Id.*, 29.

40. Trademarks Act 1955 (Cth) s.117(1).

41. “*Holly Hobbie*” *T.M.* [1983] F.S.R. 138.

character as a trademark in order to license manufacturers to then use it on a variety of products. The Court held in the *Holly Hobbie* case,<sup>42</sup> following *Re Pussy Galore T.M.*<sup>43</sup> that character merchandising as envisaged by the proprietor of the "Holly Hobbie" trademark would amount to trafficking in the trademark. This was considered undesirable as one function of a trademark is to indicate source, and thereby quality of the goods. The judge in the *Holly Hobbie* case took a rather disdainful view of modern marketing and mass production, but if his view is followed in Australia, it would seem that section 45(1) requires that potential licensees be identified before there can be registration of use or potential use of a trademark.

Other limitations on the utility of trademark protection for character merchandise include, as Durie points out,<sup>44</sup> the fact that trademark registration (in common with design registration) is time consuming and expensive as applications must be lodged in each class for which goods and services are being licensed, and fees paid for every application and registration. As with copyright, concepts as such are not protected by contrast with some physical expression thereof. A device mark may be unregistrable as a trademark if it is protected by the Copyright Act provided it fulfills the necessary criteria.<sup>45</sup>

If a registrable design can also be regarded as a trademark it can gain indefinite protection, not available under the Designs Act. Most potential overlap of trademark and design protection occurs only when a mark can subsist in some feature of the appearance or construction of goods which is incorporated into them, rather than separate from the item itself. A trademark, however, can only be registered as such if it is non-functional in terms of how it affects the purpose, action, performance or handling of the goods. For example, in *John Haig Ltd v. Forth Blending Co.*<sup>46</sup> the Haig "pinch bottle" identified the source of Scotch Whisky, and was held to be non-functional with regard to the whisky. The issue of whether shape or appearance can be a trademark has been considered in the United Kingdom and Australia recently in regard

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42. [1983] F.S.R. 138, 146 *per* Whitford J.

43. [1967] R.P.C. 265.

44. R. Durie, "Character Merchandising" in *Trade Practices and Industrial and Intellectual Property* U.N.S.W. Faculty of Law, C.L.E. Nov. 1981, 28-29.

45. *Oscar Trade Mark* [1980] F.S.R. 429, where the defendant was not allowed to register as a trademark the silhouette of the "Oscar" award for achievement in the motion picture industry, which was protected by copyright.

46. (1953) 70 R.P.C. 259.

to the parallel applications by Smith, Kline and French Laboratories Ltd to register a coloured capsule as a trademark.<sup>47</sup> While the respective courts differed on this point it is probably through a passing off or Trade Practices Act action that such indicia can best be protected as the courts in such cases seem prepared to grant protection beyond statutory mechanisms.<sup>48</sup>

## V. PASSING OFF AND SECTION 52 OF THE TRADE PRACTICES ACT

Although in America and some European countries rules forbidding unfair competition have evolved, the Australian courts have been reluctant to adopt or even discuss the concept, relying instead on expanded principles of passing off.<sup>49</sup> Numerous cases illustrate however that passing off has not always been apt to protect what is obviously an undisguised appropriation of another's efforts. For example in cases involving the imitation of an advertising campaign<sup>50</sup> or copying of a product,<sup>51</sup> it is often difficult for the plaintiff to make out the elements of the tort, particularly that the defendant has represented to the public that his product or business is that of the plaintiff.<sup>52</sup> It may well be that a defendant's behaviour in appropriating the plaintiff's labours to his own benefit has not involved making the representations that will found passing off, or at least the evidence does not support such a conclusion.<sup>53</sup> Furthermore, the plaintiff may not have suffered damage as such as a result of the defendant's conduct, but a tort of unfair competition could take into account some concept of unjust enrichment — the benefiting from another's efforts.

Whether this is acceptable depends to some extent on whether

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47. *Re Smith, Kline and French Laboratories Ltd's T.M.* [1976] R.P.C. 511; *Smith, Kline and French Laboratories (Australia) Ltd v. Registrar of Trademarks* (1976) 116 C.L.R. 628.

48. M. Blakeney and J. McKeough, "Recent Developments in Passing Off" (1984) 12 *A.B.L.R.* 17; S. Ricketson, "Puxu v. Parkdale: Intellectual Property and Consumer Protection" [1980] *E.I.P.R.* 407, C. Morcom, "Character Merchandising — a right, or mere opportunity?" [1978] *E.I.P.R.* 7.

49. See e.g. *Cadbury Schweppes Pty Ltd v. Pub Squash Co. Pty Ltd* (1980) 32 A.L.R. 387 (Supreme Court of New South Wales, per Powell J.).

50. *Ibid.*

51. *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd* (1982) 42 A.L.R. 1.

52. *Erven Warnick v. J. Townend & Sons (Hull Ltd)* [1979] A.C. 731.

53. E.g. the plight of the third plaintiff in *Childrens Television Workshop Inc. v. Woolworths Ltd* [1981] 1 N.S.W.L.R. 273. 1980.

such an action has consumer protection aims as well as trader protection. Passing off, like other actions to protect industrial property (for example, trademarks<sup>54</sup>) demands consumer deception or the likelihood thereof before an action will succeed. Considering passing off contemporaneously with actions under the consumer protection provisions of the Trade Practices Act illustrates the close connection between the tort and the consumer protection aims of that Act.<sup>55</sup> Section 52 of the Trade Practices Act prohibits conduct in trade or commerce which is misleading or deceptive or likely to mislead or deceive. In interpreting the statute the courts habitually apply passing off principles.<sup>56</sup>

Overlap may occur within existing methods of preventing unauthorized exploitation, for example trade marks and passing off may protect the same material, but there are also gaps where none of the controls protect the creator of a fictitious character from having his inventive energy misappropriated. In *Wombles Ltd v. Wombles Skips Ltd*<sup>57</sup> 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 builders' rubbish skips. Similarly, in *Taverner Rutledge Ltd v. Trexapalm Ltd*<sup>58</sup> an American company claiming proprietary rights in the television series "Kojak", the lollipop chewing detective, could not claim any rights against the manufacturers of sweets called "Kojak Pops". In fact the licensee was itself prevented from using the name or one similar to it by the unlicensed (but first user) of "Kojak Pops". The *Kojak* case was resolved on this issue by reference to the prior establishment of reputation by the unlicensed trader in an area where there was a common field of activity. In the *Wombles* case the lack of common field of activity prevented the "owner" of the "wombles" from enjoining their use by another through a passing off action. English cases have indicated less reliance on the common field of activity requirement as a discrete element of passing off, preferring confusion in the

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54. D. Shanahan, "The Trademark Right: Consumer Protection or Monopoly?" (1983) 72 *T.M.R.* 233.

55. If a passing off action arises on the same substratum of facts as an action under s.52, the Federal Court may hear both actions together: *Phillip Morris Inc. v. Adam P. Brown Male Fashions Pty Ltd* [1981] A.T.P.R. 40-197.

56. See e.g. S. Barnes and M. Blakeney, *Advertising Regulation* (1982) Ch 4; D. Shanahan, *Australian Trade Mark Law and Practice* (1982).

57. Note 22 *supra*.

58. Note 23 *supra*.

public mind.<sup>59</sup> On the other hand, Australian authorities appear to require the common field of activity test to be satisfied before granting relief.<sup>60</sup>

In describing the creation of character merchandise packages which are usually capitalised through licensing arrangements, it is obvious that such licensing and sponsoring agreements are part of a substantial field of business. Since character merchandising was defined in the *Judge Dredd*<sup>61</sup> case as making use of the reputation of a well-known fictitious character like "Mickey Mouse" or "Superman" to give a name to, and add to the popularity of, goods not otherwise connected with that character, it is obvious that requiring a common field of activity (in the sense of similar goods) for passing off protection to extend to imaginary characters renders the tort useless in the light of modern commercial practices. In the *Kojak* case it was held that the practices of sponsorship and character merchandising were not widely enough known about so that members of the public would assume that the producer of "Kojak Pops" had a licence from the owners of the rights in the television series, who would furthermore exercise some form of quality control.<sup>62</sup> Similarly in the case of *Lyngstad v. Anabas Products Ltd*<sup>63</sup> it was held that for passing off to succeed there needed to be some sort of association between the plaintiff's activities and the goods or business of the defendants, so that the plaintiffs exercised some sort of control over the quality of the defendant's products.<sup>64</sup> The conduct complained of in *Lyngstad v. Anabas* was the sale by the defendants of badges and transfers picturing the pop group "Abba". The group complained that the defendants were using "Abba's" reputation for their own commercial gain. Oliver J. remarked that

Some people might think that the plaintiffs might have granted some sort of licence for the use of the name, although why they should do so has never been explained, since it is not alleged, and indeed I do not think could be alleged on the evidence, that there is any general custom for such licences to be granted by pop singers.<sup>65</sup>

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59. *E.g. Annabel's (Berkeley) Square Ltd v. G. Schock* [1972] R.P.C. 838; *Lyngstad v. Anabas Products Ltd* [1977] F.S.R. 62; *Miss World (Jersey) Ltd v. James Street Productions Ltd* [1981] F.S.R. 301.

60. See M. Blakeney and J. McKeough "Recent Developments in Passing Off" (1984) 12 *A.B.L.R.* 17, 31.

61. Note 2 *supra*.

62. Note 23 *supra*, 485.

63. [1977] F.S.R. 62.

64. *Id.*, 68.

65. *Ibid.*

Because there was no proof that the plaintiffs were in the business of licensing their name or likeness, they could not succeed in a passing off action which required a business nexus between the plaintiff's and defendant's activities to be established. In a New South Wales case with similar facts, *Henderson v. Radio Corporation Pty. Ltd.*<sup>66</sup> the plaintiffs were professional ballroom dancers whose photograph was used on the cover of a dance music record without their permission. The distribution of the record was restrained on the ground that there was a common field of activity: "Exposition of, and the giving of instruction in, the art of ballroom dancing may, in my judgement, be said to lie in the same field of activity as the production of gramophone records whose primary function is to assist in instruction in that art."<sup>67</sup> The judge then went on to reject the wider area of the plaintiffs' endorsement or sponsorship of ballroom dancing and its accoutrements as a ground for relief: "a claim so widely based as to extend to matters completely unconnected with the plaintiffs' art must be rejected for want of any common field of activity with the defendant's production of records."<sup>68</sup> On appeal, the majority criticised the need for a common field of activity before passing off should be established, but stated that in this case there was such a nexus and the parties were "competitive in a broad sense",<sup>69</sup> since the Hendersons had appeared to make a recommendation of the appellants' product in the course of their professional activities.<sup>70</sup>

The judge in the *Kojak* case declined to regard the practice of character merchandising as a means of entering a field of business activity by licensing others to industrialise the character.<sup>71</sup> However, in *Childrens Television Workshop Inc. v. Woolworths (N.S.W.) Ltd*<sup>72</sup> the familiarity of the man in the street with character merchandising was accepted by Helsham C.J. The action for passing off was brought by a licensee of the creator of the "Muppets", "certain imaginary creatures...created for a television film called Sesame Street"<sup>73</sup> which was well known and highly thought of by the public. His Honour accepted that image relation or character merchandising is recognised by the public as

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66. [1969] R.P.C. 218.

67. *Id.*, 226 *per* Sugerman J.

68. *Id.*, 227.

69. *Id.*, 234 *per* Evatt C.J. and Myers J.

70. *Id.*, 232.

71. Note 23 *supra*, 485.

72. [1981] 1 N.S.W.L.R. 273.

73. *Ibid.*

a type of commercial exploitation through some sort of licensing agreement between the inventor and manufacturers.<sup>74</sup> He ruled that the business nexus that will found a passing off action by a creator (or licensee) against pirating of the creator's ideas is the getting of goods on to the market, either directly or via a licensing agreement.<sup>75</sup> It is the recognition of licensing practices as a form of business activity that allows the courts to protect such endeavours. In a subsequent English case, *I.P.C. Magazines Ltd. v. Black and White Music Corporation*<sup>76</sup> it was also accepted that the plaintiff's activities in exploiting the "Judge Dredd" cartoon character was a factor in the public becoming confused by unauthorised use of the character in a gramophone record. From judicial reluctance to accept that the public associates otherwise unrelated products with the original creator of an image or personality, the *Muppets* decision appears to give character merchandisers more appropriate protection through the tort of passing off.

The use of a passing off action to protect misrepresentation of a licensing arrangement has been criticised by Shanahan<sup>77</sup> as conflicting with the policy of the Patents, Designs and Copyright Acts, which give certain protection for varying periods of time subject to the fulfilment of the appropriate criteria. The legislation is not apt to protect much commercial piracy, however. The misrepresentation inferred in the *Muppets* case was that the defendants had some authorisation from the plaintiffs to produce the toys in question. Since mere copying is not actionable as such, representation of this connection between the parties had to be present for passing off to succeed, yet a recognition of character merchandising as a widely practised if not universal business activity does open the door to the possibility that in future actions will succeed based on mere copying, (or unfair competition):

The position may soon be reached that the very act of character piracy may be ex post facto evidence of the potential for commercial exploitation of that character and hence the propensity for the piracy to be a deceptive passing off.<sup>78</sup>

Despite Shanahan's criticisms the criteria to be fulfilled before a passing off action can succeed means that gaps do exist in the protection of character merchandise. For example a prospective

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74. *Id.*, 279-280.

75. *Id.*, 280.

76. [1983] F.S.R. 348.

77. D. Shanahan, note 56 *supra*.

78. J. McKeough & M. Blakeney, "Passing Off and the Commercial Media in Britain and Australia" (1984) 4 *Journal of Media Law and Practice* 95, 104.

licensee is unable to keep unlicensed manufacturers at bay, as the third plaintiff found in the *Muppets* case where potential goodwill was not a protectable interest.<sup>79</sup>

Proposed amendments to the Trade Practices Act include a new provision, section 52A, to prohibit, on a civil basis, unconscionable conduct in trade or commerce. The new provision is within the consumer protection part of the Trade Practices Act and is aimed at dealing more effectively with the general disparity of bargaining power between sellers and buyers. As such it may have little consequence for character licensors or others seeking to exploit such rights, being less extensive than a prohibition on unfair practices, particularly as the proscribed conduct relates to contracts and proposed contracts, but not at large.

Most of the discussion so far has centred on fictitious characters, but with licensing arrangements now judicially recognised presumably real persons could protect the commercial exploitation of their personality along similar lines. It would appear that the *Abba* case could now be decided differently, despite the apparent lack of connection between singing and pillowcases (to which likenesses of the group were applied). It remains to be seen how far the *Muppets* case will be used to protect licensors.

## VI. SECTION 53 OF THE TRADE PRACTICES ACT

Section 53 prohibits certain specific activities in trade or commerce in connection with the supply or promotion of goods or services, including false representations that goods are of a particular standard, quality, grade, or have a particular history<sup>80</sup> or that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits they do not have. If a character either real or imaginary has become associated with a certain quality of goods then arguably use of that person's name, photograph or other imprimatur may involve a false representation as to sponsorship, approval and the like.<sup>81</sup> The Trade Practices Commission has issued guidelines<sup>82</sup> which require among other things that the sponsorship, approval or affiliation claim be made only with the individual's permission.

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79. Note 72 *supra*, 276.

80. Trade Practices Act 1974 (Cth) s.53(a).

81. *Id.*, s.53(c).

82. Trade Practices Commission *Information Circular No. 10*. June 1975.

## VII. DEFAMATION

Protection to real persons through the law of defamation is available where unauthorised use is made of names or likenesses, and such use may injure reputation. Representing a personality as sponsoring or recommending a product may sometimes be defamatory. In the case of *Tolley v. Fry*<sup>83</sup> a chocolate manufacturer put out an advertisement featuring a caricature of a well known amateur golfer with a chocolate bar sticking out of his pocket. Damages were awarded on the basis that Mr Tolley had his amateur status brought into question and this constituted injury to his reputation. A handful of cases where unauthorised sponsorship was held to be defamatory have successfully been brought,<sup>84</sup> but it is not often that such representations will prove defamatory. If the plaintiff owned the copyright in a photograph reproduced without authorization then an action for copyright infringement exists.

## VIII. BREACH OF CONFIDENCE

An action for breach of confidence, that is, unfairly taking advantage of confidential information,<sup>85</sup> may have a role to play in protecting character merchandise. The obvious application would be the protection of ideas behind a work based on a fictional character, ideas which may be communicated to others and then unfairly exploited even if not protected (for example by copyright) because not in a protectable form. An action of this sort is not, however, a panacea for hard cases of all sorts,<sup>86</sup> but may be based on an implied contract<sup>87</sup> or may arise out of circumstances where the defendant would recognise the information imparted as being the property of the plaintiff.<sup>88</sup> It may also fail to protect a plaintiff whose 'confidential information' is public knowledge. Situations where such an action could arise include using an idea for a film, cartoon, book or television series before it has become protectable in a physical

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83. [1931] A.C. 333.

84. See S. Barnes and M. Blakeney, note 56 *supra*, 48-49.

85. *Seager v. Copydex Ltd* [1967] 2 All E.R. 415, 417 *per* Lord Denning.

86. *Deta Nominees v. Viscount Plastic Products* [1979] V.R. 167, 181 *per* Fullager J.

87. *Id.*, 193 *per* Kekewich J.

88. *Id.*, 193 *per* Fullager J.

form. In *Talbot v. General Television Corporation Pty Ltd*<sup>89</sup> the plaintiff had developed an idea for a new television series which would explore the "success stories" behind self-made millionaires. The concept was discussed with Channel Nine executives but no more was heard until the plaintiff became aware that GTV Channel Nine (Melbourne) intended to run a segment based on his ideas in a current affairs programme. An injunction was granted on the basis that the plaintiff's idea or concept had a "commercial twist" or quality to it which took it out of the realm of public knowledge.<sup>90</sup>

## IX. UNFAIR COMPETITION

In accepting obligations under international treaties Australia may be incorporating unfair competition into its battery of economic torts. The Paris Convention for the Protection of Industrial Property of 1883, Article 10, provides that all signatories to that convention must provide "effective protection against unfair competition".<sup>91</sup> Sections 55 and 55A of the Trade Practices Act provide that persons and corporations respectively are not to engage in conduct in trade or commerce that is liable to mislead the public as to the nature, manufacturing process, characteristics or suitability for their purpose of goods or services. These sections, when discussed in court have tended to be treated as similar to the prohibitions on misleading and deceptive conduct, particularly section 52,<sup>92</sup> and the Trade Practices Commission guidelines also take this attitude.<sup>93</sup> In Australia at least, unfair competition continues to be the poor relation of passing off, which in combination with the Trade Practices Act and certain nominate torts,<sup>94</sup> represents the extent of our unfair competition law.

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89. [1980] V.R. 224.

90. *Id.*, 231.

91. See G. Dworkin "Unfair Competition: Is the Common Law Developing a New Tort?" [1979] *E.I.P.R.* 241.

92. See e.g. *Rolls Royce Motors Ltd v. D.I.A. (Engineering) Pty Ltd* [1981] A.T.P.R. 40-209.

93. T.P.C. *Information Circular no. 10*, June 1975 CCH 15-009.

94. See G. Dworkin "Unfair Competition: Is the Common Law Developing a New Tort?" [1979] *E.I.P.R.* 241, 242.

## X. REMEDIES

An examination of possible causes of action available to protect character merchandise arising from statute and common law is incomplete without considering the availability of various remedies thus resulting. Procedural or substantive advantages may mean that bringing a certain action is more useful than pursuing other causes of action generated by similar circumstances. A breach of section 52 of the Trade Practices Act may result in damages<sup>95</sup> and an injunction<sup>96</sup> being obtained and these are also available in a passing off action and by virtue of statutes protecting intellectual property rights.<sup>97</sup> In addition to these however, the equitable remedy of account of profits may be available to assist the owner of intellectual property rights<sup>98</sup> whereas it has been argued that such an order could not be made for a breach of section 52.<sup>99</sup> It is arguable that an account of profits could be within the scope of section 87 of the Trade Practices Act which gives a wide power to make miscellaneous orders under the Act, including perhaps *Anton Piller*<sup>100</sup> orders which allow the plaintiff to enter a defendant's premises, search for evidence of infringement, seize and retain infringing material and equipment used in making pirated material, and other evidence such as documents. The basis of an *Anton Piller* order is the court's inherent jurisdiction<sup>101</sup> and may well be available for actions based on the Trade Practices Act as well as those relying on common law or the Copyright, Designs or Trademarks Acts.<sup>102</sup> Certainly section 87 is considered wide enough to empower the Federal Court to grant a *Mareva* injunction (restraining a

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95. Trade Practices Act 1974 (Cth) s.82.

96. *Id.*, s.80.

97. Copyright Act 1968 (Cth) s.115; Designs Act 1906 (Cth) ss.5,31,32; Trademarks Act 1955 (Cth) s.65.

98. *Ibid* also in passing off cases, e.g. *My Kinda Town Ltd (Trading as Chicago Pizza Pie Factory) v. Soll* (1982) 8 F.S.R. 147.

99. S. Galitsky, "Beyond Consumer Protection — Section 52 of the Trade Practices Act" — Implications of Some Recent Cases" [1979] *Aust. Bus. L. Rev.* 265, 269-270 in A. Sharpe, "Protecting Business Reputation in Australia — Section 52 of the Trade Practices Act and Passing Off" (1983) 13 *Fed. L. Rev.* 253, 267.

100. *Anton Piller K.G. v. Manufacturing Processes Ltd* [1976] Ch.55.

101. *Id.*, 166 *per* Lord Denning.

102. In appropriate cases the court seems willing to consider accounts of profits as a remedy — e.g. *HTX International Pty Ltd v. Semco Pty Ltd* [1983] A.T.P.R. 40-396.

defendant to an action from dissipating his assets or removing them from the jurisdiction).<sup>103</sup> Another aspect of a court of equity's inherent jurisdiction is the power to order a defendant to deliver up articles made in contravention of the plaintiff's rights. Such orders are designed to complement injunctions issued by the court<sup>104</sup> and are not a separate remedy as such.

It has been suggested that the statutory injunction provided for by section 80 of the Trade Practices Act (since July 1983 amended to empower the Federal Court to grant mandatory injunctions) is not subject to equitable rules or the requirement of proving damage or reasonable probability thereof, and is therefore wider than the court's powers at common law.<sup>105</sup> In fact, as *World Series Cricket Pty Ltd v. Parish*<sup>106</sup> laid down, the principles applicable to applications for interim injunctions (the most usual sought under the Act) are those relevant to all applications for interlocutory injunctions as derived from the patent decision, *Beecham Group Ltd v. Bristol Laboratories Ltd*.<sup>107</sup> Recent cases under the Trade Practices Act indicate that the approach taken in *American Cyanamid v. Ethicon Ltd*<sup>108</sup> is to be preferred: that if there is a serious question to be tried, the court should not investigate the plaintiff's claims further but go on to consider the balance of convenience. Certainly the Act itself modifies equitable factors normally required before an injunction will be granted,<sup>109</sup> and the Federal Court has expressed the opinion that its statutory discretion is not totally circumscribed by the principles of equity, but these principles nevertheless set up "relevant norms"<sup>110</sup> which will assist in the court's decision.

If the likelihood of relief is enhanced by the wide discretion afforded the court under the Trade Practices Act it is possible nevertheless that the jurisdictional requirements will be more

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103. *Hiero Pty Ltd v. Somers* [1983] A.T.P.R. 40-380.

104. W.R. Cornish, *Intellectual Property: Patents Copyright, Trade Marks and Allied Rights* (1981), 50.

105. A. Sharpe, "Protecting Business Reputation in Australia — Section 52 of the Trade Practices Act and Passing Off" (1983) 13 *Fed. L. Rev.* 253, 267.

106. (1977) 16 A.L.R. 181.

107. (1968) 118 C.L.R. 618.

108. (1975) A.C. 396, see e.g. *Hartland Investments Pty Ltd v. Coles K.M.A Ltd* [1983] A.T.P.R. 40-424. But cf. *Kudos Pty Ltd v. Tully Corporation Pty Ltd* [1983] A.T.P.R. 40-415.

109. E.g. no need for likelihood of repetition of offence s.80(4); imminence of substantial danger, s.80(5).

110. *World Series Cricket Pty Ltd v. Parish* (1977) 16 A.L.R. 181, 199 per Brennan J.

difficult to fulfil. Both sections 52 and 53 require that the defendant be a corporation, although this is not an onerous threshold requirement particularly in the character merchandise area. Section 6 of the Act extends its operation to the activities of non-corporate persons whilst engaged in interstate or international trade or commerce, trade or commerce within a Territory, or in the supply of goods or services to the Commonwealth. Section 6(3) also extends Part V of the Act to apply to persons engaged in conduct involving postal, telegraphic or telephonic services or taking place in a radio or television broadcast. Such actions must be brought in the Federal Court which has exclusive jurisdiction.<sup>111</sup> Breach of copyright is pursued in the Federal Court or a court of competent jurisdiction<sup>112</sup> which includes State Supreme Courts, and it is State Supreme Courts which have jurisdiction in Design<sup>113</sup> and Trade Marks<sup>114</sup> cases. While it is now well established that the Federal Court has jurisdiction to hear, in association with a section 52 action, passing off claims that arise from the same sub-stratum of facts<sup>115</sup> it has not been conclusively established whether this jurisdiction extends to an action in respect of other intellectual property rights, created by statute or not, although in *United States Surgical Corporation v. Hospital Products International Pty Ltd*<sup>116</sup> it was argued (but rejected by the majority) that contraventions of sections 52 and 53 could be heard contemporaneously with allegations of common law and equitable claims including, *inter alia*, unfair competition and breach of confidence. Breach of copyright was found to be an "associated matter" within section 32(1) of the Trade Practices Act,<sup>117</sup> although the judges did not come to any clear decision on what overlap of facts or procedure will constitute an "associated matter".

*HTX International Pty Ltd v. Semco Pty Ltd*<sup>118</sup> is a recent decision illustrating the interaction of section 52 and trademark registration. The plaintiff sold products bearing a trademark "Vogart" of which he was the proprietor, and claimed a breach

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111. Trade Practices Act 1974 (Cth) s.86.

112. Copyright Act 1968 (Cth) s.132.

113. Designs Act 1906 (Cth) s.4(1).

114. Trade Marks Act 1955 (Cth) s.112(3)

115. *Philip Morris Inc. v. Adam P. Brown Male Fashions Pty Ltd* [1981] A.T.P.R. 40-197.

116. (1981) 55 A.L.J.R. 120.

117. *Ibid.*, [except Barwick C.J. & Murphy J.]

118. [1983] A.T.P.R. 40-396.

of sections 52 and 53 of the Trade Practices Act and infringement of trademark. The defendant, who had begun trading in "Vogart" paint applicators before the plaintiff, cross-claimed on section 52 and passing off, asking for expungement of the plaintiff's mark from the Register. The plaintiff succeeded on appeal on the basis of trademark infringement. Fox J. found that the issue of trademark infringement was within the Federal Court's jurisdiction, and having found such infringement did not go on to consider section 52, but did say that registration of a trademark does not prevent the court from considering substantive issues of whether infringement has actually occurred.

The protection of character merchandising is accomplished by a range of statutory and common law mechanisms, some of which find their basis in protecting traders, others (for example section 52) are founded on consumer protection. In most cases, as misrepresentation of some sort is involved an overlap occurs which makes the distinction unnecessary. The arena in which the issue will be judged may differ according to the alleged infringements. While a law of unfair competition might protect character merchandise on a wider scale, Australian courts show reluctance to introduce such a concept divorced from existing criteria, either statutory or at common law, which are required to raise an action based either on legislation or a nominate tort. Perhaps the best example of this is the *Muppets* case where the conditions of the modern market place were accepted as fulfilling the requirements of a passing off action, and the almost wholesale importation of passing off principles into that most open ended prohibition on misleading conduct, section 52 of the Trade Practices Act.<sup>119</sup>

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119. See M. Blakeney, "Old Wine in New Bottles: The Influence of The Common Law in the Interpretation of Section 52 of the Trade Practices Act" [1984] A.L.J. 316.

