

II. General considerations

A. Character advertisement

1. Definition of the notion “character”

A character is a fictitious person, able to independently communicate and interact with its surroundings. Fictional characters consist of manifold components that may be classified in different ways.² Most common is the attribution of a name, a physical or visual appearance and personality traits or character features,³ but the presence of all of these features is not imperatively necessary to constitute a character in this sense.

It shall be clarified, that this definition also encompasses characters portrayed by actual actors, visualized by two or three dimensional graphics, literally described, and even lacking visual appearance altogether. Hence “spokes-characters” and “mascots” are covered, and even speech based personal assistance software for cellphones may qualify as character in this sense, as long as it has a distinct personality trait such as witty sense of humour. Furthermore, while this often will be the case, characters must not necessarily be human or anthropomorphic. This definition will cover characters created merely for the purpose of advertisement, and characters originally created for other purposes – most noteworthy entertainment – that are later being used

2 E. Fulton Brylawski, *Protection of Characters – Sam Spade revisited*, 22 Bull. Copyright Soc'y 77, 78 (1974); see also *infra* note 8 at 127.

3 *Id.*; Michael V. P. Marks, *The Legal rights of Fictional Characters*, 25 Copyright L. Symp. (ASCAP) 35, 37-38 (1980); see also Thiele *infra* note 25 at 431; David B. Feldman, *Finding a Home for Fictional Characters: A Proposal for Change in Copyright Protection*, 78 Calif. L. Rev. 687, 690.

for advertisement purposes.⁴ In cases where the border between fiction and reality is fuzzy,⁵ characters will be assumed to be fictitious.

My intent is to approach the topic from a trade mark point of view, thus focusing the analysis on characters that are being used in combination with the marketing of goods and services, independent of the question whether the use may serve the purpose of an indicator of origin. I will refer to all of these practises as “character marketing”.

While this definition covers both characters that were created for the purpose of advertisement and characters that were originally created for entertainment purposes, economic considerations may call for a fundamentally different treatment of those two categories. The term “character merchandising”, may, depending on the definition, refer to a variety of business practises on a spectrum between “the economic exploitation of a character”,⁶ “use of distinctive elements to enhance the promotion or sale of products”,⁷ and the mere decoration of bulk articles with images of popular characters.⁸ According to the definition, the character may or may not serve a designator of commercial origin. Character merchandising is only one of the motivations for character protection, but not the sole one. However, as I will show below, character protection solely for the sake of merchandising may be inconsistent with some intellectual property right's economical foundations.

4 WIPO, *Character Merchandising – Report Prepared by the International Bureau*, WO/INF/108 (Dec.1994).

5 The Marx Brothers, and once-fictitious-turned-real rock icons Spinal Tap come to mind as examples.

6 Matthias Meyer, *Character Merchandising, Der Schutz fiktiver Figuren als Marke [Character Merchandising, The Protection of Fictitious Characters as Trade Marks]*, Europäische Hochschulschriften: Reihe 2, Rechtswissenschaft, volume 3668 (Ger.).

7 See *infra* note 18 at 2.

8 Christian Scherz & Susanne Bergmann, *Character Merchandising in Germany in Character Merchandising in Europe* (Heijo Ruijsenaars ed., 2003), 127-143, 128.

2. Reasons for character marketing

For more than a century, advertisers have been relying on spokes-characters as a means of communication that is able to generate a large degree of customer attention and sympathy while in the meantime transporting marketing messages.⁹

Spokes-characters essentially serve the same purposes as trade marks, namely indication of origin, guarantee of quality and marketing and advertising, the latter with significant advantages towards traditional marks: Studies have shown, that spokes-characters, more so than other vehicles of communication, have an impact customer's willingness to buy, by positively influencing customer's attitude towards a product or brand.¹⁰ Trust in the character as well as sympathy for and attractiveness of the character directly effect the appeal of a product.¹¹ Spokes-characters can be perceived as experts, able to make valid claims or having knowledge on a product's quality, generating trust.¹² Surveys suggest, that children display higher attentiveness when watching commercials in which spokes-characters are involved.¹³ In addition to that, spokes-characters may stimulate nostalgia in consumers who had been exposed to them in an early age. Not unlike TV-shows that are set in the past in the attempt to emotionally bring people back to a "simpler time", marketing characters can profit from this appeal.¹⁴ Long-term use of spokes-characters may

9 Frank Lotze, *Markenmaskottchen – Warum wir bestimmte Werbefiguren nie vergessen* [Spokescharacters – Why Certain Marketing Characters are Never Forgotten], Welt am Sonntag, Jul 22nd 2012.

10 Frank Huber, Kai Vollhardt & Frederick Meyer, *Helden der Werbung? – Eine Untersuchung der Relevanz von Werbefiguren für das Konsumverhalten* [Heroes of Advertisement? – Research on the Relevance of Spokes-Characters for Consumers' Behaviour], Marketing volume 31, no. 03, (2009) (Ger.).

11 *Id.*

12 Judith Garretson & Roland Niedrich, *Spokes-Characters – Creating Character Trust and Positive Brand Attitudes*, Journal of Advertising, volume 33, no. 2 (2004), 25-36 at 27.

13 *Id.*

14 *Id.* at 27 et seq.

trigger customer nostalgia, raising customer's impression of character's trustworthiness.¹⁵

More so than regular brands, they enjoy widespread recognition, and are able to penetrate everyday life by being the subject of conversation, or as one may even say: "The Budweiser frogs and the Taco Bell Chihuahua ... are public figures every bit as ubiquitous in some circles as Oprah Winfrey, Leonardo DiCaprio or William Jefferson Clinton".¹⁶ As opposed to celebrity testimonials, artificial spokes-characters are comparably cheap in maintenance and do not bear the risk of causing negative publicity due to despicable behaviour outside the advertisement context.

In addition to that, they are social-media friendly, facilitating direct communication with individuals on a large scale. Individuals will not have to befriend anonymous undertakings, but more accessible characters.

Particularly as to character merchandising, in the meaning of "the secondary exploitation, by the creator of a character or by a real person or by one of several authorized third parties, of the essential personality features of a character in relation to various goods and/or services, with a view to creating in prospective consumers a desire to acquire those goods and/or to use those services because of the consumers' affinity to that character",¹⁷ another motivation for character advertising becomes evident: If a character has established a reputation in its first domain of use, its owner may capitalize on this reputation in secondary domains of use.¹⁸ Depending on the fame of the characters involved, substantial revenues may be generated with character merchandising. Disney, generating almost as much income in

15 *Id.*

16 See *infra* note 131 at 1732.

17 Heijo Ruijsenaars, *The WIPO Report on Character Merchandising*, Int'l. Rev. of Intell. Prop. and Competition Law [IIC] 1994, 532, 532 (1994); see also *supra* note 4.

18 Heijo Ruijsenaars, *Overview of the Legal Aspects of Merchandising in Character Merchandising in Europe* (Heijo Ruijsenaars ed., 2003), 2.

merchandising as in global movie distribution in 2010, serves as a prime example.¹⁹

While apparently fictional characters have grown substantially in value over the past decades, their owners have responded with creative legal solutions to provide protection for this value and the investment necessary in order to build it up.²⁰ Or, as *Helmland* argues, “aggressive protection is spurred on by the near human quality inherent in these beings.”²¹

3. The need to adapt

While it would be far from the truth to say that conventional trade marks do not change at all, characters are essentially different in two ways: Firstly, a character that is in use, be it in a work of art or as a mere marketing vehicle, is always also evolving in a certain way. Every bit of interaction with its surroundings or with other characters, defines the acting character more precisely, thus ultimately changing it from more vague to more sophisticated. Characters that have been around for a while, reach levels of sophistication far beyond all other categories of trade marks, including those of highly abstract types of nonconventional marks.

In addition to this development, characters have been a major means of market communication since their rise in last century's seventies. Many well-known advertisement characters have clocked in significant amounts of service time. “Mickey Mouse”, “Superman”, “Tony the Tiger” and “Bibendum”²² for example all have been used in commerce for more than 60 years. In view of this tendency towards longevity, adaptation and modernization is an inherent necessity for a multitude of reasons. Firstly, a modern and appealing appearance

19 \$ 28,6 billion, see License! Global Magazine, May 18th 2011.

20 Michael T. Helfland, *When Mickey Mouse is as strong as Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Characters*, 44 Stan. L. Rev. 623, 624.

21 *Id.*

22 A.k.a. “The Michelin Man”.

calls for regular visual streamlining resulting in graphical overhauls. Secondly, on a related note, changes in consumer demand or in the general zeitgeist may require characters to change, in order to maintain their appeal. Mickey Mouse again may serve as a prime example: In his first appearance on the silver screen, “Steamboat Willie”,²³ Disney's rodent behemoth was portrayed in a physical appearance almost identical to the one it has today. Its character traits, voice, and behaviour, however, have changed significantly. And justly so, because nowadays a character force feeding a cow or deliberately torturing multiple animals by abusing them as musical instruments probably would not represent the image and values a family entertainment company is aiming for. Thirdly, new corporate strategies such as new product groups sold by the sign holder may necessitate brand repositioning, resulting in the editing of character features.

The AIPPI recognised this need for adaptation of marketing characters and included a corresponding policy recommendation in the 1993 resolution, calling for the “copyright laws (to) be applied or interpreted, and if necessary modified, to permit protection against minor variations or modifications of the elements used in merchandising.”²⁴

B. Legal considerations on character advertisement

Characters, unlike most other signs used in commerce do not consist of one single, homogenous element, but at best are the coherent composition of a multitude of elements, including the visual appearance and dress style, name, personality traits, background story and upbringing, voice and accent, movement, and behavioural patterns. All of these elements are theoretically capable of being per se distinctive of a character, thus enabling coattail riders to create mental associations with an entire character, by imitating just one of these elements. Furthermore, all of these features can be subject to change due

23 Cf.: *Steamboat Willie*, Disney Brothers Studio (1928).

24 Heijo Ruijsenaars, *Workshop No. 6 – Character Merchandising*, AIPPI Y.B. 1992/III, 348. See also *supra* note 18 at 9.

to modernisation or character development. Moreover, characters are not bound to one single depiction or medium, but can be made accessible by word, writing or graphical depiction, and are accessible to interpretation by actors.²⁵

As I will show below, some regimes award protection to characters per se, meaning to the entirety of features that constitute a character. Other regimes however, most notably the trade mark system, do not recognize the protection of characters as such, necessitating an analysis with regard to every single feature forming the character.

Furthermore, with such a multitude of aspects in question, and cumulative protection under several regimes being in general possible,²⁶ significant overlaps of protection through different regimes of Intellectual Property law may occur. In 1992, the AIPPI issued a resolution on the legal aspects of character merchandising,²⁷ also recommending trade mark protection as primary means to establish character rights. The rationale behind this recommendation is a pragmatic one, since it is often impossible to distinguish between characters that are being used as trade marks, and characters that only augment the eye-appeal of goods.²⁸ At the same time, the AIPPI clarified that character merchandising is not exclusively a trade mark matter.²⁹ Reasons to resort to different regimes of protection include compensation for the lack of a certain type of protection (e.g. copyright protection has expired, so the rights holder resorts to trade mark protection), or a wider scope of protection of a certain regime (e.g. opposed act is covered by copyright fair use, but trade mark provides a remedy against it).

25 See also: Clemens Thiele, *Urheberrechtlicher Schutz für Kunstfiguren – von Odysseus bis Lara Croft* [Copyright Protection for Fictitious Characters – From Odysseus to Lara Croft], Legal Observations of the European Audiovisual Observatory [IRIS], 431, 437 (2004).

26 See also: Boston Professional Hockey Association, Inc. v. Dallas Cap & Emblem Mfg., Inc. 510 F.2d 1004, 1010 et seq. (5th Cir. 1975).

27 See *supra* note 24.

28 See *supra* note 18 at 4.

29 *Id.* at 6.

II. General considerations

As to the legal permissibility of character adaptations, the International legal framework, notably Article 5 Section C paragraph 2 of the Paris Convention³⁰ provides some guidance for the relevant jurisdictions:

“Use of a trade mark by the proprietor in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered in one of the countries of the Union shall not entail invalidation of the registration and shall not diminish the protection granted to the mark.”

The convention thus allows for unessential differences, e.g. the adaptation or translation of marks, and differences in form, so long as these changes do not alter the distinctive character of the mark. The question, whether the distinctive character of a mark is preserved, is to be assessed by the competent national authorities, and will be analysed below.³¹ The convention not only forbids invalidation of the mark, but also diminishment of the protection granted to it, meaning signs altered in accordance with the above criteria must be considered as having been used in their original form.³² Whether the altered form enters into consideration in terms of infringement, depends on the national jurisdiction of the country concerned.³³

In order to be able to treat the different regimes in depth, I shall limit the scope of this paper to the regimes of trade mark, copyright, unfair competition and personality protection or the right to publicity respectively.

C. Economic considerations on character advertisement

The U.S. and the continental European approach to justifying copyright protection vary significantly. While the latter historically emphasises the importance of moral justifications for Copyright protec-

30 Paris Convention for the Protection of Industrial Property Art. 5, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305.

31 Georg Bodenhausen, Guide to the Application of the Paris Convention for the Protection of Industrial Property, Art. 5 (C) 2 (g) (BIRPI 1969).

32 *Id.* at Art. 5 (C) 2 (i).

33 *Id.* See also *infra* note 83.

tion, be those based on Locke's theory that labour creates entitlement to its fruits or on Hegel's considerations, interpreting property as the natural right to man. U.S. scholars traditionally have remained sceptical towards these justifications,³⁴ emphasising the economic justifications underlying copyright protection. The United States economic system is most commonly described by the fundamental notion that public welfare is best advanced by free competition.³⁵ Allowing competitors to freely copy products and services leads to lower costs, better features and reduces prices.³⁶

Both systems share the belief, that artists as well as investors are responsible for the dissemination of the works may be reluctant to invest in creative activities without a regime of decent protection, allowing them to recoup the investment in creation.³⁷ Authors might forego development of their ideas, or distribute works through secret channels – both preventing public benefit from the creation that they otherwise might have enjoyed.³⁸

The copyright system intends to solve this problem by granting artists a limited period of exclusivity, giving them an opportunity to profit from their creativity before facing free competition.³⁹ Theoretically, the duration of protection granted is to be appropriately regulated as to grant sufficient reward, but not overprotect the work.⁴⁰ After expiration of the protection, the work enters into the public domain. This mechanism has become known as the copyright trade-off.

While there is a wide consensus that trade marks are intended to serve an altogether different role,⁴¹ their nature in detail has been the

34 William Landes & Richard Posner, *The Economic Structure of Intellectual Property Law*, 5 et seq. (Harvard University Press 2003).

35 See: *E. Wine Corp. v. Winslow-Warren, Ltd.* 137 F.2d 955, 958 (2d Cir. 1943); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* 489 U.S. 141, 146 (1989).

36 Lee Burgunder, *Trademark Registration of Product Colours: Issues and Answers*, 26 Santa Clara L.Rev. 581, 583 (1986).

37 See generally: Paul Goldstein, *The Competitive Mandate: From Sears to Lear*, 59 Cal. L. Rev. 873, 878 (1971).

38 See *infra* note 215 at 267.

39 *Id.*

40 See generally *supra* note 34 at chapter 3 – A Formal Model for copyright.

41 *TrafFix Devices, Inc. v. Mktg. Displays Inc.*, 532 U.S. 23, 34 (2001).

the subject of debate.⁴² Even though the CJEU has acknowledged other, more opaque functions of trade marks, including those of quality, communication, advertisement and investement,⁴³ their essential function is still considered to be “to guarantee the identity of the origin of the trade-marked product.”⁴⁴ Thus, trade marks intend to give companies exclusive rights to identification symbols, in order to allow consumers to distinguish their products as to their commercial source.⁴⁵ Hence the public benefit deriving from the protection of trade symbols is the prevention of consumer confusion,⁴⁶ improving efficiency without raising competitive roadblocks.⁴⁷ Be they considered as property rights or not,⁴⁸ the purpose of their protection is to grant a right over a clearly defined sign. Otherwise, the grant of protection, and the possibility to monopolize would unduly interfere with public interests. Consumers mentally connect a certain sign with a commercial origin. Assuming that in general alterations of trade marks also cause some sort of rupture to this mental connection, it is evident that a consistent sign is more apt to prevent likelihood of confusion. However, the strength of a sign, meaning its appeal to customers, will positively affect its capability to act a designator of origin. Thus, the protection of character adaptations will have to be judged in the context of the delicate interaction between those two factors, and the public interest of limiting rights conferred by trade marks to a minimum extent.

Besides their main function as indicator of source, trade marks have intrinsic worth that is different from the goodwill in the products they

42 See generally Ilanah Simon, *How does “Essential Function” Drive European Trade Mark Law? What is the Essential Function of a Trade Mark?* 2005 IIC 401.

43 Case C-487/07, *L’Oréal SA et. al. v. Bellure NV et. al.* 2009 E.C.R. I-5185, para 58.

44 Case C-102/77, *Hoffmann-La Roche & Co., AG et. al v. Centrapharm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse, m.b.H.* 1978 E.C.R. 1139, para 7.

45 See *infra* note 215 at 269.

46 See generally: Ralph Brown, *Advertising and the Public Interest, Legal Protection of Trade Symbols*, 57 Yale L.J. 1206 (1948); Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 Yale L.J. 1717.

47 *Id* at 1719.

48 See *e.g.* *Prestonettes, Inc. v. COTY*, 264 U.S. 359, 368-369 (1924).

differentiate:⁴⁹ “Warner Bros. have brought out a seemingly endless series of lackluster Batman sequels. Critics disliked the sequels and their box offices performances were mediocre, but the sales of Batman toys have more than made up for it.”⁵⁰ Considering the vast revenues generated by merchandising, one could argue that these serve as an incentive to create in themselves, capable of acting as an alternative to, or even a factual replacement of copyright law.

Finally, it must be pointed out that, given the consent of the author, trade mark law in general allows for the use of signs protected by copyright law. The doctrine of dilution has extended the protection of marks beyond likelihood of confusion, and has promoted them to a property-like state. Thus under certain circumstances, trade mark protection is able to perpetuate the protection of original works of authorship for a single source, rendering the copyright trade-off ineffective, by granting a monopoly to a certain content, without providing any benefits for the general public. I will analyse recent jurisdiction dealing with this problem.

49 See Litman *supra* note 46 at 1729.

50 *Id.* at 1726. Although, admittedly, “The Dark Knight” (2008) was a turning point in terms of critical acclaim and box office success.