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CHARACTER MERCHANDISING

Report prepared by the International Bureau¹

¹ The 1992/1993 Program and Budget of the World Intellectual Property Organization (document AB/XXII/2) provides in Item 04(7) that "The International Bureau will, on the basis of the analysis it will have carried out in 1991 on the world situation in respect of the laws applicable to 'character merchandising' (that is, the use of the name, picture, voice and statements of a real or fictitious personality to promote the sale and use of certain products or services), prepare and publish a report on this topic." The present document and its annexes constitute the said report.

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INTRODUCTION

Purpose of the Study and Questions to be Examined

The present study is intended to examine the question of “character merchandising,” which can be considered as one of the most modern means of increasing the appeal of goods or services to potential customers.

In that connection, the following questions will be examined:

- the notion of character (definition, sources and primary use);
- the concept of character merchandising (definition, history and types);
- the lawful merchandising of a character;
- the forms of protection available for characters (relevance of intellectual property and, in certain cases, of personality and publicity rights);
- the scope of protection (rights conferred and enforcement of those rights (measures and remedies available)).

Furthermore, the present study also contains (Annex I) information on provisions of laws and jurisprudence relevant to character merchandising in a number of countries (Australia, Canada, France, Germany, the United Kingdom and the United States of America on the one hand and, to a lesser extent, Chile, India, Japan and Nigeria).

I. THE NOTION OF CHARACTER

(a) Definition

Broadly speaking, the term “character” covers both fictional humans (for example, Tarzan or James Bond) or non-humans (for example, Donald Duck or Bugs Bunny) and real persons (for example, famous personalities in the film or music business, sportsmen).

In the context of the merchandising of characters, it is mainly the essential personality features easily recognized by the public at large which will be relevant. Those personality features are, for example, the name, image, appearance or voice of a character or symbols permitting the recognition of such characters.

(b) Sources and Primary Use of Characters

(i) *Fictional Characters*

The main sources of fictional characters are:

- literary works (such as Pinocchio by Collodi or Tarzan by E.R. Burroughs);
- strip cartoons (such as Tintin by Hergé or Astérix by Uderzo and Goscinny);
- artistic works (such as paintings (Mona Lisa by Leonardo da Vinci)) or drawings (the panda of the World Wide Fund for Nature (WWF) or the young boy Fido

- Dido by Joanna Ferrone and Susan Rose);
- cinematographic works (such as Crocodile Dundee, King Kong, Rambo or E.T. with respect to movies, McGyver or Columbo with respect to television series or Bambi with respect to motion picture cartoons).

It should be noted that, in the case of cinematographic works, the character may, and in fact often does originate in a literary work (such as the character Oliver Twist by Charles Dickens) or in a strip cartoon (such as the character Batman).

As regards the primary use of a fictional character, it can in most cases be referred to as an “entertainment function.” Such a character may appear in a novel, a tale or a strip cartoon (for example, the character Tarzan in the novel entitled “Tarzan, the Lord of the Jungle”, the character Mr. Brown in the tale entitled “Squirrel Nutkin” or the characters named James Bond or Tintin), and the success gained by the work depicting the character generally leads to new stories. Such primary use will be made by the creator of the character, although, where a character has reached a high degree of reputation and the creator has died, the heirs if any, or the holders of the publishing rights, may organize by means of contracts the “survival” of the character in new stories (for example, the books featuring James Bond after the death of Ian Fleming). Other creators, on the contrary, may wish that the characters they have created should not be the subject of new stories after their death (for example, Hergé, the creator of Tintin). The situation is somewhat different in the case of cinematographic works, where it is seldom the creator of a character (the maker of the original drawings or scripts) who makes the primary use (but exceptions do exist, such as the “little man” character created by Charlie Chaplin).

In other cases, the primary uses of a fictional character can sometimes be referred to as “promotional, advertising and recognition functions.” This will concern, for example, characters which are closely linked to a certain company (such as the “Michelin Man,” the Exxon (Esso) tiger or the Peugeot lion), to a certain product (such as the character Johnnie Walker to a Scotch whisky) or to a given event (such as the mascots used to personalize Olympic Games or World Cup football). Those characters are created with a view to popularizing legal entities, products or services, and activities. Generally, the primary use will not originate from the creator of the character, i.e., the person entrusted with the task of creating the character.

(ii) Real Persons

The main sources, where the character is a real person, are the movie and show businesses and sporting activities. In the case of real persons, one should speak of “primary activity” in preference to “primary use.” The difficulty with real persons is that actors, for example, may enjoy a reputation both as persons and as the character they may have portrayed in a movie or television series. In some cases, the real person is only referred to under the name of the character portrayed (see developments below on the types of character merchandising).

II. THE CONCEPT OF CHARACTER MERCHANDISING

(a) Definition

Character merchandising can be defined as the adaptation or secondary exploitation, by the creator of a fictional character or by a real person or by one or several authorized third parties, of the essential personality features (such as the name, image or appearance) of a character in relation to various goods and/or services with a view to creating in prospective customers a desire to acquire those goods and/or to use those services because of the customers' affinity with that character.

It should already be emphasized that the person or legal entity which will organize the merchandising activity (the merchandiser) will very seldom be the creator of the fictional character or the real person concerned. The various property or personality rights vesting in the character will be the subject of contracts (such as transfer or license agreements or product or service endorsement agreements) enabling one or several interested third parties to be regarded as authorized users of the character.

The following examples of character merchandising can be given:

- a toy is the three-dimensional reproduction of the fictional character Mickey Mouse;
- a T-shirt bears the name or image of the fictional characters Ninja Turtles;
- the label attached to a perfume bottle bears the name "Alain Delon";
- tennis shoes bear the name "André Agassi";
- an advertising movie campaign for the drink Coca Cola Light shows the pop star Elton John drinking Coca Cola Light;

(b) A Brief History of Character Merchandising

As an organized system, character merchandising originated and was initiated in the United States of America in the 1930s in the Walt Disney Studios in Burbank (California). When this company created its cartoon characters (Mickey, Minnie, Donald), one of its employees, Kay Kamen, established a department specialized in the secondary commercial exploitation of those characters and, to the surprise of most, succeeded in granting an important number of licenses for the manufacture and distribution of low-priced mass market merchandise (posters, T-shirts, toys, buttons, badges, drinks).

Of course, the idea of secondary exploitation of the reputation of a character existed before the twentieth century, but the reasons were not directly commercial. In South East Asia, for example, the religious characters of "Ramayana," such as Prince Rama, Vishnu and Sita, have for centuries been represented in the form of sculptures, puppets or toys. Furthermore, in more recent times (late 19th century), some industrialists, with a view to popularizing the goods they manufactured, decided to create fictional characters which would be represented on the goods, the packaging or any documents and would be used to generate secondary exploitation for functional or ornamental goods such as decorative plates, articles of clothing, clocks, puppets, etc. (for example, in France, the character Pierrot Gourmand (a famous mark for lollipops) or the Michelin Man of the tire manufacturer. Furthermore, the

exploitation of literary characters probably started with the works of Beatrix Potter (the books *Peter Rabbit* and *Squirrel Nutkin* with the animal characters which became and still are represented in the form of soft toys or other articles for children) or with the work of Lewis Carroll (*Alice in Wonderland*), the characters of which also became soft toys and were later adapted into a motion picture cartoon.

This phenomenon developed rapidly during the 20th century. In the 1950s, political, movie and show-business personalities authorized, for example, the reproduction of their names or images on articles of clothing (so-called “tie-in advertising”). In the 1970s and the 1980s, “merchandising” programs were set up on the basis of famous characters from films (for example. *Star Wars*, *E.T.* or *Rambo*). The financial consequences are very significant since, for example, the Walt Disney Merchandising Division in 1978 sold over \$27 million in merchandised goods bearing the names or images of the famous characters created in their studios, and in 1979 Kenner Products sold over \$100 million in merchandised goods relating to the characters depicted in the movie “*Star Wars*.”

Furthermore, the range of goods or services covered by “merchandising” expanded considerably since, for example, in the United States of America, it concerns* at least 29 of the 42 classes of the International Classification of Goods and Services established by the Nice Agreement.

Today, “merchandising” programs (whether or not they include the use of the essential personality features of a character) may concern

- universities (in the United States of America, merchandising of the University of California in Los Angeles with its symbol U.C.L.A.);
- organizations (advertising campaign for Amnesty International in France with the participation of famous film actors, or merchandising of the representation of a panda by the World Wide Fund for Nature (WWF));
- sports events (merchandising of the mascots of the 1992 Olympic Games in Albertville (France) and Barcelona (Spain));
- social events (wedding of Prince Charles and Lady Diana in the United Kingdom);
- art exhibitions (merchandising of the images of Van Gogh or Toulouse-Lautrec);
- natural events (merchandising in connection with Halley’s Comet), scientific events (the comic strip character Snoopy was the mascot of the first American astronauts);
- personalities in many fields of activity (actors, pop stars, sportsmen, etc., whose names and images are reproduced on various goods, packaging, documents or other material).

This historical introduction can be concluded with four examples showing the impact and importance of character merchandising. Firstly, in the United States of America, after the wide advertising campaign made by the IBM Company for its computers, using a look-alike of Charlie Chaplin, the character who appeared was sometimes referred to no longer as Charlie Chaplin but as “the IBM Guy.” Secondly, in the case of the Euro Disney Park which was inaugurated in April 1992 near Paris, a company obtained, for the whole of Europe, the exclusive right to reproduce the Walt Disney characters. Thirdly, the profits made in France from the recent Toulouse-Lautrec retrospective exhibition (mainly by the sales of merchandised products relating to the image of the painter) enabled the Louvre Museum to purchase an important painting for its collection. Finally, the Sony Corporation has recently

formed a character merchandising unit that will sell products based on its music, film and video businesses.

(c) Types of Character Merchandising

From a commercial or marketing point of view, character merchandising can probably be dealt with in a single category. However, from the legal point of view it is important to differentiate between the various subjects of merchandising, since the scope and duration of legal protection may vary according to the subject involved.

Two main categories exist depending on whether the merchandising involves the use of fictional characters or of real personalities (generally referred to as “personality merchandising”). Between those two categories, a third hybrid category exists which is generally referred to as “image merchandising.”

(i) Merchandising of Fictional Characters

This is the oldest and the best known form of merchandising. It involves the use of the essential personality features (name, image, etc.) of fictional characters in the marketing and/or advertising of goods or services.

Originally, the practice of character merchandising, as an organized system of promotion, developed as a means of exploiting the popularity of cartoon characters, drawings of attractive figures and the like. Such cartoon characters originated:

- in a literary work being adapted to the cartoon form (for the purpose of a movie or a comic strip) such as the characters Pinocchio or Alice in Wonderland;
- in a work created as a cartoon character, originally for films (Mickey Mouse, Donald Duck, Pluto) or for comic strips (Tintin, Snoopy, Astérix, Batman);
- in a film character, later reproduced or adapted as a cartoon for advertising and merchandising purposes (the character Zorro or even a real creature such as the shark in the film “Jaws”);
- in a cartoon character created mainly for the purpose of merchandising and not, originally, intended for a movie or comic strip (for example, the character Fido Dido, exploited by Fido Dido, Inc. for a number of goods including the drink “Seven-Up” which was the subject of a worldwide advertising campaign, or the numerous mascots created and used in respect of various events, such as sports competitions);
- in a puppet or doll character designed for a film or a television show (for example, the character E.T., the Gremlins or the Muppets).

Character merchandising with cartoon characters involves mainly the use of the name, image and appearance of the character. The appearance may involve two-dimensional reproduction (drawings, stickers, etc.) or three-dimensional reproduction (dolls, key rings, etc.).

(ii) Personality Merchandising

This more recent form of merchandising involves the use of the essential attributes (name, image, voice and other personality features) of real persons (in other words, the true identity of an individual) in the marketing and/or advertising of goods and services. In general, the real person whose attributes are “commercialized” is well known to the public at large; this is the reason why this form of merchandising has sometimes been referred to as “reputation merchandising.” In fact, from a commercial point of view, merchandisers believe that the main reason for a person to buy low-priced mass goods (mugs, scarves, badges, T-shirts, etc.) is not because of the product itself but because the name or image of a celebrity appealing to that person is reproduced on the product.

This category can be subdivided into two forms. The first form consists in the use of the name, image (in two or three dimensions) or symbol of a real person. This form relates mainly to famous persons in the film or music industries. However, persons connected with other fields of activity may be concerned (for example, members of a royal family). As indicated above, it is not so much the product which is of principal importance to the consumer, but rather the name or image that it bears is the main marketing and advertising vehicle. The second form occurs where specialists in certain fields, such as famous sports or music personalities, appear in advertising campaigns in relation to goods or services. The appeal for the potential consumer is that the personality represented endorses the product or service concerned and is regarded as an expert. Of course, the more the product or service advertised is linked with the activity of the personality, the more the potential consumer will consider that the said product or service is endorsed and approved by that personality (advertising for tennis shoes or rackets by a tennis champion, advertising for an energy drink by a cross-country runner or advertising for high-fidelity equipment or musical instruments by a pop star).

(iii) Image Merchandising

This is the most recent form of merchandising. It involves the use of fictional film or television characters, played by real actors, in the marketing and advertising of goods or services. In those cases, the public sometimes finds it difficult to differentiate the actor (real person) from the role he plays (character portrayed). Sometimes, however, there is a complete association and the real person is referred to and known by the name of the character. The following examples can be given to illustrate this notion: from the film industries, Laurel and Hardy, the Marx Brothers, Crocodile Dundee, James Bond 007 played by Sean Connery and Roger Moore, Frankenstein’s monster by Boris Karloff and Tarzan by Johnny Weissmuller; from television series, Columbo played by Peter Falk, the character J.R. in “Dallas,” played by Larry Hagman, or the character McGyver played by Richard Dean Anderson. In the case of the latter, a T-shirt bearing the image of R.D. Anderson would be referred to as a “McGyver T-shirt,” while packs of dairy products reproducing the image of R.D. Anderson. would mention the name McGyver, the purchasing of such product giving the possibility of winning secondary “McGyver” products such as T-shirts or travel bags.

In the case of image merchandising, goods or services will be marketed with the merchandising of distinctive elements of a film or series (appearance and dress of the actor when playing the character coupled with memorable aspects of a scene (for example, introductory scenes of the James Bond films, the appearance and weapons of Rambo or the

“knife scene” in Crocodile Dundee)).

III. THE LAWFUL MERCHANDISING OF A CHARACTER

Two of the most important questions to be studied relate to the ownership of the rights attached to a character and to the conditions under which the merchandising of the essential features of a character can be regarded as lawful.

(a) The Rights Attached to a Character

The rights attached to a fictional character can generally be referred to as “property rights,” which include economic and exploitation rights. As is the case with most property, those rights include the right to use a fictional character (or more precisely his name, image, appearance, etc.), the right to receive the benefits resulting from its use and the right to dispose of it.

With respect to real persons, the rights attached to, *inter alia*, the name, image or appearance of a real person may be referred to as “personality rights” or “publicity rights.” Those rights include the right to use the essential personality features and to receive the benefits resulting from such use. Furthermore, where a certain form of legal protection (for example, trademark protection) is applicable to some of those features, the said form may, under certain conditions, be transferred.

In principle, only the person or legal entity that owns the rights in a character is entitled to exercise the right to use it, including the setting up of a merchandising program. If the user or the merchandiser is not the owner of the rights, he will be regarded as a lawful user or merchandiser if he has requested and obtained the preliminary authorization (or, if possible, acquired the rights) from the said owner.

It is important to note that the rights attached to a character may enjoy legal protection in a number of forms available either automatically, under certain conditions (for example, copyright, personality or publicity rights), or following an act before a competent authority (for example, trademark or industrial design protection). The questions relating to legal forms of protection will be developed in Part IV of this study.

(b) Ownership of the Rights Attached to a Character

The rights attached to a character (being a fictional character as such or the fictional character portrayed by a real person in connection with image merchandising) are in principle owned by the creator of that character, unless the creator has transferred his rights, was commissioned to create, created in the course of his professional activity for his employer or has died (see developments below).

In the case of personality merchandising, the rights attached to the real person concerned are, in principle, owned by the said person.

(c) Means of Lawful Merchandising of a Character

(i) *Fictional Characters*

The lawful merchandising of the essential “personality” features (such as the name, pseudonym, image, appearance or symbol) of a fictional character may be made in respect of one, several or all of those features, by:

- the creator himself as owner of the rights;
- the holder of the rights (not being the creator) pursuant to a contract (transfer agreement);
- the holder of the rights (not being the creator) by operation of law;
- an authorized user (not being holder of the rights) pursuant to a license agreement.

Generally, the creator as such of a fictional character, who will often be an individual or a group of persons, will not set up a merchandising program. The creator (for example, the author of a successful novel) may envisage, in exchange for a lump sum, transferring to one or several persons the rights attached to the essential personality features of the characters portrayed in his work (right of cinematographic adaptation, right to reproduce the name or appearance of a character on certain goods, etc.). In some cases, the new holder of the rights may have to make the primary use of the character (for example, where drawings are transferred to a film company for the purpose of a motion picture cartoon) before envisaging the setting up of a merchandising program. The amount of the lump sum which will be allocated to the creator will depend on several factors, such as:

- whether the new holder has no links with the creator or was set up and is controlled by the creator;
- whether the transfer is general or limited in some ways (with respect to fields of activity, territorial scope, etc.);
- whether the transfer includes the assignment of legal forms of protection such as trademarks or industrial designs;
- whether the essential personality features of the character enjoyed, at the time of the transfer, a reputation and, if so, the extent of such reputation.

It should be noted that, where a transfer includes the assignment of some legal forms of protection (for example, trademarks), some specific conditions may exist in some countries (see Annex I).

There may be cases where a person, not being the creator of a fictional character, holds either in whole or in part the rights attached to it without having acquired the said rights by contract but rather by operation of law. Two examples can be given, namely:

- where, following the death of the creator, the heirs have inherited the rights attached to a fictional character;
- in some cases, where the creator had been commissioned or entrusted to create a fictional character or where the character was created in the course of the normal

professional activities of the creator.

In practice, the holders of the rights attached to a fictional character who have no intention of being directly involved in a merchandising activity will not transfer their rights but will, by way of license agreements, authorize the use of one, several or all the essential “personality” features of a fictional character. The holder of the rights may either directly negotiate with potential licensees, or sub-license one of its subsidiary companies which will negotiate or arrange for a merchandising agency to negotiate.

The holder of the right may conclude several license agreements with different licensees according to the latter’s activities (for example, a license limited to the reproduction of the name and image of a character on T-shirts and another license agreement limited to foodstuffs and/or beverages). The license may be exclusive or non-exclusive in respect of certain goods and within the same territory (one country).

It should further be noted that most of the important licensing agreements in the context of the merchandising also include the right for the licensee to use one, several or all of the essential “personality” features of the character for promotional purposes (such as the use of the licensee’s company name in association with the name or image of the characters concerned).

A merchandising agreement in the form of a license agreement will generally contain the following provisions:

- the indication that the license is exclusive or non-exclusive;
- the definition of the subject matter of the agreement, including the description of the features (name, pseudonym, image, appearance, voice, etc.) relating to the character which can be merchandised by the licensee;
- the indication, if applicable, that the agreement includes the licensing, within the territory covered by it, of intellectual property rights relating to the character (copyright, trademarks or industrial designs);
- the indication of the products of the licensee covered by the agreement, and the information on whether the agreement extends to the manufacture and/or distribution and sale of those products and to the corresponding packaging and advertising materials;
- the indication of the period during which the agreement applies, and the information on whether the agreement can be prolonged after that period or, on the contrary, terminated before that period under certain conditions (such as failure to manufacture and/or distribute, defaults in payments and, in general, any breach of the conditions of the agreement), including the consequences of such early termination;
- the indication of the territorial scope of the agreement;
- the financial terms of the agreement, such as the payment of a lump sum or of a minimum guarantee sum plus royalties at regular intervals, with an indication of the means of calculation of those royalties;
- the conditions relating to the prior approval the licensor should give the licensee with respect to the manner in which the features of the character are used on or in connection with the products (including the preliminary furnishing of samples);
- the indication that the licensee should inform the licensor of any unauthorized 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;

- the indication that the licensee may not grant any sub-licenses or, on the contrary, the conditions under which manufacturing and/or distribution sub-licenses may be granted by the licensee.

Merchandising agreements may be limited to a trademark license agreement authorizing the non-exclusive use of the name of a fictional character on T-shirts in one country or may cover the exclusive use (including manufacture and distribution) of all the essential features of several fictional characters for a wide range of products and in a large number of countries (such as the license agreements concluded by the Walt Disney Company).

As was mentioned in the case of transfers, where a license agreement includes the licensing of intellectual property rights, some conditions may be imposed by the laws of some countries (see Annex I).

(ii) *Real Persons*

The means of lawful merchandising of a fictional character mentioned in paragraph 35 of the present report are, in principle, applicable in the case of personality merchandising (for example, where the name of a famous actor is written on the label of a perfume bottle or his image appears on the packaging of dairy product, or where the image of a famous sportsman appears on advertisements for a soft drink).

Generally a real person will not himself exploit the essential features of his personality (such as his name or image) directly. He will either entrust an agent or, if he wants to participate more actively, set up a company.

The main agreements which will be negotiated will be license agreements or product or service endorsement agreements. As shown in Part IV of this report, a real person is mainly protected against unauthorized commercial exploitation of his name or image by personality or publicity rights which, in principle, cannot be the subject of a transfer but only of an authorization of use. The same generally applies if the name of a real person is registered as a trademark.

It should be mentioned that in negotiating agreements with individuals, such as artists, particular care should be taken in most countries, even where the individual is legally represented (by an agent), to eliminate the possibility of an agreement being unenforceable by reason of its being entered into as a result of undue influence or duress.

IV. FORMS OF LEGAL PROTECTION

Apparently, no country has enacted *sui generis* legislation on the protection of character merchandising. Furthermore, there exists no international treaty dealing specifically with that topic. Therefore, any person or entity must rely on different forms of protection and, consequently, different legal texts.

One of the most important areas of law involved in the legal protection of character merchandising is intellectual property law. A list of what constitutes the various subjects of intellectual property will be found in Article 2(viii) of the Convention Establishing the World

Intellectual Property Organization (comprising 150 member States). This provision reads as follows:

“Intellectual property shall include the rights relating to:

- literary, artistic and scientific works,
- performances of performing artists, phonograms, and broadcasts,
- inventions in all fields of human endeavor,
- scientific discoveries,
- industrial designs,
- trademarks, service marks, and commercial names and designations,
- protection against unfair competition,

and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.”

Only some of the intellectual property rights mentioned above are relevant to some or all types of character merchandising. Furthermore, other forms of protection are applicable to some types of character merchandising.

Basically, the legislation on copyright, trademarks and industrial designs, together with the protection against unfair competition (including passing-off), may be relevant in the context of the merchandising of fictional characters and of image merchandising while, to a lesser extent, the legislation on trademarks and industrial designs and the protection against unfair competition may be relevant in the context of personality merchandising.

Furthermore, with respect to personality merchandising, other areas of law (such as personality or publicity rights) may be relevant.

A. INTELLECTUAL PROPERTY RIGHTS

(a) Copyright

(i) *Introduction*

Article 2(1) of the Berne Convention of September 9, 1886, for the Protection of Literary and Artistic Works (applicable to 110 member States) reads as follows:

“The expression ‘literary and artistic works’ shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books, pamphlets, and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science.”

Generally speaking, it is the expression of the author's ideas that is protected rather than the ideas themselves. Ideas, as such, are not protected by copyright. A person who has made his idea public, for example in an oral presentation, has no means of preventing others from using it. But once that idea has been expressed in tangible form, copyright protection exists for the words, drawings, photographs, etc., in which it is presented.

A work enjoys copyright protection if the form in which it is expressed constitutes an original creation of the author. Furthermore, some countries require, mainly for reasons of proof, some fixation of the work before protection can be enforced. Finally, protection is independent of the quality or the aesthetic value attaching to the work, and even of the purpose for which it is intended.

For the creator of a work of authorship, copyright is basically the right to respect for his creation and the right to derive profit from his work by collecting, for a limited period, the revenue generated by the use of his creative effort. Copyright protection generally means that certain uses of works or certain related acts are unlawful, except where the author or copyright owner has authorized them. These uses may, for example, include the copying or reproducing, in any manner or form, of any kind of work and the adaptation of the work to another medium of expression. Any unauthorized use of works protected by copyright, where authorization is required, constitutes a copyright infringement and the prejudice caused may be remedied.

The rights in a literary or artistic work consist of economic or exploitation rights on the one hand and of moral rights on the other. The main economic rights are the rights of adaptation, reproduction or communication of a work to the public, including broadcasting and public performance. Those rights, which will necessarily be exercised in the case of merchandising, are usually transferred by the author of the work or, in the case of a work made for an employer, generally belong to that employer. Moral rights, on the contrary, are non-assignable and inalienable. They are recognized in Article 6bis(1) of the Berne Convention as the rights of the author or creator to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation. Some countries provide for a wider definition of moral rights including, for example, the right to disclose the work or the right to disavow or withdraw it.

It is generally accepted that the whole set of prerogatives that constitute copyright must be recognized and protected at least throughout the life of the author. After his death, his work continues in principle to be protected for a certain time. The specific character of literary and artistic property, which stems from the vocation of intellectual creation, led national legislators to moderate the exclusive nature of the rights to be conferred on the author's descendants for the exploitation of his work. Under Article 7(1) of the Berne Convention, the period of protection is generally 50 years after the death of the author. This is regarded as a fair balance between the preservation of the economic rights conferred on the author and society's need for access to cultural expression, whose essential aspects will have a more lasting effect than transitory successes.

Upon expiry of the term of protection, the work falls into the public domain. It is no longer protected by copyright and can be used by anyone without authorization. It should however be noted that, through other forms of legal protection (for example, trademark protection), some works may continue to be protected against unauthorized use.

In the context of the merchandising of fictional characters and of image merchandising the most relevant aspects of copyright are books, pamphlets and other writings, cinematographic works, works of drawing and photographic works. As regards personality merchandising, the relevance of copyright is primarily in the sphere of photographic works.

Furthermore, the notion of adaptation is very important. Article 2(3) of the Berne Convention reads as follows:

“Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work.”

The multiplicity of communication media offer, at the present time, a great number of possibilities for the creation of adaptations (derivative works). Many film adaptations are probably more well known than the novel or short story on which they were based (for example, the Pinocchio and Cinderella cartoons by the Walt Disney Studios are probably better known to children than the original stories, written by Collodi and Charles Perrault respectively). Some famous artistic figures have been widely merchandised once they have fallen into the public domain. For some goods or services a fictional character may be the subject of a monopoly (through trademark protection), but generally it may be exploited by anybody. For example, the famous Mona Lisa (La Gioconda) by Leonardo da Vinci has been, and still is, used on various goods or their packaging (postcards, card games, dolls, alcoholic beverages, chocolate or fruit boxes, mineral water, diaries); it has also been the subject of multiple transformations (cartoons, caricatures, fancy photographs; etc.).

(ii) *Protectability*

Fictional Characters

In principle, copyright protection is not subject to formalities, such as the filing of an application, as is the case for other forms of industrial property (industrial designs or trademarks) (see the developments in Annex I). Often, it is when the creator of the work decides to exercise his right, for example, to prohibit what he considers to be an unlawful use of his work, that the courts will decide whether the work concerned is an original creation eligible for copyright protection.

However, in some countries, copyright protection may be denied or curtailed where a work is created with the intention of being exploited industrially and embodied in mass-produced articles, which is an inherent quality of works (drawings, dolls, puppets, robots, etc.) designed for merchandising. This results from the overlap between the notions of artistic works and industrial designs, where the two forms of protection are generally not available cumulatively at the same time.

As regards literary works, the main question is whether the name of a fictional character (which may also be the title of the work) can be protected under copyright *per se*, independently of the work as a whole. The answer is generally negative, although copyright protection may be recognized if the fictional character is sufficiently clearly delineated and has acquired such distinctiveness and notoriety as to be recognized by the public separately

from the work in which he appears (for example, the character Tarzan in the works of E.R. Burroughs).

Drawings or cartoons (two-dimensional works) may be protected independently if they meet the substantive requirements of copyright protection. In that respect, it should be emphasized that a work which is original is not necessarily new, since a graphic adaptation of an already existing literary character (whether or not he has fallen in the public domain) may qualify for copyright protection (for example, the literary characters Pinocchio or Cinderella adapted to the cartoon form by the Walt Disney Company). The same will apply to the drawing of a common creature (for example, the cartoon character Donald Duck). Furthermore, it should be noted that, mainly in the case of cartoon strips and animated cartoons, copyright protects each different original pose adopted by the character.

Three-dimensional works (mainly sculptures, dolls, puppets or robots), which may be original works or original adaptations of two-dimensional or audiovisual fictional characters, will generally enjoy copyright protection independently of the work in which they appear if they meet the required criteria.

Audiovisual works including fictional characters (films, video games, photographs, film frames or stills) will, as a whole (image and soundtrack), generally enjoy copyright protection if they meet the required criteria. This will be all the more probable since audiovisual fictional characters will often have “started life” as drawings (storyboards or strip cartoons) or been described in a literary work. Copyright protection may extend to the individual visual attributes or to the physical or pictorial appearances (costumes, disguises or masks) of a fictional character.

Real Persons

The relevance of copyright protection in the case of personality merchandising is limited, because copyright does not vest in the real person concerned but in the person who created the work in which the essential personality features of a real person appear (for example, in the case of a biography, copyright belongs to the author; in the case of a sculpture, drawing or painting representing a real person, the copyright belongs to the artist; in the case of a film or television series, the copyright in the work belongs to the person who made it possible for the work to be made and who supervised and directed the work of the actors (author or film producer)). However, in the latter example, as a performer, an actor has some rights if the law of the country of which he is a national provides for performers' rights, or if that country is party to the Rome Convention of October 26, 1961, for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.

The question is probably more debatable in respect of photographic works. The reply will depend on who owns the copyright. In most cases the author of the photographs (or more accurately of the negatives) will own the copyright. If a photograph is commissioned for private and domestic purposes, the commissioning party has usually a right to prevent the making of copies of the photograph or its being shown in public. A final problem relates to the case where the party commissioning the work is not the person who is the subject of the photograph. In any case, forms of protection other than copyright are available for the control of the commercial use of photographic works.

(b) Industrial Designs

(i) *Introduction*

Industrial designs belong to the aesthetic field, but are at the same time intended to serve as patterns for the manufacture of products of industry or handicraft. An industrial design can be defined as the ornamental or aesthetic aspect of a useful article. The ornamental aspect may consist of the shape and/or pattern and/or color of the article. The ornamental or aesthetic aspect must appeal to the sense of sight. The article must be reproducible by industrial means, which is why the design is called “industrial.” If this latter element is missing, the creation will rather come into the category of a work of art, the protection of which is afforded by copyright law rather than by a law on industrial designs.

In order to be protectable, an industrial design must, according to some laws, be new and, according to other laws, original in the sense that it has not been copied. Industrial designs are usually protected against unauthorized copying or imitation and the protection based on registration lasts, in most countries, for five, 10 or 15 years.

Industrial design protection is mainly relevant for cartoon characters represented in the form of aesthetic designs for three-dimensional articles which mainly belong to the toy or costume jewelry areas (dolls, robots, puppets, action figures, brooches, “pins”) which generally originate in cartoons, but which may sometimes represent real persons. The relevance of design protection will be of importance notably when copyright protection is excluded or reduced, mainly when a character has been created with the intention of being industrially exploited. Furthermore, since design protection is often subject to registration, a design application will be helpful to establish *prima facie* evidence of ownership as from the date of the application, although effective protection will only commence on the date of registration of the design.

(ii) *Protectability*

While many countries provide for a system of registration of industrial designs, not all provide for the substantive examination of the design (novelty and/or originality); therefore, the question whether a registered design effectively meets the substantive requirements will be decided by the courts when the holder of the registration exercises his exclusive right in order to stop the unauthorized copying of the design. That, of course, leaves an uncertainty as to the effective value of a registered design which can cause problems when, in the case of a character, it is intended to have the said design exploited on a large scale. Potential licensees may hesitate to negotiate an agreement in respect of a design the registration of which can be cancelled at any time following a court action initiated by the owner of a previous identical or similar design.

In most countries, designs which do not create an aesthetic impression but which can only be described as purely technical or functional innovations will not be eligible for registration as designs. If they fulfill the required conditions, they may qualify for utility models protection, if available, or for patents.

(c) Trademarks and Service Marks (Marks)

(i) *Introduction*

Since 1945, the unprecedented development of international trade has led to even greater use of marks in all countries and in all fields of activity. Although one is not always aware of the fact, marks today assume a constantly increasing place in day-to-day life, since one enters into contact with a host of marks, not only in supermarkets and public places where one is faced with posters, but also in the press, on radio and on television, media that actually enter the home.

A mark is a symbol which is intended to indicate who is responsible for the goods placed before the public. There may be many makers or sellers of the same goods, and they may all use different marks. Marks enable the consumer to choose between goods without actually knowing who holds the mark. The consumers will distinguish between the goods of competing traders solely by means of their marks. For that to be possible, the marks should not only be different from each other, but also be clearly recognizable. In other words, marks should be distinctive.

Marks may take many forms. They may consist of a single letter or numeral, usually presented in some fanciful or original manner. At the other extreme, a whole sentence, or slogan, may be used as a mark. Many marks consist of pictorial devices, without any words at all. Quite a few marks consist of a combination of words and devices, perhaps on a label attached to the goods. Some marks are made an integral part of the goods (for example, the special form of a bottle, or a special molding around the neck of a bottle), which means that marks may be three-dimensional.

Marks are not limited to covering goods but may also cover services, in which case they are referred to as service marks. The latter are used, for example, by hotels, restaurants, airlines, tourist agencies, car rental agencies, laundries and cleaners.

A mark serves several purposes. From the viewpoint of the person who is interested in buying goods or using services, it serves the purpose of guiding him in his decision. Such a decision is based on the expected properties of the goods or services. In other words, one of the functions of a mark is to convey a feeling of a certain quality. A second function is to allow the manufacturer of the goods to identify them once they are no longer in its or his possession but already in the hands of others, such as distributors. A third function of the mark is to enable the authorities responsible for controlling the quality of the goods sold or the services rendered under it, as well as any other entity or person, to identify the holder of the mark, since most countries keep a register in which all registered marks are recorded. Lastly, it is often said that the main function of a mark is to distinguish the goods or services of one entity from the goods or services of another similar kind of entity.

In comparison with other intellectual property rights, one of the main advantages of marks is that the owner of a mark may enjoy an exclusive right for an unlimited period of time.

It should also be noted that there is no restriction on the cumulation of rights in respect of both trademarks and works which may be protected by copyright. Even if a copyright has expired, the owners of copyright in a work (or holders of an economic right following a

transfer) can, for merchandising purposes, ensure that separate elements of a work, such as its title (which may at the same time be the name of a fictional character) or the appearance or image of characters (which, as such, may or may not be protected by copyright), are the subject of an application for goods and/or for services. As for the relations between industrial designs and trademarks, there may be possible limitations resulting from the doctrine of aesthetic functionality.

Traditionally, an application to register a mark will either be declaratory or attributive of rights. In countries where an application is declaratory of rights, it may serve to reinforce an already existing protection of the mark based on its effective commercial use. In countries where an application is attributive of rights and where, in principle, prior use of a mark has no effect, the application serves to establish the right in the mark.

As long as a mark fulfills the various conditions for registration, most of the important essential personality features of a fictional character or of a real person can be registered as a mark. For example, the name of a fictional character (Snoopy, the Gremlins, James Bond, Tarzan) or the name and signature of a real person (Catherine Deneuve, Zino Davidoff) or the appearance, whether in the form of a drawing or photograph, of a fictional character or real person.

It should finally be emphasized that a mark does not protect the rights in the fictional character or the personality *per se*, but only their embodiment in a distinctive mark, usually in relation to the goods or services for which the mark is registered.

(ii) *Protectability*

The essential personality features of a fictional character may, under certain conditions (mainly of a substantive nature) be registered as marks. As regards the essential personality features of a real person, the question seems more debatable, mainly with respect to the image (portrait). In the context of merchandising, the trend has been to adopt stage names and personalized logos which may be more easily registrable (for example, in the pop music area, such stage names as the Beatles and the Rolling Stones with their respective “Apple” and “Tongue and Lip” logos). Another way for a real person to protect his name is to obtain registration of the nickname by which he is known (for example, in the United States of America, the famous football player Elroy Hirsch, known as “Crazy Legs”).

In countries where rights only result from registration, the main impediment however is the time needed to obtain registration because, in the context of merchandising, delays should be as short as possible since the public’s recognition of many characters (such as E.T., Dick Tracy or Batman) and their popularity are of limited duration. However, there are some exceptions such as the cartoon characters of Walt Disney or the literary characters of Beatrix Potter.

Some of the conditions of form to be met by a mark which is the subject of an application will have an important impact in the context of merchandising. One of those conditions which exists in a few countries concerns the relation which should exist between the goods or services to which the mark applies and the business of the owner of the mark. Generally, neither a merchandising agency nor the creator of a character will themselves be engaged in the manufacture or marketing of secondary products, and it will therefore be

difficult for them to acquire trademark rights in a fictional character because they will not themselves be dealing with the goods or services. Furthermore, the activity carried out by a licensee will not be considered as business generated by the licensor, unless the latter becomes joint owner of the licensee's business.

The modern trend is more favorable however, since it is more and more widely recognized that a mark can be applied to an unlimited number of goods or services, independently of the true activity of the applicant but notwithstanding the provisions which may exist with respect to the non-use of a registered mark.

In view of the "aesthetic functionality" doctrine (mainly in the toy or doll area) or the "primarily functional" external appearance of goods, three-dimensional configurations of goods (applied for in the form of two-dimensional graphic representations) are in principle not accepted for registration as trademarks in many countries, except where the trademark has acquired secondary meaning in connection with the goods.

Further conditions are of a substantive nature. One of the main conditions is that a mark should be distinctive, in other words, neither generic nor descriptive in respect of the goods or services covered. Furthermore, a mark should not be misleading (capable of deceiving the public) or contrary to public order or morality.

In some countries, however, distinctiveness alone is not sufficient and the personality features of a fictional character will be registrable as marks only if they have acquired a secondary meaning. In other countries, the acquisition of a secondary meaning can remedy the inherent lack of distinctiveness of the essential features of a fictional character.

A number of countries have a more favorable approach, and most names and appearances of fictional characters are considered fanciful and therefore sufficiently distinctive.

As regards the essential features of a real person, the latter, or the person or entity entitled to act in his name, may obtain the registration of his name or appearance as a mark in some countries. However, where a surname (which can also be a trade name) is registered as a mark, the exclusive right of the holder may be limited, since other persons bearing the same name may, under certain conditions, continue to use their names, unless the registered mark concerns a well-known personality and/or trade name and the other persons intend to take advantage of the reputation of the registered mark by parasitic means.

A further substantive condition relates to existing prior rights. The applicable laws do not generally provide for an obligation on the part of the applicant to check whether the marks applied for possibly conflict with prior marks, registered or applied for, or other unregistered prior rights.

The safeguarding of holders of conflicting prior rights is dealt with in various ways which can be combined; at the application stage, the competent authority may check whether the mark applied for is identical or similar (in respect of the goods or services covered) to prior registered rights (in general, marks); once the application has been published or registered, a certain period may be allowed during which any person may oppose the registration of a mark on the basis of prior rights (registered or unregistered); finally, once a mark has been registered, invalidation proceedings may be brought before a competent court.

Most legislation will contain provisions relating to the effective use of a mark. It may sometimes be provided that an applicant or a holder should, by means of a statement or declaration, prove to the competent authority that the mark is being used (excluding token or ornamental use) at the time of the application (as a condition for registration), at regular intervals after registration and at the time of renewal. Furthermore, most countries provide that any person may request, before the court, that a given registered mark should be totally or partially invalidated and removed because of non-use. Invalidation of a registration will only be declared if there has been no use during a certain period (generally, five years after the completion of the registration procedure or during an uninterrupted period of five years). Generally, the non-use of the mark will not have to be proved by the person who requested invalidation but by the holder of the registration. Furthermore, the holder may establish that because of “*force majeure*,” he has been unable to use the mark. The use should in general be genuine and should not merely consist in promotional use on ancillary goods or decorative use. Finally, the use made by authorized users such as licensees or merchandisers is considered as use of the mark made by its holder, a provision which is most relevant to holders engaged in merchandising programs.

(d) Unfair Competition

Article 10*bis* of the Paris Convention for the Protection of Industrial Property (applicable to 127 member States) reads as follows:

“(a) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(b) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(c) The following in particular shall be prohibited:

(i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

(ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

(iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.”

At first glance, there seem to be basic differences between the protection of industrial property rights, such as registered industrial designs, registered marks, etc., on the one hand, and protection against acts of unfair competition on the other. Whereas titles of industrial property such as marks are granted on application by industrial property offices and confer exclusive rights in respect of the subject matter concerned, protection against unfair competition is based not on such titles but on the consideration—either stated in legislative provisions or recognized as a general principle of law—that acts contrary to honest business

practices are to be prohibited. Nevertheless, the link between the two kinds of protection is clear when certain cases of unfair competition are considered. For example, in many countries, unauthorized use of a mark that has not been registered is illegal on the basis of general principles which belong to the field of protection against unfair competition (in several common law countries such unauthorized use is called “passing-off”).

The above example shows that protection against unfair competition effectively supplements the protection of industrial property titles, such as registered industrial designs and registered marks, in cases where a design or a sign is not protected by such a title. There are, of course, other cases of unfair competition, such as the false allegations in the course of trade of such a nature as to discredit a competitor, referred to in Article 10bis(3)2 of the Paris Convention, in which protection against unfair competition does not perform such a supplementary function. This is due to the fact that the notion of unfair competition covers a wide variety of acts.

The legal basis for the repression of unfair competition can range from a succinct general tort provision to detailed regulation in a special statute. In some countries with a civil-law tradition, which follow the approach consisting in the protection of the honest businessman, such protection is usually to be found in the general tort provisions. In other countries with common law traditions, the action for passing-off developed by the courts (at least originally) remains the main basis for the protection of competitors. As for the protection of consumers, a number of countries have, in addition, enacted separate sets of laws regulating specific cases of undesirable market behavior, such as misleading advertising, those laws being essentially independent of the protection of competitors under civil or common law principles. Several countries have enacted special statutes or specific provisions within broader statutes, dealing with the protection against unfair competition. These statutes provide for civil or criminal sanctions and contain a broad general provision (often modeled on Article 10bis(2) of the Paris Convention) which is supplemented by detailed provisions on specific forms of unfair trade practice. Although many of these countries have also passed additional legislation concerning acts relating to certain products (food, drugs, etc.), the media (television) or marketing practices (gifts, bonuses), the statute against unfair competition remains the main basis for protection. Often its scope is made even broader by the assumption that the violation of any other law can be an unfair trade practice because it gives an undue advantage in competition against the law-abiding competitor. In some countries, moreover, the concept of a special law on competition has evolved towards the adoption of a more general law on market behavior, or the link with antitrust law is stressed by the enactment of statutes that deal with the institution of competition itself as well as with fairness in competition.

B. OTHER FORMS OF PROTECTION

Many countries have enacted provisions, either under general law (Constitution, Civil Code, etc.) or under specific statutes, which enable a real person as such to be protected against the unauthorized commercial or advertising use of the essential features of his or her personality (name, pseudonym or nickname, image, symbols, etc.) or a real recognizable person portraying a character against the unauthorized commercial or advertising use of the essential features of the character portrayed. Those rights will, in general, supplement the protection which may be available within the scope of intellectual property in its broadest sense (including marks, industrial designs, copyright, unfair competition). Such protection

may be achieved through the notions of defamation or libel, privacy rights and personality or publicity rights.

V. SCOPE OF PROTECTION

A. RIGHTS CONFERRED

(a) Copyright

It should first be noted that the date of effective commencement of protection will not result from an official document as is the case in other fields of intellectual property, but will have to be proved by the person or entity invoking copyright protection of a work. Generally, copyright protection starts on the date of creation of the work, the concept of creation meaning that the work should not be at the stage of a mere idea but should be expressed in a material form (writings, drawings, etc.) or, in other words, should have found sufficient expression.

A further characteristic of copyright protection is that, contrary to industrial property rights such as marks or industrial designs, a work enjoying copyright protection is protected against all unauthorized uses, irrespective of the goods or services covered by each use.

Generally, no one may, without the authorization of the owner of the copyright in a work, exercise the economic or exploitation rights in that work or in respect of a work which is substantially similar to the copyrighted work or which contains the essential characteristics of such a work. The main economic rights relevant to the merchandising of characters are the rights of reproduction, adaptation and communication to the public (including broadcasting and public performance), in any manner or form. In that respect, protection may extend to the use of the work in a different medium or in a different dimension or to promotional use.

Even if the author or creator of a work protected by copyright has transferred his economic or exploitation rights, he will always be entitled to exercise his moral rights, which are non-assignable and inalienable. However, in some countries moral rights can be waived by the author, allowing acts which, otherwise, would constitute infringement. As regards the duration of protection in respect of moral rights, the laws of some countries provide that they will not be maintained after the death of the author or creator, while other laws provide that they will enjoy the same duration of protection as the economic or exploitation rights, and still other laws provide that the duration of moral rights is unlimited in time.

One of the most important moral rights relates to respect for the integrity of a work. The courts have often considered that, in the case of adaptation of a work or in the case of reproduction, the honor or reputation of the author or creator could be prejudiced if the original work were “distorted, mutilated or otherwise modified or altered.” In the case of adaptation (for example, from a novel or short story to a movie or television series), while a certain freedom should be authorized, the author or creator of the original work should be able to recognize in the script of the movie or television series resulting from the adaptation the essential personality features of the fictional characters he has created. However, where no authorization of adaptation has been given by the original creator, the right of integrity may not be recognized in the case of parodies or satires on a work (for example, the case of a

cartoon film entitled “Tarzoon, the Shame of the Jungle”).

(b) Industrial Designs

The effective protection of an industrial design generally starts on its registration date. Furthermore, a registered industrial design will enjoy protection for a limited period of time (the average period being 15 years). Once that period has elapsed the industrial design will fall in the public domain and may be used by anybody without authorization, unless the owner of the design can, for the same article, avail himself of a longer form of protection (copyright or registered mark).

A product incorporating a design will constitute an infringement if it is identical or similar to a product incorporating a registered design. The courts of most countries will examine whether infringement exists on the basis of the “ordinary person” (average potential customer) test and of a comparison of the overall appearance of the product covered by the registered design and of the alleged infringing product.

(c) Marks

The owner of a registered mark will be entitled to prevent all third parties not having his consent from carrying out, generally in the course of trade, a number of acts (using another mark or another sign) which are considered infringements of the registered mark. The right to prevent unauthorized use of a registered mark is determined by the goods and/or services for which it is registered (principle of specificity). In some countries, these rights of ownership extend to marks which are used although not registered.

The general scope of protection of a registered mark (which is not considered famous or well-known) covers the unauthorized use of a sign (mark, trade name or other) which is identical or similar to the registered trademark in respect of identical or related goods and/or services. Where the use concerns a sign which is identical to the registered mark and covers the same goods or services, the courts will consider that infringement exists without examining whether there is a likelihood of confusion, which, on the contrary, will be relevant in the case of similar marks for related goods or services. Extended protection may be available in cases of dilution, in particular, where a mark has gained a high reputation.

Generally, in an infringement case, it is not the differences between two trademarks but their similarities which have to be taken into account. Moreover, it is considered that there may be a visible similarity or an audible similarity in the language of the country where the mark is to be protected. As regards similarity in respect of the meaning (intellectual similarity) possibilities of confusion have been recognized (for example, between an emblem representing a jaguar and the name “jaguar,” between the words “Cogito ergo sum” and the marks “Cogito” and “Cogitum” or the words “The serious cow” with a representation of the animal being serious and the mark “The laughing cow” with the representation of a laughing cow). Finally, the strength or degree of distinctiveness of the registered mark will also be taken into account.

With respect to the similarity of goods or services, several concepts are applied, such as the notion of “equivalence” in the nature and purpose of the goods or services concerned or

the question whether the average consumer would assume the same source or origin for the goods or services. Many countries recognize that the scope of protection covers goods or services which are not listed in the registration, provided that they are so closely related to the listed goods or services that confusion may arise. In the application of this rule, many countries take into account the extent of the use of the protected mark and the size of the enterprise of the owner or holder of the mark: the bigger the enterprise and the more extensive the use of the mark, the larger the scope of protection as regards the goods or services.

As regards the concept of use of a mark, use for commercial purposes will mean that at least the following acts will be prohibited: affixing the sign to the goods or to the packaging thereof; offering the goods, or putting them on the market or stocking them for those purposes under that sign, or offering or supplying services thereunder; importing or exporting the goods under the sign and using the sign on business papers.

However, limitations or exceptions to the scope of protection of a registered mark may exist. Three different types of limitation can be mentioned, namely, the use of one's own name and other necessary indications, the exhaustion of trademark rights and the consequences of tolerance.

There are cases where the scope of protection of a registered mark may extend to different goods or services, going beyond what is required in Article 6bis of the Paris Convention which is applicable to identical or similar goods. The extended protection is generally recognized when the use of a sign on non-similar goods or services causes prejudice to the owner of the mark or takes unfair advantage of the reputation of the mark. The purpose is to afford protection to marks which have reached a unique distinctiveness and reputation—and therefore advertising force—against the dilution of their commercial magnetism through the use of identical or similar signs or marks on dissimilar goods or services.

B. ENFORCEMENT OF RIGHTS; MEASURES AND REMEDIES

(a) Introduction

In the context of the merchandising of the essential personality features of fictional characters and real persons, any legal form of protection would remain futile if appropriate measures for the enforcement of the protection were not available, not only for the original owner of a right but also, in most cases, for the assignee or licensee who is actually engaged in the merchandising activity. Merchandising would not have grown so rapidly in recent decades if no effective remedies had been available to bar the unlawful circulation of goods bearing, for example, the reproduction of the most famous cartoon characters of Walt Disney.

In most countries there exist, depending on the form of protection and the legal tradition of each country, civil sanctions such as measures inviting the potential infringer to restrain from infringing acts (injunctions) or measures permitting the recovery of compensation for damages, criminal sanctions and measures allowing evidence of unfair acts to be obtained (discoveries).

(b) Civil Sanctions

(i) *Injunctions*

In practice, mainly in common law countries, the most important sanction is injunctive relief, which can be final but frequently takes the form of a preliminary (or interlocutory or interim) injunction. This civil remedy will be available irrespective of the form of legal protection of the character.

Preliminary Injunction

This form of remedy, which will be available to a plaintiff if he has not delayed requesting it after having discovered an infringing or unfair act, allows the act to be stopped, although it may not be easy at that time to prove actual damage. Generally, a preliminary injunction restraining the defendant from immediately performing a certain act will be granted to the plaintiff if the court considers, without having to assess the merits of each party's respective case, that there is a serious question to be tried. The advantage of a preliminary injunction is that it may be sought for infringing or unfair acts that are likely to be committed or continued and that it requires no proof of either intention or bad faith. The merits of a case will be examined in order to decide whether a preliminary injunction should be granted or whether damages would be considered as constituting more appropriate compensation if the defendant is capable of paying them (an injunction being refused where it is considered adequate to compensate the plaintiff through the payment of damages).

In the context of merchandising, the grant of a preliminary injunction will effectively determine the final outcome of a case, as the defendant will not be interested in recommencing trading under styles he has had to discontinue using for many months.

Final Injunction

A court is free to decide to grant a final injunction but, generally, where the infringing act is proved, it will be granted unless it is decided to award damages. Furthermore, a final injunction may be refused if the defendant can satisfy the court that there is no chance of the tort being repeated.

(ii) *Accompanying Measures*

Those measures may be available both in countries which grant injunctions as such and in those which do not. In any case, a court order prohibiting the continuation of an infringing act may be accompanied by some or all of the following measures: if applicable, an order to cancel applications or registrations in respect of copyright, industrial designs, marks or trade names; an order to erase misleading or confusing indications from labels, packaging, advertising, business or promotion papers, etc.; an order to withdraw the infringing goods from the market or stop rendering the infringing services in the market; an order to deliver up and/or destroy unlawful goods or advertising or promotional material; an order to disclose the source of supply or a list of customers; in some countries, an order to destroy the tools used to manufacture the infringing goods.

All those accompanying measures are usually left to the court's discretion, since they have to be commensurate with the extent of the infringing act in each given case.

(iii) *Damages*

Compensation for damages (in the sense of detriment or injury) is available in every country and, in the context of merchandising, whether it relates to a fictional character or a real person.

In general, the most commonly claimed damages are lost profits and the damage done by disorder caused on the plaintiff's market. In the case of the violation of an intellectual property right (copyright, mark or industrial design) and in direct cases of passing-off, damages should be assessed to compensate the plaintiff for the direct and natural consequences of each infringing sale. A fictitious license fee may be paid by the defendant, which should be equivalent to what a lawful licensee would pay.

In other cases, such as those involving some acts of unfair competition or the violation of a personality right, damages may include a sum for injury to the plaintiff's feelings or reputation. It should however be noted that in the case of an unfair competition (or passing-off) action, a common requirement determining compensation for damages is proof of fault or intent or at least negligence or recklessness on the part of the defendant.

As regards the amount of the damages awarded by the courts, this will largely depend on a number of elements such as the reputation of the sign used by the plaintiff, the fact that the infringing acts were particularly malicious or the number of infringing sales. If the latter is very great the court may consider that it cannot fix the amount of the damages without a preliminary expert opinion. In some countries, it can be said that the effectiveness of the remedies has grown considerably since the courts are ready to award quite generous financial compensation.

(iv) *Rectification and Publication of the Court Decision*

These civil remedies are available in most countries at the expense of the defendant (for example, corrective advertising or publication of the decision in a number of newspapers and magazines). They may be claimed in addition to restraining injunctions and, in most countries, independently of compensation for actual damages.

(c) *Right to Sue*

(i) *In Respect of Intellectual Property Rights*

Generally, legal proceedings to prevent the further violation of a right relating to a literary or artistic work, a mark or an industrial design will be instituted by the holder of the right (whether that holder is the original owner of the right or holds the right following transfer or assignment).

In the case of a license agreement, unless the agreement provides specifically to the contrary, any action relating to the violation of the right which has been the subject of the license is instituted by the holder of the right while the licensee or licensees may join the proceedings with a view to obtaining remedies for his or their own prejudice (often based on unfair competition). However, in some countries, licensees may institute infringement actions in their own name (for example, if the holder of the right fails to do so, notwithstanding a request from the licensee). Furthermore, in some countries, an exclusive licensee will only be able to institute proceedings or to join an action if the agreement has been properly recorded by the competent authority in the relevant register so that third parties may be informed of its existence. In other words, only recordal of the agreement will make it enforceable.

(ii) *Unfair Competition (and Passing-Off)*

Unfair competition should always be considered, notwithstanding any other form of legal protection which may exist. Protection against unfair competition serves not only the interests of competitors, but also those of consumers and the public interest. It is therefore of vital importance to the effective operation of unfair competition law that the right to sue should not be restricted to competitors, although they may be the most powerful group to invoke the law. However, not all market participants need an individual right to bring an action before a civil court. As any act of competition has a direct influence on the market situation of individual competitors, at least that group cannot reasonably be deprived of their fundamental right to sue the unfair competitor. However, in many countries, direct competitive relations are not necessary to be able to sue if the indirect consequences of the unfair act would seriously affect the position of other participants, for instance on parallel or subsidiary markets. Thus in most countries merely potential competitive relations will suffice. Furthermore, where protection against unfair competition is mainly based on tort law, every person whose interests are likely to be harmed, and this may include individual consumers, can usually bring an action. In those countries not even a potential competitive relationship is required. Recent legislation also gives individual consumers a right to sue. Still, the risk of considerable costs may often deter them from exercising that right. Most individual consumer actions are therefore brought under available self-regulatory proceedings, for which the standing rules, costs and terms are less daunting.

Along with the growing tendency during the past two decades to consider consumer interests part of the goals of protection against unfair competition, recent legislation in this field has provided consumer organizations with a separate right to have unfair acts stopped. For example, under Article 10~~ter~~ of the Paris Convention the member States must provide measures to permit federations and associations representing interested industrialists, producers or merchants to take action in the courts when acts of unfair competition are committed, in so far as the law of the country in which protection is sought allows such actions. With the inclusion of certain areas of consumer protection in unfair competition law, it should also be possible for consumer organizations to claim legal remedies against violations in those areas.

There are several alternative ways of introducing the right to initiate civil actions. For example, to prevent a possible misuse of such rights, some countries have restricted the right to bring a civil suit to organizations that can claim the protection of their members against unfair competition as their statutory aim, or are officially authorized as consumer organizations. Although actual damage to individual members is usually not required, most

countries have restricted the claims available to consumer organizations to an injunction and/or rectification in the area of misleading advertising. Only in exceptional cases may organizations claim damages on behalf of their members.

The position of other organizations, such as traders in a certain branch of industry or professional groups, is far less uniform. In some countries, such organizations may have a right to sue in so far as their statutory purpose is being seriously jeopardized by the unfair act concerned. In other countries, actual injury to some of the members and the transfer of their rights to the organization might be required, whereas elsewhere such organizations have no separate right to sue at all. So-called class actions (*actio popularis*) are not possible in many countries. Finally, civil court actions can occasionally be initiated by authorities responsible for the control of competitive acts, either as semi-public or governmental authorities or by virtue of self-regulation.

(d) Measures to Secure Evidence (Discovery)

(i) *Descriptive and Physical Seizures*

These measures will be available in a number of civil-law countries, especially where the person requesting the right to proceed with an *ex parte* seizure claims violation of an intellectual property right. In the case of personality rights, the judge may order the seizure of items to prevent or to stop publication which invade the privacy of an individual.

These measures will be most relevant to merchandisers since, in practice, the seizure of, for example, T-shirts unlawfully reproducing Walt Disney characters will take place on the premises of a retail shop, and the retailer will often give information on the wholesaler of the goods whom he will frequently call in as guarantor to be joint defendant in the proceedings. In most instances, at least in the field of marks, samples of the alleged infringing goods will be taken. Physical seizures may sometimes occur where the alleged infringing article is a magazine or newspaper about to be published, whose title is identical to a mark already used for the same goods.

(ii) *Anton Piller Order*

In most Commonwealth countries the equitable remedy of discovery is of great importance especially in the form known as an “Anton Piller” order. This order is made *ex parte*, that is, without notice to the defendant, and possibly in camera. This enables a plaintiff to seize the evidence of infringement before the defendant has had an opportunity to dispose of it. Discovery can also be used, whether or not in conjunction with an Anton Piller order, to make a person currently in possession of infringing goods, disclose his supplier, or disclose information leading to the identification of the “tortfeasor.”

The Anton Piller order as issued by the court can include provisions against trading in certain goods, prevent the destruction or disposal of goods, require the defendant to allow the plaintiff’s lawyer and a limited number of other persons to enter and search the business premises or even the private house of the defendant, cause documents or goods to be delivered up to the persons serving the order or the names and addresses of the suppliers of

the goods involved to be disclosed, and prevent the defendant from informing third parties of the existence of the proceedings. In order to obtain this relief, the plaintiff must show that he has an extremely strong case, and that the potential damages claim is likely to be very substantial. Further, clear evidence of the defendant's possession of the infringing goods must be produced before the court, and it must be shown that there is a real possibility of the goods being destroyed or disappearing before a court action (with both parties involved) can be brought. Full disclosure of all facts known to the plaintiff is required, and also security for damages that might have to be paid to the defendant. On the other hand, as the Anton Piller order can easily be abused, there are strict requirements for its issue. For example, the nature of the order must be explained to the person on whom it is served, it must contain only the minimum provisions necessary to achieve its purpose, and a detailed report of the material taken should be made by the lawyers executing it.

The advantage of the Anton Piller order, in comparison with the seizures existing in civil-law countries, is that it is available even in the case of an unfair competition or passing-off action. The disadvantage however is that the plaintiff should have a strong case to be able to obtain that relief.

(e) Accelerated Proceedings

In some countries there exist procedures whereby a dispute between parties may be expeditiously led to a decision (such as a procedure for obtaining an interlocutory injunction or the "action en référé"). In general, those forms of procedure are only appropriate where the facts supporting the plaintiff's complaint are very clear and there is a need for an urgent decision because of likelihood of irreparable damage.

(f) Criminal Sanctions

In the context of merchandising and in addition to civil actions and remedies, there also exist criminal actions and sanctions (usually fines and/or imprisonment), which in some countries will be available alongside civil remedies. However, criminal actions and sanctions will be important only in cases where copyright, trademark or industrial design protection is unavailable, for example, where personalities wish to enforce their personality or publicity rights.

VI. GENERAL CONCLUSION

Notwithstanding the availability and extent of existing forms of legal protection, the practice of merchandising the essential personality features (mainly the name and the image) of a fictional character or of a real person has rapidly evolved in some countries from a subordinate activity into an important independent source of revenue and even, in some cases, into a civilizing force if one considers its impact on the public at large (and mainly on the younger generations).

Such overwhelming development and success entails a corresponding degree of piracy, infringement and unfair practice. In essence, it should be considered that, for well-recognized

fictional characters or real persons that are the subject of important merchandising programs and have therefore generated substantial goodwill, the possible avenues of relief are reasonably valuable. The same is probably not true of fictional characters or real persons that have not yet reached public recognition.

[Annex I follows]

ANNEX

In relation to Australia, Canada, France, Germany, the United Kingdom and the United States of America on the one hand and, to a lesser extent, Chile, India, Japan and Nigeria, this annex focuses on some aspects of the legal forms of protection which may be relevant to characters and refers to some important court decisions.

*Copyright*1. Recognition of moral rights (see report, paragraph 58)

Australia (recognition of a moral right in the form of a right to object to false attribution), Canada, France, Germany, Japan, United Kingdom, United States of America (recognition of moral rights under the 1990 Visual Artists Rights Act (including paintings, drawings and prints)).

2. Consequence of the industrial exploitation of a work (see report, paragraph 65)

In the United Kingdom, under the 1988 Act, the period of protection will be reduced (from 50 years from the end of the calendar year in which the author dies) to 25 years from the end of the calendar year in which the articles embodying the industrially exploited work are first marketed; however, articles of a primarily literary or artistic character may be excluded.

In Canada, no suit may be brought for copyright or moral right infringement where a design in which copyright subsists is applied to more than 50 useful articles. This applies only to articles in relation to which the design is actually used. A useful article is an article having a function other than being a mere vehicle for an artistic material.

In India, copyright protection does not apply to any design registered under the Designs Act (1911) and there is no copyright in any design which is capable of being registered, but has not in fact been registered, this latter restriction arising only when an article to which the design has been applied has been reproduced more than 50 times by an industrial process. The notion of “design” includes three-dimensional figures such as dolls.

In Japan, although the courts have granted copyright protection to designs, sketches or models devised for the purpose of mass-producing practical goods, it has sometimes been questioned whether those designs, sketches or models do not fall within the Design Act.

In Nigeria, copyright protection does not apply to artistic works if, at the time they were made, the author intended to use the work as a model or pattern to be multiplied by an industrial process. Such works should be protected under industrial design law.

In the United States of America, although in principle any copyrightable work is not affected by its protection under other laws, in practice, if a design patent registration had been obtained in respect of a given article, the same article would not be the subject of a copyright

registration. However, the opposite situation will not lead to the same solution and, therefore, a design registered under copyright can be the subject of a design registration.

In Australia, under the Copyright Amendment Act 1989, figures such as cartoon characters used as two-dimensional surface patterns or ornaments will enjoy full copyright protection, whether the articles are industrially exploited or not. They can also be registered as designs to benefit from cumulative protection. For works of artistic craftsmanship such as toys or dolls, industrial application will not result in the loss of copyright protection, which however the articles will lose if the corresponding design is or has been registered.

In Germany and France, there are no restrictions on cumulation of copyright with design rights. However, in Germany, for a given article, the level of originality required for copyright protection will generally be higher than for design protection. In France, in view of the principle of the unity of art, the purpose of the work is irrelevant and total cumulation of protection is available.

3. Literary works (see report, paragraph 66)

In Australia, Chile, India, Japan, Nigeria and the United Kingdom, names of characters cannot fulfill the requirements enabling a work to qualify as a literary work. However, in exceptional cases, it is possible that the arrangements of the attributes and description of a character (including the name) embodied in an original incident may constitute a protectable “substantial part” of the work featuring the character.

In Germany, literary characters are protectable under copyright law independently of the literary work in which they appear, even if they are not significant in relation to the work, to the extent that those characters represent individual creations on their own. However, this will only apply in exceptional cases and will usually not extend to the name of the character (even if it is at the same time the title of the work), since the creation of a name is not considered a sufficiently creative effort and lacks the minimum content of an expressed idea or thought being descriptive of the content of the work and serving to identify it (for example, the case of Sherlock Holmes).

In Canada and the United States of America, copyright in the character as such (whether or not associated with its name) may be recognized if the character is sufficiently clearly delineated and has acquired distinctiveness and notoriety so as to be recognized by the public outside the work in which it appears (for example, the character Tarzan in the work of E.R. Burroughs).

In France, literary characters per se are copyrightable if they possess sufficient individuality, and if the character (without the use of his name) can be immediately recognized outside of the context of the work which supplied him with his attributes. For example, the title of the novel “The Godfather” was not considered original enough to be protected under copyright.

4. Two-dimensional works (see report, paragraph 67)

In most countries, except in Australia and the United Kingdom, drawings made from three-dimensional characters (dolls or toys) will not be considered copyrightable separately.

5. Three-dimensional works (see report, paragraph 68)

These are protectable as such if they fulfill the different criteria of originality and if they qualify as “pictorial, graphic or sculptural works” (United States of America), “works of artistic craftsmanship” (Australia and the United Kingdom), “artistic works,” or usually “works of applied art” (France and Germany).

While most countries will consider that dolls based on, or slavishly copied from, preexisting drawings do not enjoy separate copyright, a few countries (Australia and the United Kingdom) specifically provide that the making of a three-dimensional copy of a two-dimensional work of art constitutes a restricted act under copyright law. However, industrially produced toys or dolls would have to be considered (in the United Kingdom) as artistic works in order to enjoy full copyright protection, in the absence of which such products would be protectable under design law.

6. Audiovisual works (see report, paragraph 69)

In Germany, not only the motion picture as such but also the individual characters (Mickey Mouse, Donald Duck, Heidi) enjoy copyright protection, such protection referring to their individual appearance as designed and shaped by the author (Bambi decision of the Supreme Court).

In the United States of America, under the Copyright Act 1976, as amended, characters are not mentioned as such, but case law establishes that some characters may be protected by copyright independently, to the extent that the character is original, creative and possesses characteristics that are clearly delineated. This will be easier to determine where the specific features of a character are described in visual images rather than in the case of literary characters only described in writing.

With respect to film frames which include the image of a character, some countries consider that they should be protected as photographs (United States of America), or that they should enjoy separate copyright as a cinematographic work or as images forming part of a film work (United Kingdom). Other countries, such as Australia, consider on the contrary that stills are not capable of constituting a substantial part of a film work and should be excluded from the definition of photographs.

7. Registration of copyrightable works

In Australia, books should be deposited at the National Library and failure to do so results in the payment of a fine.

In Canada, works may be registered and registration constitutes *prima facie* evidence.

In Chile, printed works and pseudonyms should be registered and all other works may be registered.

In France, printed works must be deposited (but not registered) and all acts relating to the production, distribution and exploitation of audiovisual works must be registered (including the title of a cinematographic film); the deposit of the film's title is not a condition for obtaining or enjoying copyright in the film.

In Germany, true names of authors may be registered and registration affects the duration of copyright.

In India, names or titles of works and cinematographic works may be registered, and registration constitutes *prima facie* evidence.

In Japan, the true name of an author of an anonymous or pseudonymous work may be registered and the legal effect of such registration is that the person whose true name is registered is presumed to be the author of the work concerned.

In the United States of America, works and amplifications of works may be registered; the certificate, which is issued if it is considered that the material deposited constitutes copyrightable subject matter and that all legal requirements have been met, constitutes *prima facie* evidence of the validity of the copyright if it is made within five years after first publication.

8. Infringement of moral rights (case law in France: the "Aristocats" case²)

This case involved two American citizens (Thomas Rowe and Tom McGowan), the French company Hachette and Walt Disney Productions France (French subsidiary of Walt Disney Productions Burbank). In the 1960s, Rowe and McGowan conceived the idea of a film with real cats and gave it the title of "The Aristocats." The story was written by Rowe, and McGowan acted as an intermediary to sell the project to Walt Disney Productions Burbank, which finally abandoned the project. A few years later, Rowe (who had become a French citizen) learned that Walt Disney Productions Burbank was about to prepare an animated cartoon based on the characters he had conceived and entitled "The Aristocats." He sued before the French courts the distributor of the film in France (Walt Disney Productions France), the company who had acquired the publishing rights of the film in France (Hachette) and McGowan. He based his action on usurpation of his right of authorship in the work and on violation of his moral rights and demanded significant damages. The court, after having carefully analyzed the similarities (in respect of the work as a whole and in respect of the characters depicted) between the cartoon film by Walt Disney and the various scripts, considered that Rowe's right of authorship had not been completely respected in the literary work "The Aristocats" he had conceived, and he was awarded damages (FF250.000).

² Tribunal de grande instance de Paris, 3^e Chambre, February 12, 1982, in "Droits et Média."

9. Infringement of economic rights

In countries (such as Australia, the United Kingdom and the United States of America) where the essential attributes of many literary characters and of some artistic or audiovisual characters are not protected *per se* by copyright independently of the work in which they appear, the determination of infringement will depend on a detailed comparison between the works involved in a conflict, including, among others, the question of the possible substantive similarity of the characters depicted in the two works. It can therefore be said that the individual pictorial representation of purely literary characters will in very few cases infringe the copyright in a literary work.

In France, even if the attributes of a literary, artistic or audiovisual character are not systematically protected as such, the character has a major influence in determining whether the work featuring the character is infringed. The copying of a few scenes from a film may be considered as constituting infringement of a cinematographic work. Copyright protection extends also to an original title, which may also be the name of a character. Its reproduction in media such as magazines can be prohibited.

Notwithstanding the difference in the level of protection as regards the characters as such, the unauthorized adaptation (to the novel form, or serialization in books or magazines) of a protected work (often the script of a film or of a television program) will generally constitute an infringement of the original work if the situations and characters of the script can easily be recognized in the adapted work. Furthermore, the use of stills or frames showing a character from a film or television series in other media (such as posters, postcards, calendars, badges, stickers, postcards, etc.) is considered an infringement of the copyright in the cinematographic film or in the photograph.

With respect to the use of the character in another dimension (for example, character originally created in two dimensions (drawing) used in three dimensions (doll, key ring, toys, etc.) and vice versa)), most countries consider that the use constitutes an infringement. In some countries this question is dealt with in a more general provision according to which unauthorized copying in a different form (Japan) or, in any form recognizably derived from that of the original work (Nigeria), is prohibited. In another country (India), the law does not provide for such an extension of protection. It is however provided that the copyright in a work is not infringed by the making of an object of any description in three dimensions “if the object would not appear to persons who are not experts in relation to objects of that description to be a reproduction of the artistic work.” *A contrario*, if the public can recognize the characters depicted in a work presented in another form, there is infringement.

The promotional use of a protected character concerns mainly its use as a trademark, a decorative use or its use in advertising. In most countries those forms of use will constitute an infringement of the copyright (for example, the use on T-shirts of a representation of the eponymous shark infringes the cinematographic copyright in the film “Jaws”). Furthermore, in some countries (such as France), the mere use of the name of a character for trademark purposes has also been considered as copyright infringement, either following from the assumption that the name can be considered as a title or as part of the author’s moral rights (for example, a “Tarzan” trademark registration was cancelled). On the contrary, if the title of a novel (which is at the same time the pseudonym of the main character of the story) is not considered original enough to enjoy copyright protection, it can be freely adopted as a trademark (for example, the title “The Godfather”).

The case of advertising use can be illustrated by the following example, taken from French case law: a supermarket had started an advertising campaign using a photograph representing a man and woman, scantily dressed, and a monkey, doing their shopping. The heirs of E.R. Burroughs sued the supermarket who argued that their literary copyright could not extend to the visual representation of the Tarzan characters (Tarzan, Jane and Cheetah). The court considered that such a photograph should have received the prior authorization of the owners of the copyright in the literary work “Tarzan, the Lord of the Jungle.”

Industrial Designs

1. Substantive conditions to the registration of industrial designs

In some laws, while the condition of novelty is always mentioned, a condition other than originality may be indicated, such as “distinguishable from other industrial models” (Chile), “visible to the naked eye” (Japan) or “not contrary to public order or morality” (Nigeria).

Some countries (for example, Canada, Germany and the United States of America) require that the design applied for should be new and original.

Firstly, in the case of Germany, for the novelty requirement, the characteristic elements of a design may not be known or easily accessible by domestic experts in a specific design field. Those elements may be ascertainable from other goods of that specific or an adjoining design field. It should be emphasized that, in merchandising practice, most design applications are made for dolls and toys, but also for cartoon-like characters on stationery goods and as textile adornments. One may wonder whether those two fields are “adjoining.” As regards the originality requirement, it is satisfied by creations going beyond the ordinary skill of a designer with some knowledge in the particular design field.

In the United States of America, under the present system of design patent protection, one major problem of the requirements of novelty and originality is the fact that they are equated with the high standards applicable to utility patents, namely novelty and, mainly, non-obviousness. However, since 1981, in the case of a design patent, the notion of “ordinary observer” has been replaced by “ordinary designer skilled in the particular design field.”

In Canada, the concepts of novelty and originality should be interpreted in the sense that, first, a design applied for must not resemble any other design already registered and, second, the design must be original in fact, and not merely as applied to a particular article, where it has previously been applied to an analogous article.

Other countries (such as Australia and the United Kingdom) require that the design applied for should be new or original.

In the United Kingdom, novelty is precluded by prior registration or publication within the country of the same design or a design differing only in “immaterial details” or “in features which are variants commonly used in the trade” in connection with the same article or any other article (even of a different kind). Thus, a design based on a well-known character will only be new as long as it is not yet applied within the United Kingdom to any

article of manufacture. The owner of a previous design registration, however, may extend his registration to other articles and/or for immaterially modified designs.

In Australia, a design does not satisfy the novelty requirement if there has been registration, publication or use in Australia of a similar design applied to the same product, or an obvious adaptation of the design applied to any other product. As regards identical designs exploited outside Australia, they will preclude novelty for registration in that country. Finally, with respect to design applications for toys or dolls based on cartoon or audiovisual characters, previous use in magazines does not qualify as relevant publication precluding novelty as long as the design was not applied industrially before the application was filed.

2. Duration of protection

The maximum periods of protection are as follows: Australia (for applications filed before April 1, 1982) 15 years and (thereafter) 16 years; Canada, 10 years; France, 50 years; Germany, 20 years; United Kingdom (for registered designs filed before August 1, 1989) 15 years and (thereafter) 25 years; for unregistered designs (under a special system of protection), 15 years (or 10 years from date of sale of an article incorporating the design anywhere in the world); United States of America, 14 years; Chile, 10 years; India, 15 years; Japan, 15 years; Nigeria, 15 years.

3. Relevance of protection for characters

In countries where an effective examination as to novelty is carried out, “the points of novelty of the registered design are explicitly taken into account” (United States of America) and the statement of novelty by which the design application must be accompanied has a major impact on the scope of protection (United Kingdom). On the contrary, in countries where no official substantive examination is carried out, the alleged infringer will, in many cases, argue before the court on the novelty or originality of the registered design.

In some countries, the scope of protection of a registered design can qualify as narrow since the infringing design, in comparison with the registered design, must be substantially the same and the products covered must be of the same kind (in the United States of America), or must not be substantially different (in the United Kingdom). Australia provides for a broader scope of protection, as a registered design will not only be infringed by obvious imitations, but will also be infringed by fraudulent imitations which have apparent and substantial differences which have been made merely to disguise the copying. It should be noted, however, that in Australia, the infringing design must be applied to the same product as the registered design.

Other countries (such as France and Germany) provide for a broader scope of protection since that protection not only extends to identical or similar designs, but the kinds of product to which the design relates are irrelevant. However, it is doubtful whether the courts would consider that there is infringement where a design is incorporated in a product which is totally different from the registered design.

In some countries (for example, Japan), the use of a registered design may be restricted, for example, when it conflicts with copyright of another person. This results from the fact

that a person may register a design (for example, a lamp, a puppet or a toy) incorporating characters in which he has no independent rights (such as copyright).

Trademarks

1. Relation between copyright and trademark protection (case law)

First case³

In 1894, the author Jules Renard assigned to the publisher Flammarion his publication rights in a novel entitled “Poil de Carotte” (which is also the nickname of the main character of the book). Many years after the death of the author, his heir assigned to a company the right to use the name “Poil de Carotte” as a trademark to designate a cheese. Among the various arguments of Flammarion before the Court, the publisher claimed copyright in the title of the work. The Court considered that the publisher “had acquired no rights in the reproduction of the title of the work for use apart from the book itself, and, in particular, for use as a trademark, a shop sign or a trade name.”

Second case⁴

That case related to the famous tale for children entitled “Pinocchio” created by Collodi (Carlo Lorenzini). In 1940, Walt Disney adapted the work of Collodi and released a cartoon movie. The company enjoyed separate copyright in the characters originally adapted (Pinocchio, Gepetto, Jiminy Cricket) and reinforced its protection by obtaining, at least in France, trademark registrations for the names and images of those characters, covering, *inter alia*, goods in Class 16 (magazines). In 1980, Walt Disney issued in France a magazine entitled “Pinocchio Magazine” and discovered that a publishing company was publishing magazines entitled “Pinocchio Magazine” and “Pinocchio Poche” which contained, *inter alia*, reproduction of the Pinocchio characters adapted by Walt Disney. Before the Court, the publishing company claimed that the trademark registrations of Walt Disney were void because the copyright of Collodi had fallen into the public domain. The Court replied that anybody could reproduce the literary work of Collodi for republication or even for an adaptation, but that the adaptation should follow the essential and characteristic features of the original work and not those resulting from the cartoon adaptation made by Walt Disney. Furthermore, the work of Collodi being in the public domain, it had become a “*res nullius*” which could be appropriated, as regards the names of the characters, as trademarks by Walt Disney.

³ Court of Appeal of Paris, 4^e Chambre, November 23, 1977 in *Annales de la Propriété Industrielle*, 1979, page 68.

⁴ Tribunal de grande instance de Lyon, March 23, 1981.

2. Trafficking in marks

In the United Kingdom, the Trade Marks Act 1938 provided that, in the case where the applicant does not intend to use the trademark but intends instead that it should be exploited by licensing, the application should be accompanied by an application to register the licensee as a user of the mark. In 1984 however, the House of Lords decided (though with some reluctance) that such applications to register the cartoon character “Holly Hobbie” in 12 classes should be refused, under a provision of the Act which prohibited the registration of a user where this could tend to facilitate trafficking in the mark. The Trade Marks Act 1994 contains no provisions against trafficking, nor does it require an applicant to indicate whether the mark will be used by him or by a licensee.

In other countries whose law follows the United Kingdom 1938 Act, the notion of trafficking is sometimes understood in a less strict and narrow sense. For example, in India, a trademark may be registered, even when it is clear that the owner of the trademark once registered has no intention to use it in India. This broad interpretation of the statutory provision on trafficking by the Courts in the “American Products” decision of 1986 has clearly opened the possibility for the protection of merchandising in India but does not do away with all forms of trafficking. At the date of application, the applicant should have in mind some specific person whom he intends to authorize as a registered user. An application cannot be filed based on speculation that it should be possible to find a licensee, but there should at least have been some clear thinking on the setting up of license activity.

On the contrary, some countries such as Nigeria strictly interpret their provisions on use or intent to use a trademark. A trademark applied for should be filed with the intention to use it and the use or proposed use should be by the owner, and a trademark registered without any real *bona fide* intention can be expunged at the request of any person. In consequence, the application will be filed for a limited list of goods which lessens its interest in the context of merchandising.

In a country such as Canada, the seeking of a wide range of registrations for the same trademark in respect of various goods or services being regarded as trafficking or as an evidence of a lack of *bona fide* intention to use the trademarks is not considered in the trademark law. However, that country provides in its law that the applicant should file, “in the case of a proposed trademark, a statement that the applicant by itself or through a licensee, or by itself and through a licensee, intends to use the trademark in Canada.”

In the United States of America, there is no requirement of having a business covering the goods or services applied for and, in the context of merchandising, licensing of trademarks is well established, although use by licensees of a trademark inures to the benefit of the licensor unless it can be shown that the licensor exercises no, or insufficient, control over the nature and quality of the goods sold or services rendered by using the mark by the licensee. Since the latest amendment of the Lanham Act in 1988, an application in the United States of America should either be based on actual use in commerce (which does not include mere token use) or on a *bona fide* intention to use the trademark in respect of the goods or services applied for. In the latter case, the trademark will not be registered until it is effectively used in the United States of America (unless the application was filed based upon a registration in a Paris Convention member country, or in a country granting reciprocal rights to applicants from the United States of America, for the same trademark and same goods or services). To prevent trafficking in trademarks, the mark for which an application with a declaration of

intention to use was filed cannot be assigned prior to the filing of the required statement of use, unless the assignment of the application is part of an assignment of the business to which the mark pertains.

In France, at the time of the application or during the registration procedure, no requirements exist either in respect of a correlation between an applicant's business and the goods or services applied for or indeed in respect of having a business at all, with the consequence that real persons without any commercial activity may register trademarks and grant license agreements. Furthermore, there are no limitations as to the goods or services which may be applied for. One can file an application and obtain a registration for the 42 classes of goods and services of the International Classification.

3. Effective protection

In the context of merchandising, the recognition by the courts and in the laws of most countries of the concept of likelihood of confusion or association as to sponsorship is most relevant.

Those concepts have, for example, been recognized by the European Communities in the First Council Directive of 1988 to Approximate the Laws of the Member States Relating to Trade Marks and the Council Regulation (EC) of December 20, 1993, on the Community trademark. Article 5(1)(a) and (b) of the Directive provides that "The registered trademark shall confer on its proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trademark is registered; (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark." The same applies under Article 9(1)(a) and (b) of the Regulation.

4. The concept of use and limitations on protection

In the United States of America, apart from the fair use of the trademark, no specific category of use of a mark by third parties will be exempted from the scope of protection. For example, advertising use, decorative use, use in another dimension or use in transit may be held as an infringement.

The trend in most modern laws is to adopt the same broad view. For example, the laws of some Member States of the European Communities will have to be amended, since the above-mentioned Directive specifically provides that the use of a sign in advertising should be prohibited.

As regards limitations on protection, the European Community Directive can be cited. With respect to the use of one's own name and other necessary indications, Article 6(1) provides that "The right conferred by the trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: (a) his own name or address; (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time

of production of goods or of rendering of the service, or other characteristics of goods or services; (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters.” This last indication means that those permitted forms of use should not constitute acts of unfair competition. In particular, Article 6(1) of the Directive would allow someone whose own name is the same as that of a famous sportsman or fictional character to use his name in the course of trade, notwithstanding the registration of the famous name as a trademark, provided such use is in accordance with honest practices (that is, it does not suggest that there is a connection with the famous bearer of the name).

As for the exhaustion of the trademark right, Article 7 provides that “The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under the trademark by the proprietor or with his consent” unless “there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.” To justify this limitation, it has often been found necessary, or desirable, to impose conditions that prevent trademarks from being used to divide up markets or to create artificial barriers to free trade. Once goods have been placed on the relevant market (country, group of countries) by the trademark owner or on his behalf, the owner’s rights are exhausted. That is to say, he cannot prevent use of the trademark by third parties in relation to those goods. Third parties may, for example, re-sell the marked goods and may use the mark in promoting such sales, without interference from the owner of the trademark. This is subject to the important qualification that the goods must not have undergone any change or impairment, such as, for example, the dilution of the goods, the mixing of the goods with others or the repackaging of those goods.

Finally, with respect to the consequence of tolerance, Article 9(1) and (2) provides that “(1) Where, in a Member State, the proprietor of an earlier trade mark ... has acquiesced, for a period of five successive years, in the use of a later trade mark registered in that Member State while being aware of such use, he shall no longer be entitled on the basis of the earlier trade mark either to apply for a declaration that the later trade mark is invalid or to oppose the use of the later trade mark in respect of the goods or services for which the later trade mark has been used, unless registration of the later trade mark was applied for in bad faith. (2) Any Member State may provide that (this provision) shall apply *mutatis mutandis* to a trade mark which has a reputation, to a non-registered trade mark or to another sign or to another earlier right (name, personal portrayal, copyright).”

5. Dilution and other forms of extended protection

In France, an action for dilution or misappropriation of a well-known trademark is adopted within the new trademark law. The extended protection is generally recognized when the use of a sign on non-similar goods or services causes prejudice to the owner of the trademark or takes unfair advantage of the reputation of the trademark.

In Germany, dilution protection for famous trademarks against their use for dissimilar goods or services is available under tort law (paragraph 823 of the Civil Code). The purpose is to afford protection to trademarks which have achieved a unique distinctiveness and reputation—and therefore advertising force—against the dilution of their commercial magnetism through the use of identical or similar signs or marks on dissimilar goods or services. The above-mentioned paragraph 823 of the Civil Code protects the rights of a person in his business, with all its tangible and intangible assets of which the famous mark is a very valuable part, against unlawful interference. This doctrine is based on the consideration that the owner of a trademark who has invested so much effort in acquiring a unique position has an interest worthy of protection in ensuring that the trademark keeps its distinctiveness. Since the protection of trademarks beyond the scope of similar goods must be exceptional, the requirements which have to be fulfilled are very strict (awareness of the trademark, measured in opinion polls, on the part of at least 70 to 80% of the German population; possession, by the trademark, of a sole position in the market and of a certain amount of originality so as to be distinctive enough for the public to associate it with the specific goods for which it stands). This latter precondition will usually not be present in character merchandising cases if a license for the use of the character on certain goods is granted to more than one licensee. Furthermore the trademark must be very highly appreciated by the public, and this positive evaluation must have led to an increased demand for the goods bearing the character. Finally, while a risk of confusion is not required, the infringing use must actually be capable of endangering the unique advertising force of the famous trademark, in the sense that there is a real danger of injury to its competitive position. In practice, those strict preconditions are seldom met. It is considered that probably the characters of Walt Disney would enjoy such protection in Germany to the extent that they were trademarks.

In Australia, independent protection for trademark dilution or a similar kind of protection is only available, for the time being, under the Trade Practices Act. Furthermore, famous trademarks may, in principle, be the subject of “defensive” registrations. However, defensive registration is only possible for invented words and is not available for services. Where a defensive registration is involved, infringement occurs only when identical or similar trademarks are used for goods covered by the defensive registration. In the United Kingdom, those problems will be addressed in the course of the reform of the trademark law, which is expected to replace the system of defensive registrations with provisions enabling very famous trademarks to be protected outside the scope of the registration.

In the United Kingdom, the Trade Marks Act 1994 implements Article 5(2) of the European Community Directive, which allows member States of the European Communities to provide that the proprietor of a registered trademark “shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”

In Japan, the protection under trademark law extends only to identical or similar goods. A broader protection in that respect arises from the law on unfair competition. It should however be noted that the Trademark Act provides that defensive registrations are available (not limited to invented words). A defensive registration can be obtained for a trademark which is so widely known among consumers as indicating the designated goods that a third

party's use of the trademark, even on dissimilar goods, would cause confusion as to the origin of those goods. It is not necessary to show that the owner will use the trademark on the goods within the defensive registration. In practice, it should be noted that few defensive registrations are granted. An example may be given in the decision of the Court of Kobe (March 25, 1987), which involved the owners of the mark "Chanel" which sued a Japanese company using the words "Hotel Chanel" to designate a hotel. Such use was considered as a dilution of the goodwill in the famous Chanel trademark. The decision was based on the Commercial Code, on the law against unfair competition and on the Civil Code.

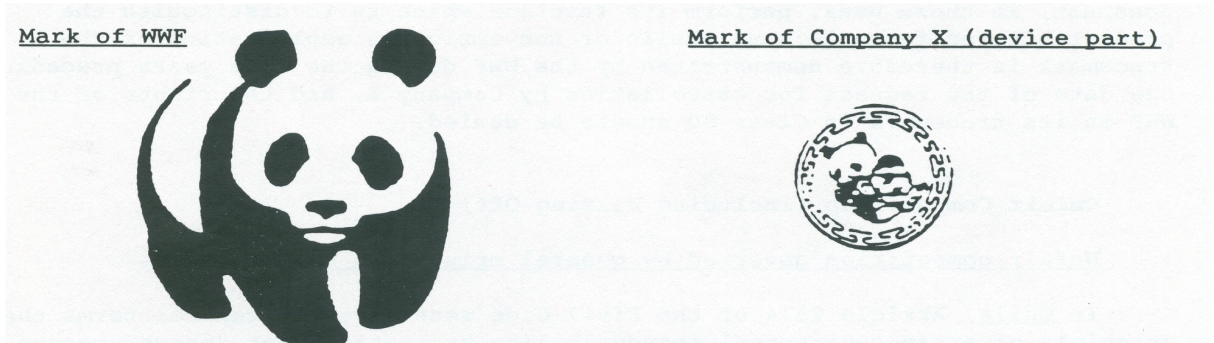
In the United States of America, the Lanham Act does not include a provision allowing a dilution action. However, almost half of the individual states (including major commercial states like New York, California and Florida) have enacted "dilution" statutes, which protect trademark owners against the likelihood of injury to business reputation or of dilution of the distinctive quality of the trademark. In that respect, paragraph 12 of the Model State Trademark Bill provides that "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services."

6. Scope of protection illustrated by case law

This case⁵ involves the World Wide Fund for Nature (WWF).

The WWF, an association constituted under the laws of Switzerland, holds a trademark registration in France representing the device of its symbol, the Giant Panda. The registration covers the goods and services in all 42 classes of the International Classification. The WWF is represented in France by WWF France, an association constituted under the laws of France, which, following an agreement between the two associations, is the assignee of the right to use "in the institutional, promotional and commercial fields, the name and symbol of the WWF and the emblem of the Panda." Both associations learned that a trademark application for words (having nothing to do with the word Panda or the letters WWF) and the panda device had been filed in France by a company (hereinafter referred to as "Company X") to cover bags and rice in International Classes 22 and 30. Both associations sued Company X for acts of infringement or at least unlawful imitation and for acts of unfair competition or parasitic practices. In a counter-claim, Company X demanded that the WWF registration be cancelled as regards Classes 22 and 30 for non-use during the last five years. The two trademarks are reproduced hereunder:

⁵ *Tribunal de grande instance de Paris, 3^e Chambre, December 4, 1991.*



The most significant parts of the decision can be summarized as follows: The protection resulting from the trademark law applies to the sign determined by the registration and not to a given family or style. Therefore, although the sign of the WWF is famous, the reproduction of the image of a panda is not, as such, reprehensible. What could be reprehensible is the reproduction of the characteristic elements of the WWF's registration. Firstly, the alternance of black and white is not a protectable characteristic since it corresponds to the representation of nature; what is protectable is the position and shape of the panda. Both pandas are different as regards their positions (one is walking, the other lying), and because, for the panda of Company X, of the mouth hidden by a paw and the presence of a toy (a football). Those differences not only exclude infringement but also avoid any risk of confusion even on the part of an average consumer not having both marks before his eyes at the same time; the global visual impression between the two pandas is totally different, one evoking the panda in its natural element in a walking position, the other evoking a "teddy panda" because of the playfulness suggested by the inclusion of a toy (football). In consequence, there is neither infringement nor unlawful imitation. Although the WWF trademark is also used as a shop sign and a trade name, the trademark of Company X, for the above-mentioned reasons and because there is no risk of confusion, cannot infringe the WWF's distinctive panda sign. There is furthermore no basis for a claim of unfair competition or parasitic practice. As regards the counter-claim of Company X for invalidation of the WWF's registration in Classes 22 and 30, the WWF contests that claim and indicates that it uses its mark for products in Class 22, and has granted temporary licenses to companies which use the mark for foodstuffs in Class 30. It results from the sale catalogues of WWF that stationery articles (paper, labels) and plastic bags (sports bags) are sold under the panda mark. Therefore the WWF demonstrates that it sells goods falling in Class 20, which should be considered similar to products in Class 22, since the sacks and bags in Class 22 (defined as those not included in other classes) can be confused, as to their origin, with the products in Class 20. As regards the products in Class 30, the WWF shows that it has concluded license agreements with several companies (Biscuits St Michel, Rowntree Macintosh, Kellogg's Produits Alimentaires, photographic Agency Bios and Foundation Cote d'Or); the use of the panda device is authorized against payment of royalties, and it is provided that the mark will be used on the packaging of products and on the promotional material relating to that operation. It results from the documents presented that the panda device is not used to designate as such products in Class 30 but only to serve advertising purposes both for the promotion of products and the raising of funds for the WWF. The trademark does not, in those uses, perform its function which is to distinguish the product offered for sale; no public or non-ambiguous exploitation of the trademark is therefore demonstrated by the WWF during the five years preceding the date of the request for cancellation by Company X, and the rights of the WWF in its trademark in Class 30 should be denied.

Unfair Competition (Including Passing-Off)

1. Unfair competition governed by general principles of law

In Chile, Article 2314 of the Civil Code sets forth in general terms the principle of extra-contractual responsibility by stating that “where someone has, either intentionally or negligently, committed an act which has caused damage to another, they will be liable to indemnify the harm done.” Furthermore, the new industrial property legislation, with respect to trademarks, provides in its Article 20(j) that a trademark should not be contrary to the principles of fair competition or to trade ethics.

In France, Article 1382 of the Civil Code provides that “any act whatsoever of a person which causes damage to anybody else obliges the person by whose fault the damage has been caused to repair it.” This constitutes a very general provision which can be used when no specific legal form of protection is available (for example, when the name of a literary character is not protected by copyright or trade mark or where a trade name or shop sign is not protected as a trade mark).

The notion of unfair competition, while founded on civil liability as provided for in Article 1382 of the Civil Code, developed mainly through jurisprudence. The principles of civil liability require that three elements should exist: a prejudice, a fault and a causality link between the prejudice and the fault. In a court action, the holder of a right will claim not only infringement of a protected right in a trademark, industrial design or literary or artistic work, but also a separate act of unfair competition. In general, courts will be reluctant to recognize an independent act of unfair competition, especially in the context of merchandising where the effective use is made by licensees and not by the holder of the right. In the latter case, licensees often join the action with the holder to claim compensation for their own prejudice based on unfair competition.

In principle, so that there be a prejudice, the parties involved should be in a direct competitive relationship (with respect to their activities, goods, locations, etc.). In the context of the merchandising of the attributes of a fictional character or of a real person, an act will be considered unfair if, on the part of the public, there is a risk of confusion as to the goods or services or as to their origin. Therefore, use of the name or image of a character in a similar work would be considered as causing a prejudice.

However, where well-known trademarks, trade names, shop signs, names or images of characters and personalities are involved, and where the parties may not be in direct competition, or where no risk of confusion is possible, the notion of abuse of rights (misappropriation as a parasitic practice) may be considered by the courts where the use of a trademark, for example, is considered wrongful and prejudicial because it is being made to take advantage of the trademark’s reputation, or where such use may dilute its distinctiveness. Applied to shop signs, this will mean that unfair competition will normally be recognized when two traders use the same sign, have the same activities and are located on the same territory (usually much smaller than the boundaries of a country); however, when the shop sign is considered famous the protection afforded will be broader (for example, the owner of the restaurant “Maxim’s” in Paris was able to prevent the use of the same sign for a restaurant in Nice, in the south of France).

Other cases will illustrate this broader protection: for example, the heirs of the famous painter Paul Cezanne were able to prevent the use of the name “Paul Cezanne” as the shop sign of a picture gallery, even though it was located in the rue Paul Cezanne in Paris; a company trading in the jewellery business called “Morabito Boutique” was able to have a person restrained from using his surname “Morabito” alone in the same field, and obliged to trade under the name “Pascal Morabito” to avoid any risk of confusion on the part of the public.

2. Passing-off

Passing-off originated in the United Kingdom and exists now in most common-law countries. Simply stated, passing-off is a tort which came into existence to protect the goodwill (value of the established reputation and connections of a business) of a trade against the misuse of its trademarks, business name or general get-up, in other words to stop the misuse of a reputation. It is not a straightforward matter to apply passing-off to the protection of character merchandising.

Firstly, 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. In most countries, business will be understood to include the work done by professionals, sportsmen, artists, cartoonists, writers and performers (actors or musicians). The reputation of a trader will normally be limited to a name or a trademark designating his or her goods or services. In the case of performances, films, literary, dramatic or artistic works, the reputation may reside in a character portrayed in the performance or work. If the character attracts the reader, listener or viewer, there will be goodwill attaching to that character or to the character’s name.

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 (for example, where a defendant makes a film featuring the popular protagonist of the plaintiff’s films). The courts have often taken the view that misrepresentation will only occur when the parties are actually engaged in a “common field of activity.” It should however be noted that, as a matter of law, the difference in the fields of activity does not automatically bar the establishment of passing-off.

A further problem relates to the likelihood of confusion. It is often 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 (a book or a television series), 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 defendant. In other words, in the field of character, personality or image merchandising, where, in many cases, between the plaintiff and the defendant, there is no common field of activity, the defendant is not a direct competitor and the goods are so different that no one is likely to be deceived, the plaintiff’s case is harder since he has to satisfy the court that, despite the absence of a common link between the parties involved, a substantial number of people are likely to be deceived by the defendant’s activities into thinking that there is some sort of connection or association between the plaintiff, his business or his goods and the defendant’s business or goods.

A good illustration of the traditional interpretation of the “common field of activity” requirement applied to merchandising can be found in several cases in the United Kingdom dating from 1947 to 1977.

In the Uncle Mac Case (McCulloch v. Lewis A. May (Produce Distributors) Ltd (1947)), the plaintiff, who was a well-known children’s broadcaster under the name “Uncle Mac,” failed in his action to prevent the defendants from distributing a breakfast cereal under the name “Uncle Mac’s Puffed Wheat.”

In the Conan Doyle v. London Mystery Magazine Ltd case (1949), the plaintiff, who was the executor of Sir Arthur Conan Doyle, failed to enjoin the defendants from publishing a magazine, the “London Mystery Magazine” from 221B Baker Street, the fictional address of Conan Doyle’s character Sherlock Holmes.

In the Wombles v. Wombles Skips case (1975), the plaintiff, who was the beneficiary of the creation of a series of well-known characters called The Wombles, one of whose activities was picking up rubbish, failed to enjoin the defendant, whose business was the leasing of skips, or large containers, for the collection of rubbish, from trading under the name Wombles.

Finally, in the Taverner Rutledge v. Trexapalm case (1977), it was not considered passing-off for traders to use a character’s name (Kojak) for their lollipops, although the distinguishing feature of the fictional detective character appearing in a television series was his fondness of lollipops. It was emphasized that the fields of activity of a television studio and a manufacturer of confectionery were too remote from each other to lead to confusion, and the evidence in the case did not establish that the public would associate the defendant’s goods with the plaintiff’s business.

In the United Kingdom, the essence of the passing-off action was clarified (by two complementary statements) in a judgment in the Court of Appeal in the so-called “Advocaat case” (Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd (1979)).

In the first statement, it was considered that a claim in passing-off could not succeed unless the plaintiff could establish “(1) a misrepresentation; (2) made by a trader in the course of trade; (3) to prospective customers of his or ultimate consumers of goods or services supplied by him; (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.”

In the second statement, it was considered essential for the plaintiff in a passing-off action to show at least the following facts: “(1) that his business consists of, or includes, selling in England a class of goods to which the particular trade name applies; (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods; (3) that because of the reputation of the goods, there is goodwill attached to the name; (4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value; (5) that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached.” As said,

“those two statements of principle complement one another, the first statement emphasizing what has been done by the defendant to give rise to the complaint, and the second statement, what the plaintiff has to show as a prerequisite of complaining.”

In some cases subsequent to the *Advocaat* decision, the absence of related fields of activity has been disregarded. This more favorable development began with the “Lego” case in 1983, in which the makers of the famous Lego toys were able to prevent the sale of garden equipment under this name. In the merchandising field the “common activity” requirement is also less strict since it is considered that the level of public awareness of merchandising practice is now greater and the practice of licensing the use of characters is known to a substantial number of consumers. Therefore, it has become easier to prove that the effect of a (defendant) trader’s activity is to preempt the plaintiff’s licensing program. It can be said that, while in recent years the effectiveness of passing-off has been severely reduced in the United Kingdom, the opportunities for merchandising activities have lately been more seriously considered as a possible prejudice to the goodwill of merchandisers, especially where a wide variety of goods are being marketed under a name. This was, for example, emphasized in the *Judge Dredd* case (*IPC Magazines Ltd v. Black and White Music Corporation* (1983)), which involved the unauthorized use of a cartoon character’s name on a record; it was said “that at the present time the public know something about the prevalent practice of character merchandising... and I think that among people... who buy records and read such magazines as these, a substantial number of people will infer that the record has been authorized and approved by the plaintiff.”

This more favorable position was confirmed in a recent case (*Mirage Studios v. Counterfeit Clothing Company Ltd* (1991)), which involved the use of the image of the famous fictional “Ninja Turtles,” which were the subject of an extensive business licensing. The defendants had commissioned various designs depicting turtle characters and had licensed clothing manufacturers to apply those designs to T-shirts. The evidence in the case showed that the public mistook the defendant’s turtles for the genuine “Ninja Turtles.” The public would therefore associate what they mistakenly thought to be the plaintiffs’ Turtles with the plaintiffs. It was considered that the defendants were misrepresenting their products as being not only genuine, but also licensed.

This latter case is also important for the condition that, even if there is misrepresentation, there should be evidence of likelihood of damage to the goodwill of the plaintiff (especially in cases where the fields of activity are different). In the “Ninja Turtle” case, it was considered that the business of the plaintiffs included turning to account the “Ninja Turtle” characters by licensing their reproduction on goods sold by other people (its other business being the creation and exploitation of the cartoons and films themselves); the activity of the defendants damaged the plaintiffs since they would not only lose royalties, but their licensing rights would be damaged by the defendants’ inferior goods.

In other common-law countries, character merchandising activity has been more easily recognized.

In Australia, since the *Henderson* case in 1960 (involving the use of a photograph of the plaintiff on a record sleeve), there has been a more flexible approach, as regards passing-off actions, towards merchandising, since the courts have often declined to follow the strict application of the “common field of activity” requirement. It should also be noted that passing-off actions have often been supplemented by actions under supplementary statutes

such as the Trade Practices Act (TPA) of 1974.

As in the United Kingdom, the passing-off action is the standard remedy for protection of unregistered marks and the basis of the tort is similarly a “misrepresentation calculated to damage the plaintiff’s goodwill.” However, Australian courts have been quicker to acknowledge consumer awareness of merchandising.

For example, in the Muppets case (Children’s Television Workshop Inc. v. Woolworth’s (NSW) Ltd (1981)), evidence was adduced that the plaintiffs exercised strict quality control and that they had built up the goodwill necessary to support a passing-off action through their licensing program. The defendants were restrained from marketing plush toys representing the characters of the plaintiffs; it was considered that there was an association in the minds of the public between the plaintiffs as producers of TV series and representations of their characters in any form.

Another important aspect (relevant to image merchandising) relates to the advertising use of well-known film scenes. In cases which generally related to the film “Crocodile Dundee,” it was held that character merchandising *per se* was not only protectable under the Trade Practices Act but also under passing-off even where the only business carried out by the plaintiff was the creation of works featuring the character.

For example, in the Paul Hogan v. Koala Dundee Pty Ltd (1988) case, the plaintiff was the actor Paul Hogan, player of the well-known character Crocodile Dundee, while the defendants owned several shops called “Dundee County” and used on signs inside and outside those shops, and on T-shirts, shopping bags and clothing tags, an image showing part of a koala bear dressed in a manner associated with the character Crocodile Dundee. It was considered that the suggested association between the Crocodile Dundee character and the defendants’ shops and goods constituted a sufficient misrepresentation.

In the Paul Hogan v. Pacific Dunlop (1989) case, the same plaintiff also won a case where a famous scene from the Crocodile Dundee film was adapted to advertise the defendant’s goods (shoes). It was held that it was generally recognized that Paul Hogan made a practice of licensing his name, so that the public would be deceived into thinking that approval or license had been given when it had not. It was further accepted that the possessors of well-known names and images control carefully the use that may be made thereof, with the consequence that any unauthorized use will almost inevitably become an actionable misrepresentation.

It should however be noted that, notwithstanding other available remedies such as protection against defamation or appropriation of personality rights (see developments below), two types of case are outside the scope of this broader approach towards a passing-off action, namely where the plaintiff is a public figure but the defendant’s activities are likely neither to cause confusion nor to constitute deception, and where the plaintiff is simply a private individual with no previous goodwill or reputation.

To conclude and summarize, it appears that in Australia the practice is to interpret broadly the notion of “association” and to consider it as a misappropriation in the sense of the taking as such of a reputation or business value.

As regards Canada, two forms prevail, namely the statutory passing-off and the common-law passing-off. For the statutory passing-off, the main provision (which places in

statutory form the common-law prohibition of certain acts which amount to passing-off) is to be found in Section 7(b) of the Trade Marks Act which provides that no person shall “direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another.”

This provision and others regulating the concept of unfair competition (which following a constitutional debate were held by the Federal Court of Appeal to be within its competence) create a civil remedy in relation to trademarks, whether registered or not, which may be wider in scope than the common-law tort of passing-off. The constituting elements are false or misleading statements made by a competitor that tend to discredit the business, wares or services of the plaintiff. In the context of merchandising, the most important thing is that the “common field of activity” requirement does not apply, and the goods or services concerned need not be similar, the key element being the existence of confusion or possible confusion constituting public deception. However, no action will lie under statutory passing-off where the plaintiff and defendant do not trade in the same territorial area of the country.

With respect to common-law passing-off, the constituent elements are close to those applied in the United Kingdom and Australia (reputation of the plaintiff’s goods or services; misrepresentation by the defendant of his wares or services; actual confusion or likelihood of confusion in the public’s mind between the goods or services of the parties and existence of a prejudice for the plaintiff). However, Canada still requires that a common field of activity be established between the plaintiff and the defendant, which has led persons involved in the merchandising of fictional characters and of real persons to rely more on other forms of protection (see developments on defamation and personality rights) and on copyright. Nevertheless, in a recent case (*Paramount Pictures v. Howley* (1991)), the plaintiff won on the basis of passing-off (*inter alia*) and it was considered that the business of licensing the name of Crocodile Dundee would be adversely affected by the defendant’s activities, and that stores purchasing the defendant’s goods would erroneously assume that the defendant had been licensed by the plaintiff.

The conception in several provinces of Canada may be different. For example, the Province of Quebec follows the French system, and Article 1457 of the Code is equivalent to Article 1382 of the French Civil Code (see paragraph 206, above). It encompasses several forms of offenses including passing-off, and is used to prevent a person’s name, image or personality from being used for commercial purposes without the person’s knowledge or consent. However, its use is limited in the context of merchandising, since the restrictive “common field of activity” requirement still exists.

With respect to India and Nigeria, no passing-off actions in the context of fictional merchandising of characters or real persons have been traced. It is therefore difficult to indicate whether the courts would follow a narrow approach involving the “common field of activity” requirement and the “actual damage” requirement or the more flexible approach existing mainly in Australia. It can however be noted that in both countries the concept of “business” is interpreted broadly, since it includes professions and non-trading activities, such as artistic activities.

3. Special statutes

Supplementary special statutes

In Australia, some acts of “unfair competition” may also be restrained by the Trade Practices Act (TPA) 1974; this Act provides mainly for consumer protection measures and it is held to confer private rights of action, not only for corporate bodies but also for individual personalities, with a view to preventing misleading or deceptive conduct. One of the interesting aspects of this Act is that it contains no requirement of having a business reputation in respect of particular goods or services. Furthermore, unlike the common-law tort, the remedies provided (civil remedies) do not require actual damage to the plaintiff’s goodwill, or the likelihood of it, to be shown.

Two sections of this Act may be cited: Section 52(1), which provides that “a corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive” and Section 53, which provides *inter alia* that “a corporation shall not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services ... (c) represent that goods or services have sponsorship, approval ... they do not have; (d) represent that the corporation has a sponsorship, approval or affiliation it does not have.”

An example of the use of the Act in the context of personality merchandising is provided by the case of Hutchence (trading as INXS) v. South Sea Bubble Co Pty Ltd (1986), where it was held that the unauthorized sale of T-shirts bearing the indicia of a pop group, INXS, contravened Sections 52 and 53 and amounted to passing-off, even though the shirts bore a disclaimer of any authorization from the group.

In Canada, there is a statute referred to as the Competition Act, which contains provisions relating to deceptive marketing practices as well as the maintenance of competition. While the Act as a whole contains both criminal and non-criminal provisions, the provisions relating to marketing practices (including testimonials) are criminal in nature. In essence, the Act makes it a criminal offense to represent to the public that a person has tested a product or to publish a testimonial unless such a representation or testimonial has been previously published by that person or that person’s approval has been previously published by that person or that person’s approval has been received.

In France, there are a number of statutes relating to consumer protection, for example, the “Lot Royer” of 1973 which prohibits misleading advertising.

In India, very famous persons, although to a limited extent, may invoke the Prevention of Improper Use Act 1950, which provides for a list of names, emblems and the like which are not to be used in the course of trade.

In the United Kingdom, the Trade Descriptions Act 1968 provides for criminal liability where false trade descriptions are used. Trade descriptions are defined to include approval by any person or conformity with a type approved by any person. “False trade description” is defined to include a false indication that any goods (or services) comply with a standard specified or recognized by any person or implied by the approval of any person.

Special statutes

In the United States of America, there is no one federal law specifically devoted to unfair competition. However, the concept of unfair competition resides both in federal antitrust laws and in other federal statutes, most notably those relating to works protected by copyright, trademarks, patents and designs. With respect to character merchandising, Section 43(a) of the Trademark Act of 1946, as amended in 1988 (Lanham Act), provides significant remedies for acts of unfair competition outside the federal antitrust laws.

Many States within the United States of America have their own unfair competition laws. However, Section 43(a) of the Lanham Act creates a federal remedy for making a false designation of origin, or any false description or representation. In that respect, reference is made to the *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* case in 1989⁶ of which the following part can be quoted: “Indeed, there are affirmative indications from Congress that both the law of unfair competition and trade secret protection are consistent with the balance struck by the patent laws. Section 43(a) ... creates a federal remedy for making ‘a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same ...’; Congress has thus given federal recognition to many of the concerns which underlie the state tort of unfair competition ...”

In that respect the *Hirsch v. S.C. Johnson & Sons* case⁷ can be mentioned. Elroy Hirsch, also known as “Crazy Legs,” a prominent American football player, appeared in several commercials both during and after his football career. The nickname “Crazy Legs” appeared in each commercial. He sued a manufacturer who was using the name “Crazy Legs” for a shaving gel. The Court sustained Hirsch’s claim of infringement, since the name “Crazy Legs” was used to identify Hirsch in his business or occupation, and the unauthorized use of that name caused the public to mistakenly assume that Hirsch had approved of or sponsored the manufacturer’s goods.

Section 43(a) is not to be confused with Section 32, which provides a cause of action based on infringement of a registered trademark. Section 43(a) is broader in scope, contemplating causes of action not necessarily being based on a trademark registration in the United States of America. As an example, the Supreme Court of the United States of America recently made clear, in the *Two Pesos, Inc. v. Taco Cabana, Inc.* case,⁸ that infringement of either unregistered trademarks or trade dress creates a cause of action under Section 43(a) and that such marks or trade dress should receive essentially the same protection as those that are registered.

The Supreme Court in the *Two Pesos* case mentioned in the preceding paragraph approved the application of established trademark law analysis in the United States of America to the areas of trade dress and unregistered marks. In the area of character merchandising then, likelihood of confusion as to source (likelihood of confusion) and secondary meaning are quite relevant.

4. Specific unfair competition laws

⁶ 489 U.S. 141, 103 L.Ed. 2d 118, 109 S.Ct. 971, 9 USPQ2d 1847, 1858 (1989).

⁷ *Hirsch v. S.C. Johnson & Sons*, 90 Wis. 2d 379, 280 H.W. 2d 129 (1979).

⁸ 112 S. Ct. 2753, 23 USPQ2d 1081 (1992).

One of the first countries which codified the subject of unfair competition was Germany with the 1909 Act Against Unfair Competition which, although amended, still governs the matter today. This Act is characterized by two general clauses, the first according to which all acts contrary to honest practices give rise to relief, and the second prohibiting misleading advertising. Those general clauses are supplemented by a number of specific rules relating to particular acts of unfair competition. In the context of merchandising, the first general clause is relevant in part since it may relate to practices such as unfair product copying, creation of confusion with regard to competitors and imitation of advertising campaigns; the second general clause is also relevant in part since it may concern misleading acts on commercial origin such as the creation of confusion in the marketplace on the origin of goods or services.

It should furthermore be noted that unfair competition law may be available to provide, in some cases, extended protection to works or elements already protected by an intellectual property right (for example, to extend the scope of similarity of goods or services) and to provide protection for works or elements which are not independently protected as intellectual property rights. However, in the former case, it should be considered as an exception since the general clause contained in Article 1 of the Act is not intended to confer additional exclusive rights already afforded under intellectual property. In the latter case, when a sign, character or name does not enjoy specific independent protection, its use is normally free unless it is considered unfair or dishonest.

An act will be considered contrary to honest practice where a defendant takes advantage of the success achieved by the owner of a sign or creator of a work following financial investment and advertising. The potential infringer appropriates another's success and impedes the licensing activities of the rightful owner, even if the latter does not enjoy trademark rights or copyright. For example, the beneficiaries of the French appellation of origin "Champagne" were able to enjoin the use in advertising of slogans such as "Perrier-as elegant as Champagne" or "Perrier-the Champagne of mineral waters" by the German importer of the mineral water Perrier. It was considered that the defendant had unfairly exploited a reputation. This decision shows therefore the importance of the notion of "reputation" and, in the context of merchandising, the exploitation of the popularity of a character will not be considered unfair where the character is not already considered as well-known.

Another important point is that, in principle, a "common field of activity" between the parties involved is required. However, the courts recognize that the possibility of exploiting a character by way of merchandising creates a competitive relationship between the owner of the rights in the character and the unauthorized user if the owner intends to merchandise the character himself. A "common field of activity" will exist whenever the commercial exploitation of the reputation of a sign or character can reasonably be expected.

This principle can be illustrated in the Bambi case (1960).⁹ The defendant was a chocolate manufacturer who had registered the trademark "Bambi" at a time where the fictional animal character was already popular through the Walt Disney film entitled "Bambi." When the plaintiff, Walt Disney Inc., licensed in Germany the use of the image of Bambi to another chocolate producer, the defendant invoked his trademark to restrain the use of the image of Bambi by the authorized licensee. The plaintiff succeeded in obtaining an

⁹ BGH Grur 1960, 144.

injunction on the basis that the registration “Bambi” as a trademark was unfair since it not only exploited the popularity of the character created by the plaintiff, but also prevented the latter from exploiting copyright in the figure by way of licensing the representation of Bambi through product promotion (at least in respect of confectionery). It was therefore considered that the use of the figure would have been associated by the public with the name “Bambi” registered as a trademark, and would consequently have been confusing. Finally, it can be said that the misappropriation theory is also relevant to this case.

It should furthermore be noted that unfair competition law may also be available if the use of a character as a product endorsement falsely implies a business connection between the business of the plaintiff and the goods of the defendant. In that case, the public may expect the goods, which it associates with the business of the plaintiff, to be of a certain quality which they in fact do not have.

As regards titles (including the name of a character and even in the case of a single printed work), protection under unfair competition law will be available if the titles are distinctive and if the unauthorized use gives the confusing impression that the owner of the work might have approved it. For example, the author of a book could enjoin a film company from using the title of the book for a film in no way related to the book if the public might be led to believe that the film was an adaptation of the content of the book.

A number of countries, such as Japan, have also enacted specific unfair competition laws. The Unfair Competition Prevention Act 1934 contains a list of specific prohibited practices but no general clauses. In the context of merchandising, the most relevant prohibited practices are those which lead to confusion concerning goods and business as well as false representation concerning the place of origin. The important feature of the Act is that it prohibits the use of a name, symbol, trade name or trademark of another which is likely to cause confusion as to the source of goods, a business establishment or activities. Therefore, both the owner of the copyright in a fictional character and his licensee can seek remedies against persons having misappropriated the character for their goods or business if evidence of confusion (or threat of confusion) is shown. Confusion will exist when there is a misrepresentation of the businesses of the plaintiff and defendant as being the same, or of there being a relationship between the parties.

However, there is also in Japan the important condition that the character be well known. In practice, the Act will therefore rarely be available in the case of new characters or characters recently originating from outside Japan. This can be illustrated by the *KK Poppy v. KK Naki Shoten Etal* case (1976), where a company had produced a television series entitled “Kamen Rider” with human characters named “Kamen Rider” and “Kamen Rider V3.” The plaintiff had transferred the exploitation rights (including merchandising of the “Kamen Rider” characters) to a company which, in its turn, licensed the manufacture of “Kamen Rider” plastic dolls to another company. All those companies sought to enjoin the use of the “Kamen Rider” characters by many unauthorized users. The court considered that there was no case for unfair competition, since the characters involved were not yet sufficiently well known to be individually identified.

Other Forms of Protection

1. Protection against defamation or libel

In the United States of America, a public figure may bring an action for defamation only if the defendant had knowledge that the statement he was making was false and that it defamed the public figure.

In Canada, the recognition of the tort requires a falsehood and a depreciation of the value or worth of the plaintiff in the eyes of the public (whether the plaintiff is a public figure or an ordinary citizen).

In the United Kingdom, the use of a person's name or appearance without authorization may not be the basis of a defamation action unless some specific, recognized form of injury is proved.

The Tolley v. Fry case¹⁰ will illustrate what is understood by injury in the context of an unauthorized use for commercial purpose. The image of a well-known golf player had been used to advertise chocolate. The plaintiff sued the chocolate manufacturer on the basis of the law of libel and argued that the advertisement carried the implication that the golfer had accepted money in return for agreeing to appear in the advertisement, which would have constituted a breach of his amateur status. He was therefore able to claim that the implication was defamatory for his name and reputation. It is considered that the specific facts of this case implied defamation, but that, in principle, the mere use of a person's name or image for promotional purposes is not as such defamatory. Therefore, in the United Kingdom, the marketing of a product bearing the name of a well-known personality without his consent is not defamatory unless he can show that his professional reputation is damaged. However, such marketing may in some circumstances be enjoined with a passing-off action.

2. Invasion of privacy

In France, a specific provision exists to reinforce personality rights, namely Article 368 of the Criminal Code, which provides that the voluntary invasion of a third person's privacy constitutes a criminal offense (subject to fines or imprisonment). The offense is committed by listening to, recording or transmitting words which are spoken in private without the consent of the persons concerned, and by printing or transmitting the photograph of such a person. This provision could probably be used against magazines which publish the contents of celebrities' private conversations held during an event which has been filmed and where the contents of the conversation are obtained with the help of lip readers.

In Japan, the right of privacy is based on the notion that people suffer harm when their names are abused or their portraits are shown by others; this right safeguards the moral interest that an individual has in his or her name and image. It should however be noted that the scope of the protection afforded under the right of privacy will be reduced when it concerns individuals who are in the public eye (politicians, actors, musicians), since it is considered that those persons have given a blanket license for their names or images to be

¹⁰ 1931. AC 333.

used in the public domain.

In the United States of America, the same limitation of the scope of the right of privacy exists, in the case of celebrities, where those persons cannot rely on invasion of privacy (or the right to be left alone) to control their “merchandising rights.” Interestingly, both in Japan and in the United States of America, another right has developed, known as the “right of publicity” (see developments, below), which guards against commercial injury caused by depriving the celebrity of the financial benefits of the exploitation of his or her name or image.

In Chile, the law of privacy provides for a right to respect for the public and private life of an individual. However, for persons entering the public domain, protection is only granted over features which are not already freely available in the said public domain. Furthermore, as will be seen, the courts have also reduced the possibility for celebrities to control and prevent unauthorized commercial use of their attributes.

It is considered that most common-law countries have no law on privacy protection as such and, in principle, no property right is recognized in a name.

In the United Kingdom, there are some legal means of protecting privacy (for example, breach of faith in the case of a contract between a person portrayed in a photograph and the photographer who uses prints of the photograph for advertising purposes).

In Australia, a bill (the Unfair Publication Bill) which followed the Australian Law Reform Commission Report (“Unfair Publication: Defamation and Privacy”) has been introduced (see developments, below).

In Canada, while several provinces recognize the tort of appropriation of personality (see developments, below), only four provinces (British Columbia, Saskatchewan, Manitoba and Newfoundland) have enacted privacy laws. The law of British Columbia, in its Section 3(1), makes it an actionable tort to violate the privacy of a person, including the use of the name or portrait of another, without consent, with intent to exploit the name or image of that person in advertising or promotion (unless the use is merely for the purpose of reporting current affairs). For the other three provinces, the person whose name or portrait is used must be identified or identifiable, and there should be a clear intention to exploit the personality of another without consent. There are however several limitations, since the rights are restricted to living persons and are personal (not transferable or licensable). In general, celebrities will probably prefer to rely on the common-law tort of appropriation of personality.

3. Personality and publicity rights

The countries can, in this respect, be divided into two categories: countries where personality rights as such are recognized in the Constitution or Civil Code or by way of special statutes relating to the appropriation of personality (such as Chile, France, Germany, Australia and Canada) and countries which have developed a specific right of publicity (such as Japan and the United States of America).

Although the subject matter and the scope of protection vary in each country, the general protection which is available (whether through personality or publicity rights) amounts to enabling persons to control the commercial use of their essential personality attributes (name, image, voice, etc.).

(a) Personality rights

In Chile, the Civil Code and the Bill of Rights of the Constitution protect the personal attributes of real persons during their lifetime. Those provisions have been restrictively interpreted by the courts which consider that personality rights should not be considered as property rights. Those provisions, if useful to protect privacy, are less relevant in respect of the commercial use of personality attributes. For example, in 1982, a team of famous footballers, relying upon the personal attribute rights, failed to prevent the unauthorized use of their image. It was considered that the fact that the plaintiffs were in the public eye meant that they had no right of action against such use (unless through privacy rights or, if available, intellectual property laws). Ethically, the court considered that the notion of merchandising a person's name and image cheapened the rights provided for in the Constitution, and that such a practice should not be encouraged.

In France, personality rights are based on the general principle contained in Article 9 of the Civil Code, which provides that "everyone has a right to respect for his private life." This right survives the death of a person as regards respect for his or her memory. The courts have defined the features of personality as including the name, voice, image and likeness, which may not, without consent, be the subject of commercial exploitation. Personality rights may be invoked even where consent has been given, but the use goes beyond what has been authorized. Furthermore, the scope of protection extends to indirect use by means of look-alikes or caricatures.

Several examples will illustrate the scope of protection afforded under personality rights: as regards politicians, President Georges Pompidou was able to prevent the use of his image for the advertising of an engine for a boat; President Valéry Giscard d'Estaing was able to prevent the use of the name "Giscarte" and the use of his image (caricatured as famous historical persons) for a set of card games. As regards an ordinary citizen, a farmer, who had authorized the publication of his photograph for a study on French families, was awarded damages for the use, without his consent, of the same photograph on a poster by a political party. As regards the likeness of an actor, Gerard Depardieu was awarded damages for the moral prejudice he had suffered because of the use, without his consent, of a look-alike in an advertisement for chocolate. The court indicated that the public could have believed that the actor had given his consent for his image to be associated with chocolate and that he had received remuneration for such an advertisement. As regards the voice of a person, an actor, who had a very distinctive and recognizable voice, obtained damages because of the advertising of a product with a voice which imitated his own voice. Finally, as regards the exploitation of the image of a sportsman, a photograph agency had sold photographs of professional football players to an advertising agency. One of those photographs, where a particular footballer was recognizable, was used in advertising without the consent of the latter. The court considered that there was no breach of the moral rights the plaintiff had in his image, since the photographs had been taken in public surroundings while the plaintiff was exercising his professional activity. However, since there was no consent from the plaintiff to the advertising use of his image, he could claim a breach of his economic rights

and be entitled to an indemnity.

A final question relates to the commercial exploitation of the essential attributes of a deceased person. In a recent decision (Claude François case, Appeal Court of Paris, June 7, 1983), the court clearly stated that while the heirs were entitled to protect the memory and honor of a deceased celebrity, they were not entitled to transfer to a third person the right to commercially exploit the image of the deceased person, since the right to a person's image was an attribute of his or her personality and not an economic right.

In Germany, the general personality right is contained in the Civil Code, and has been defined as the exclusive right of the individual to be respected as a human being by the State as well as by other members of society. A real person is protected against the misuse of his name, picture, image, likeness or voice through exclusive personality rights, some of which (name, image and portrait) have been given special treatment.

With respect to the right to the name, the principle is that the lawful owner of a name can prohibit misappropriation of his or her name by an unauthorized user (irrespective, according to a broad interpretation by the courts, of whether the name is private or commercial). The notion of "name" covers stage names, pseudonyms and any other distinctive designation, sign or emblem which is inherently distinctive or has acquired distinctiveness through its use. The protection relates to the illicit commercial exploitation of the name. However, it should be noted that, in some instances, the general personality right may provide for broader protection than the right to a name (for example, when an advertisement merely states that person X uses product Y).

As regards the right in respect of the image or portrait of a person, it should be balanced with the public's right to information (which does not extend to private, commercial or advertising purposes or use contrary to the legitimate interest of the person). In principle, the image and portrait can only be distributed or publicly exhibited with the consent of the person and, during a period of 10 years following the death of the person, with the consent of the next-of-kin of the deceased.

As for the general personality right, it constitutes an absolute individual right and is therefore protected by the law of torts and by Article 823(1) of the Civil Code, which stipulates that anyone who negligently violates an exclusive individual right is liable for damages. However, here also the public has a right to information. In practice, the general personality right has been successfully invoked against the unauthorized use of a name, a real voice or an imitation of a voice in advertisements. It should further be noted that this right survives also after the death of the person concerned. Finally, if personality rights are not transferable because they are tied to an individual, the latter may waive the assertion of his rights and give his consent to the use of his personality features.

In other countries, the violation of a personality right constitutes the tort of appropriation of personality.

In Australia, the Unfair Publications Bill contains clauses which could amount to misappropriation of personality rights and which, if the Bill becomes a law, could prove to be most relevant in the context of personality merchandising. For example, the proposed Section 22 provides that "(1) a person shall be regarded as having appropriated the name, identity or likeness of another person if he, with intent to exploit for his own benefit, the

name, identity, reputation or likeness of that other person and without the consent of that other person, publishes matter containing the name, identity or likeness of that other person - (a) in advertising or promoting the sale, leasing or use of property or the supply of services; ...” In this respect the Bill also contains a limitation relating to the publication of mere information or comments on a person.

In Canada, it is considered that common law “contemplates a concept in the law of tort which may be broadly classified as appropriation of one’s personality.” This tort was recognized in the Province of Ontario in the *Athans v. Canadian Adventure Camps Case* (1977), and later in the province of British Columbia. Personality will be considered appropriated if the plaintiff can establish that the public is likely to identify him and that the usurpation or culpable taking of his identity is tantamount to the exploitation by the defendant of the celebrity’s reputation (by suggesting the celebrity’s endorsement of the product concerned). One of the aspects of this tort would be the unauthorized commercial use of the representational image of a person. However, it should be noted that two questions remain to be answered: first, the availability of the tort after the personality has deceased and, second, its availability to an ordinary citizen.

The only province in Canada where a complete personality right (probably even broader than in France or Germany) is available is Quebec which recognizes a proprietary right in a personality limited to rights having an economic value. It also recognizes moral rights (protection of a person’s honor, dignity and reputation) which are available also to ordinary citizens and which may, at least as regards the name of a well-known person, be protected after his death.

An example of the application of this right is the *Deschamps v. Renault Canada* case,¹¹ where an injunction was granted to two well-known entertainers to restrain the defendant from using their photographs in association with a Renault car. The reasoning gives a very clear indication in respect of the broad protection of personality merchandising, since it provides that “...the names and likenesses of petitioners involve property rights which they are free to exploit commercially or to refrain from doing so and equally free to decide the conditions under which such exploitation shall take place... it is clear from the evidence that their names and likeness have a real commercial value capable of being translated into money terms. Specific proof was made as to the remuneration paid to the petitioners for their publicity services by various distributors of commercial products and services. Moreover, in this day and age, it would be hard for any court not to take judicial notice of how common it is for film stars and other public figures to lend their names and talent to commercial promotion. ... Now if the right of commercial exploitation of a film star’s name and image is a property right, a real right in property which is capable of yielding a financial return, then it cannot be appropriated or used by anyone without the consent of its owner.”

(b) Right of publicity

This right developed in the United States of America, since it was considered that the commercial exploitation, without consent, of a celebrity’s personality features could not amount to the invasion of privacy, because it involved neither intrusion nor public disclosure

¹¹ (1977) 18 C de D 937 (Mtl SC)

nor misuse of confidential information. Some jurisdictions therefore recognize a property right in the name or likeness based on the view that unauthorized use of those features violated the right to their commercial exploitation. It is important to note that the right of publicity tort is available in the case of personality merchandising (whether the person whose attributes are advertised or promoted is a celebrity or not) if the person is real and still recognizable and also in the case of image merchandising where the audiovisual character is strongly associated with the actor himself.

The legal origin of the right of publicity can probably be found in the *Haelen Laboratories Inc. v. Topps Chewing Gum* case,¹² which recognized a property right in the exploitation of a celebrity's image to a chewing gum producer to whom a baseball player had granted the exclusive right to use his photograph, and who was able to prevent the use of the same player's image by a competitor.

The protection afforded under the right of publicity can extend to distinctive theatrical presentations including distinctive voices (*Lahr v. Adell Chemical Co.*¹³), distinctive literary characterizations (*Lone Ranger, Inc. v. Cox*¹⁴), as well as to celebrity look-alikes (*J. Onassis v. Christian Dior* case in 1984) and representational drawings of celebrities (*Muhammad Ali v. Playgirl* case in 1978).

Another problem relates to the survival of the celebrity's right of publicity after his death in relation to the further commercial exploitation of his personality features. Most court decisions endorse the "inheritability" of the right of publicity, but the exclusive right of an heir will usually depend on whether the celebrity had exercised it during his lifetime. For example, in the *Bela Lugosi v. Universal Pictures* case,¹⁵ the court held that Lugosi's heirs were not entitled to share in the income derived from licensing the Count Dracula character (as played by Lugosi), since Lugosi in his lifetime had never used his name or likeness as Count Dracula in relation to any business, product or service. In the *Groucho Marx Production Inc. v. Day and Night Company* case,¹⁶ in a first instance, it was held that the Broadway musical "A day in Hollywood, A night in Ukraine" simulated (by use of look-alikes) the unique appearance, style and mannerisms of the Marx Brothers, and therefore violated their rights of publicity, this decision being reversed on appeal, since it was considered that the producers of the musical had not exploited the image of the Marx Brothers on goods or services which had been exploited by the Marx Brothers during their lifetime.

Many states have enacted a statutory right of publicity and/or privacy, which sometimes overrules some of the decisions taken by the courts. For example, the California Civil Code provides for damages for the unauthorized knowing use of another's name, voice, signature, photograph (where the person is readily identifiable) or likeness, in any manner, on or in products, merchandise or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without the person's prior consent. It appears that this statute will probably not protect against the use of look-alikes (see, however, the *Milder v. Ford Motor Co.* case¹⁷ which establishes commercial tort with respect to the use

¹² (1953) 202 F.2d 866 (2d Cir.), cert. denied, 346 U.S. 816.

¹³ 300 F.2d 256, 132 USPQ 662 (1st Cir. 1961).

¹⁴ 124 F.2d 650, 52 USPQ 146 (4th Cir. 1942).

¹⁵ (1979) 25 Cal.Sd 813, 160 Cal. Rptr., 603 P.2d 425.

¹⁶ SDNY 1981) 523 F. Supp. 485; (2d Cir. 1982) 689 F.2d 317.

¹⁷ 849 F.2d 460 (9th Cir. 1988).

of a celebrity sound-alike). The statute further codifies the transmissibility of the right after the death of the person. California provides a common-law right of publicity for areas not covered by the relevant statute. The New York Civil Rights Law, in Sections 50 and 51, is narrower in scope since it relates only to the name, portrait or picture of an individual and courts have strictly construed those provisions which do not apply to imitations of a celebrity's style of performance or personality.

In Japan, the right of publicity has also been recognized. It aims to protect the economic or commercial interest of public figures (which therefore, apparently makes it narrower in scope than in the United States of America) in their main personality features. This right was first recognized by the courts (Mark Lester v. Tokyo Daichi Film case in 1976 where the image and name of an actor were used, without his consent, on advertisements).

Remedies

1. Injunction

With respect to both a preliminary or final injunction, it may in some countries (such as Germany) be enforceable with the mandatory payment of a penalty fee for not obeying the court order, which becomes payable without further intervention by the court. In other countries (such as France), a court may decide at the same time that the continued perpetration of an infringing act should be prohibited (notwithstanding the simultaneous payment of damages, whether symbolic or not), and that, if the act continues as from a fixed date, a daily penalty fee will have to be paid to the plaintiff. Finally, in other countries (for example, Australia, India, the United Kingdom and the United States of America), the failure to meet a court order may constitute a civil or possibly criminal contempt of court.

2. Damages

In Australia, it has been considered that the plaintiff is not required to point to a particular loss, to quantify a diminution in license royalties or to demonstrate that he could not negotiate a license on such favorable terms as he otherwise might. The mere presence of unlicensed goods on the same market as the plaintiff's, and the deception as to their authenticity, lead properly to an interference, so that the plaintiff's business is bound to be adversely affected in some way.

In the United Kingdom, both in infringement and passing-off actions, the plaintiff can claim, instead of actual damage, an account of the profits gained by the defendant on the ground of unjust enrichment.

In Germany, the principle of the payment of a fictitious license fee was applied in the Familie Scholermann case in 1960, where stills from a television series showing the main actors, who were well known as the "Scholermann family," were used without their consent by a television set manufacturer for his advertising material.

Requirements in Respect of Agreements

1. Trademarks

(a) Assignments and transfers

The laws of most countries provide that a trademark registration can be transferred or assigned with or without the goodwill of the business concerned with the goods or services for which the registration has been made. Several exceptions should however be noted:

In Germany, under the present trademark law, assignment is only possible together with the business or part of the business to which the trademark relates.

In the United States of America, the trademark is assignable in connection with the goodwill of the business in which the trademark is used or with that part of the goodwill of the business connected with the use of and symbolized by the trademark.

Furthermore, even in countries which provide for so-called “free transfer,” some limitations exist when the assignment is made without the goodwill.

In Australia, the assignment may be invalidated if the trademark is not used after a certain period following the assignment, or if it is identical or very similar to a trademark still in the hands of the assignor (and therefore not “associated” with the assigned trademark) and still used by him.

Most countries provide that, to be effective or binding on third parties (in the United States of America, to be valid against a subsequent purchaser without notice and, in India, to be in principle admitted in the court as a proof of the title to the trademark), an assignment contract, which should be in writing, should be registered (or recorded) in the relevant register kept by the competent authority.

Some countries, for example, Germany, provide that, to be registered, the assignment deed should, if appropriate, be authenticated by a notary public and legalized.

(b) Licensing agreements

As regards licensing agreements (or applications for registered users in Commonwealth countries), it is usually provided that such agreements may be registered or recorded subject to conditions which are similar to those applicable to transfers and assignments.

Germany, however, has no provision relating to license agreements. It is considered that a license does not confer absolute rights on the licensee since the agreement is valid only inter partes. Therefore, a licensee is not in a position to exclude, independently, third parties from an unauthorized use.

In other countries (for example, France, Japan and the United Kingdom) an exclusive licensee may, independently, bring an infringement action only if the license agreement is registered or recorded.

As regards the contents of a license agreement (and mainly with respect to the registered user system), some control may be exercised by the competent authority. For example, in India, the holder of the trademark should have reasonable control over the use of the trademark; in Australia, the holder should furnish a statutory declaration indicating the relationship between the parties involved, the degree of control over the use of the trademark, the goods or services covered, etc.

2. Industrial designs

In most countries the transfer, assignment and licensing of registered industrial designs is possible. The registration or recording of the agreement is generally more restricted than in the case of trademarks because in some countries the provisions on designs refer to those applicable to patents.

In India an assignment will only be valid if it registered within a period of six months in default of which the assignment will be considered void *ab initio*.

3. Literary and artistic works (Copyright)

Agreements such as assignments or licenses may only relate to the economic or exploitation rights, while the author of the work retains his moral rights. It should however be noted that, in some countries (such as France), the courts may in some ways limit those moral rights so as to avoid their unjustified exercise by the author being detrimental to the necessities of industrial manufacturing and marketing and contrary to the obligation assumed by the author in the license that he gave for the merchandising of a character.

This can be illustrated by the Colargol case,¹⁸ where the authors had assigned their economic rights and were complaining about the goods (yoghurt and mustard pots, etc.) reproducing their character (a bear), the inferiority of which was prejudicial to the character. The court considered that such goods, appreciated by children, were not prejudicial to the character and that the author could not therefore invoke his moral rights.

The question of the registration or recording of agreements relating to copyright is closely related to the question of the registration of the work itself.

Some copyright laws are silent on the registration or recording of agreements (Australia, Germany, Nigeria and the United Kingdom); others provide that agreements may be registered or recorded (in Canada, grants of an interest in a copyright either by assignment or license with the effect of *prima facie* evidence, and in the United States of America, “amplifications” of works, may be registered); still others provide that some or all agreements should be registered (in Chile any transfer, in whole or in part, of copyright or connected rights, on whatever basis, should be registered, and in France the registration of transfers of rights in respect of audiovisual works is mandatory); finally, there are countries such as Japan where the registration of transfers is not obligatory, but where they should be registered to be effective against third parties.

¹⁸ Appeal Court of Paris, April 26, 1977, RIDA 131.

The concept of transfer of copyright is not recognized as such in all countries.

In Germany copyright is not transferable as such, but the author may grant exclusive or non-exclusive licenses. Furthermore, the author is protected by the “purpose of grant” doctrine. In essence, it is considered that if, in a license agreement, the permitted manner of exploitation of a work is not fully and expressly stated, it is deemed that only those modes of exploitation which are within the purpose of the agreement are covered by the license.

In France, a written contract is necessary for assignment of economic rights, and that contract should specify which rights are assigned. For example, assignment of the reproduction right does not imply assignment of the performance right and vice versa: the right to perform a play does not give the right to publish it. The total transfer of an economic right is limited to the types and forms of exploitation specified in the contract; therefore, if performance on television is not specifically mentioned it will not be covered by the agreement.

[Annex II follows]

Legislative Texts

Country	Texts
Australia	Copyright Act of 1968, as amended in 1986 Trade Marks Act 1955, as amended in 1987 Designs Act 1906, as amended in 1981 Trade Practices Act 1974, as amended in 1981 Unfair Publications Bill
Canada	Copyright Act, as amended in 1988 Trade Marks Act 1970, as amended in 1983 Industrial Design Act 1970 Quebec Civil Code of 1866 (Article 1053) Quebec Charter of Human Rights and Freedom (Articles 4 and 5) Ontario Business Practices Act, Chapter 55 Privacy Act of British Columbia, 1979 (Sections 1 and 3) Privacy Act of Saskatchewan, 1978 (Sections 2 and 3) Privacy Act of Manitoba, 1987 (Sections 2 and 3) Privacy Act of Newfoundland, 1981 (Sections 3 and 4) Competition Act 1985 (Section 53)
Chile	Copyright Law of 1970, as amended in 1985 Law instituting the Rules Applicable to the Titles of Industrial Property and to the Protection of Industrial Property Rights of 1991 Civil Code (Article 2314) Bill of Rights of the Constitution Law of Privacy Law of Defamation
France	Copyright Law of 1957 Copyright Law of 1985, as amended in 1986 Trademark Law of 1991 Industrial Designs Law of 1909 as amended in 1990 Civil Code (Articles 9 and 1382) Penal Code

Note: Translations of the titles of the legislative texts are not official.

Country	Texts
Germany	Copyright Law of 1965, as amended in 1985 Trademark Law of 1968, as amended in 1979 Designs Law of 1876, as amended in 1986 Unfair Competition Law of 1909 as amended Civil Code
India	Copyright Statute of 1957 as amended in 1984 Trade and Merchandise Marks Act, 1958 The Design Act 1911 as amended in 1970 The Monopolies and Restrictive Trade Practices Act of 1969, as amended in 1985 Prevention of Improper Use Act 1950
Japan	Copyright Law of 1970, as amended in 1991 Trademark Law of 1959, as amended in 1987 Design Law of 1959, as amended in 1987 Unfair Competition Law of 1934, as amended in 1975
Nigeria	Copyright Decree of 1988 Trade Marks Act of 1965 Patents and Designs Decree of 1970
United Kingdom	Copyright, Designs and Patents Act of 1988 Trade Marks Act of 1938, as amended in 1986 and 1988 The Trade Marks Act, 1994 The Registered Designs Act, 1949, as amended in 1988 The Trade Descriptions Act 1968 (Section 3(4))
United States of America	The Code of Laws of the United States: Title 17, Copyright, as amended in 1991; Title 15, Trademarks, as amended in 1988; Title 35, Sections 171 to 173, Designs. Federal Trade Commission Act of 1914, as amended Privacy Statutes of California and New York

Regional Legislation	Texts
European Communities	Council Regulation (EC) of December 20, 1993 on the Community trade mark First Council Directive to Approximate the Laws of the Member States Relating to Trade Marks, 1988.

[End of Annex II and of document]