

Developments in character merchandising

Patrick Fair examines some recent cases in this area and suggests the scope for such claims is narrowing

Recent decisions on the common law action of passing off and misleading or deceptive conduct under section 52 of the Trade Practices Act illustrate the developing sophistication of the law in the area of character merchandising.

Since the landmark decision in *Henderson v Radio Corporation* (1960) it has been recognised in Australia that the action of passing off can be used to prevent the unauthorised use of a valuable commercial reputation. In that case, a photograph of the Hendersons, a couple renowned for professional ballroom dancing, appeared on an album of dance music without their permission. The full Court of the New South Wales Supreme Court found that the Hendersons had a valuable reputation as ballroom dancers and the use of their photograph amounted to a passing off of the dance album as being associated with or endorsed by them.

Common activity

The English Courts have limited the scope of the action by application of a common field of activity test. The doctrine first appeared in *McCulloch v May* (1948) where a morning radio announcer broadcasting under the name "Uncle Mac" sued the manufacturers of shredded wheat breakfast cereal marketed under the name "Uncle Mac". In that case, the lack of any common field of activity led to the failure of the plaintiff's action.

Australian courts have rejected the application of a common field of activity test as such on the basis that the real question is whether consumers are likely to be misled regarding a connection between the goods and the relevant character, a matter which leads to a consideration of the fields of activity but which is not solely dependent on such consideration.

An Australian case which highlighted the limitations of passing off and misleading or deceptive conduct actions in character merchandising decided during the 1970's is the case of *Cadbury Schweppes Pty Ltd v Pub Squash* (1980). In that case, the makers of the lemon drink Solo, advertisements for

which featured the vigorous [ed: but tragically unco-ordinated] Solo Man sued Pub Squash for making advertisements which used similar imagery to promote their lemon squash product. The court found that the image of rugged outdoor activity even when used in a commercial context to market a product was not one in which a product owner could obtain a right. The court did not think consumers were misled regarding the origin or endorsement of the products.

Recent cases

A more recent Australian case which further develops the law in this area is the 10th *Cantane v Shostana* (1987) case. Both at first instance and on appeal, the plaintiff failed to restrain use of her name (Sue Smith) by the advertisers of Blaupunkt televisions. The advertisement, showed a woman with blonde hair watching a Blaupunkt television using the remote control. Sue Smith had different colour hair and when the face of the woman in the advertisement was briefly seen, it was not Sue Smith. The court rejected the claim on the basis that Sue Smith would not have been recognised by the audience of the advertisements as the woman in the advertisements particularly because the name Sue Smith lacked distinctiveness. She had a different appearance to the woman in the advertisement and was not widely enough known for it to have been likely that the audience would make any association between the product and the plaintiff. Character merchandising issues were closely considered in two cases involving the first *Crocodile Dundee* movie and a case involving Tracy Wickham. The *Tracy Wickham v Associated Pool Builders* (1988) case involved a dispute over a licence granted by Tracy Wickham to Associated Pool Builders to use her name in relation to the sale of their swimming pools. There was a dispute over whether the licence had been terminated and an argument by Associated Pool Builders that even if it was terminated they had built up a reputation for selling their pools under the name "Tracy Wickham Pools" and were entitled to continue to enjoy that established reputation. The judge rejected the pool

builder's claim. He found that it was acceptable for Tracy Wickham to license her name for a period to be used in relation to a product and, that upon that licence coming to an end, it was misleading or deceptive conduct for the pool building company to continue to use her name without her approval.

Similarly, when Paul Hogan and Rimfire Films (which made the *Crocodile Dundee* movies) sued the proprietors of two shops trading as "Dundee Country" their claim succeeded (*Hogan v Koala Dundee* 1989). In that case the shops sold various Australian paraphernalia marketed under the names and in association with images and names which clearly made a link with the *Crocodile Dundee* film including a character "Koala Dundee" who was dressed as the character Mick Dundee from the *Crocodile Dundee* films, brandishing a large hunting knife of the kind which featured in the first film. Justice Gummow decided an ordinary consumer entering the shop would mistakenly believe business was carried on with the approval of the makers of the *Crocodile Dundee* films.

The Appeal Court second decision in the other Hogan case (*Hogan v Pacific Dunlop* 1988) is a leading case in the area. Pacific Dunlop produced a series of advertisements including a television advertisement and some posters featuring a character who, although clearly not Paul Hogan, was dressed as Mick Dundee and promoted Crosby Leather shoes.

The evidence showed that the advertisements had been produced as a spoof of the movie. The majority of the full Federal Court found that the effect of the ads was immediately to grab the audience's attention by use of the *Crocodile Dundee* imagery and for that reason Pacific Dunlop's conduct in using a spoof of the *Crocodile Dundee* character to promote its products amounted to passing off. In dissent, Justice Shepherd said that there was no misleading or deceptive conduct or passing off because the evidence showed that although consumers were drawn to consider the product by the name or image, none of them really believed the produce was made by anyone other than Pacific Dunlop; Crosby being a well-known brand name and Leather shoes a Crosby product.

A narrowing of the principle

Justice Shepherd's view is similar to the view taken by the High Court of England against the Grundy organization when they sought to restrain the sale of a booklet of photographs of characters from *Neighbours* (*Grundy v Startrain* 1988). Grundy sought to restrain the publication of the booklet on the basis that it misrepresented an authorisation or approval by the program *Neighbours*.

The judge, consistent with the view that has been taken in the United Kingdom cases on this point, found that there was no other way to sell a book featuring photographs of the characters of *Neighbours* other than to describe them as such and that to do so was entirely permissible. When one examined the book one discovered that it was produced by an independent organization. The photographs belong to the publisher or had been printed with the licence of the owner of the copyright. Accordingly, publication of the booklet was not passing off and should not be restrained. The view being taken on this point in the United Kingdom must concern Australian lawyers, particularly having regard to Justice Shepherd's dissenting judgment in the Hogan case.

The most recent decision in the area is the Federal Court of Appeal decision in the Gary Honey case, *Honey v Australian Airlines* (1989) and on appeal (1990). Gary Honey is a champion long jumper who holds a number of Australian and Commonwealth records. He competed in the Commonwealth Games on behalf of Australia and was photographed in full flight during the long jump. The photograph was taken with the permission of the copyright owner and used on posters distributed in schools by Australian Airlines. Australian Airlines had produced a range of posters of various athletes. The poster featuring Gary Honey featured in small letters in one corner his name, description of the event and the words "Australian Airlines". The same photograph was also used by a religious organization of the charismatic church in South Australia called the House of Tabor.

Gary Honey sued Australian Airlines on a character merchandising point. He asserted his image was being used to promote the business of Australian Airlines without his approval. Against the House of Tabor he also argued that he was a Catholic and objected to having his image associated with the House of Tabor and the promotion of its products.

Gary Honey's case failed at first instance and on appeal. On appeal, the court acknowledged that it is possible for someone with a valuable commercial reputation to prevent it being used in a commercial con-

text without their permission. However, the court found that the manner of the use of the photograph in both instances conveyed to an on-looker a vigorous athlete in full flight rather than the personality or reputation of Gary Honey. The court also had regard to the fact that Gary Honey was an amateur athlete who would have been obliged to pay his royalties to the Amateur Athletic Association and to the manner in which both items were distributed: the poster to schools and the House of Tabor's publication to Christian bookshops.

'our law is based on misleading and deceptive conduct and passing off'

The finding for the defendants was made notwithstanding a recognition that Australian Airlines' principle objective in promoting sport in schools is one of improving the goodwill and standing of the company in the community and evidence to the effect that Gary Honey had received sponsorship for promotion of sportsgoods in previous years.

The recent cases demonstrate that our law in the area of character merchandising is based on misleading and deceptive conduct and passing off and not on any recognition of a property in personality or character. In the absence of copyright or registered trademark right which is infringed by the unauthorised use of character, the owner of a valuable character must have a well established reputation and the offending message must be in a manner which conveys a commercial endorsement before the owner can be confident of success.

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Public television in Australia

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public TV, culminating in the Department of Transport and Communications commissioning the Communications Law Centre (CLC) to prepare a major report evaluating the test transmissions and assessing the readiness of public TV groups to provide a sustainable television service.

The Department is now reviewing responses to the report from the public TV

sector and other interested parties. The CLC report concludes that the groups which are ready to provide public TV services, on an interim or test basis, should be allowed to do so and emphasises that TVU in Melbourne, in association with Open Channel, and Metro TV in Sydney are best resourced for this. Most groups are considering setting up consortiums which could accommodate various community organisations and educational institutions. This would assist the financial viability of an alternative new television service.

It is extraordinary that the federal government will shortly decide about the introduction of pay TV services without simultaneously making a long overdue decision regarding public TV.

Local programming

It would be naively optimistic to assume that any pay TV service would accommodate local production (although some aspirant players argue differently), or community and educational programming. The likely scenario of pay TV channels transmitting movies, sport and other entertainment, without a high level of Australian content suggests there is a great need to introduce a public TV service that would create a balance in the overall broadcasting framework and would hopefully provide the missing link in the programming diversity.

The Saunderson Inquiry report *To Pay or Not to Pay*, recommended that pay TV (delivered by cable) should include provision for one channel to be allocated for community programming that would be cross subsidised by a percentage of the operator's gross revenue. This raises the possibility that any Australian public TV service could be partially supported by pay TV.

Meanwhile, the public TV sector continues to argue that the remaining UHF band 4 frequency, Channel 31, should be allocated to public TV. Considerable uncertainty surrounds the government's plans for use of the sixth channel and absence of relevant policy regarding frequency allocation has led to the public TV sector staking a claim.

Ultimately the real prohibiting factor to introducing public TV is the lack of the political will to do so, as demonstrated by successive governments. With a new Minister in Kim Beazley and proposed sweeping reforms to broadcast and telecommunications regulatory regimes it is critical that public broadcasting is fully on the agenda.

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