

EXPLOITING CELEBRITY: CHARACTER MERCHANDISING AND UNFAIR TRADING

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I. CHARACTER MERCHANDISING

A. THE PRACTICE OF CHARACTER MERCHANDISING

The use of the names and likenesses of well-known personalities and fictitious characters in connection with the merchandising of goods and services is a feature of modern marketing.¹ The practice was described by Burchett J. in the first instance judgment in *Sue Smith Case, Shoshana Pty Ltd v. 10th Cantane Pty Ltd*² in the following terms:

When Shakespeare, in *Venus and Adonis*, pictured the –
“true-love in her naked bed,

Teaching the sheets a whiter hue than white”

he was not advertising a washing powder, but, as it happens, his language is remarkably evocative of a modern technique of selling, by which a product is

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- 1 The term “character merchandising” is generally used to include merchandising practices involving the name, likeness or person of both real and fictional characters. However, Adams, *Merchandising Intellectual Property* (1987) reserves the term “character” merchandising for the use of a fictional personality or situation and adopts the terms “personality” or “reputation” merchandising for the use of the true identity of an individual or occasionally an animal, (xxix). (In addition there is an intermediate category involving fictional characters played by real persons where it is difficult to separate the action from his screen personality (e.g. Paul Hogan/Crocodile Dundee.) The distinction is more important in the United States where the effect of federal and state legislation and the common law may be to establish the right of all citizens to privacy and against “misappropriation of personality” for commercial gain (*Prosser and Keeton on Torts*, 5th ed., 1984, 851-854). The US developments are discussed in some depth by Gummow J. in *Hogan v. Pacific Dunlop Ltd* (1988) ATPR 40-914 (Fed. Ct) and the *Sue Smith Case* (1988) ATPR 40-833 (Full Fed. Ct). In addition to real persons or fictitious characters, goods and services are frequently marketed by taking advantage of an association with some real or fictional group, organisation, event, story or film.
- 2 (1988) ATPR 40-851, 49,167 (Fed. Ct)

associated with a desirable personality, in whose reflected light it will appear more pleasing. The technique is called character merchandising [a feature of which] is that the advertiser uses the public image of the personality concerned to develop in the minds of consumers an identification of the product with that personality.

In some instances the participation of the celebrity is "by a direct espousal of the virtues of the product or services concerned [but in most cases] the association between the product and the celebrity is less forthright".³ In *Pacific Dunlop Ltd v. Hogan*⁴ Burchett J. explained that the appeal of character merchandising is "nothing like the insistence of a logical argument on behalf of a product":

An association of some desirable character with the product proceeds more subtly to foster favourable inclination towards it, a good feeling about it, an emotional attachment to it. No logic tells the consumer that boots are better because Crocodile Dundee wears them for a few seconds on the screen . . . but the boots *are* better in his eyes, worn by his idol. The enhancement of the boots is not different in kind from the effect produced when an alpine pass makes a grander impact on the tourist whose mind's eye captures a vision of Hannibal urging elephants and men to scale it . . .

The whole importance of character merchandising is the creation of an association of the product with the character; not the making of precise representations. Precision would only weaken an impression which is unrelated to logic, and logically indefensible.⁵

The technique of character merchandising is well known to Australian courts. Character merchandising involving characters was considered by the High Court over 50 years ago in *Radio Corporation Pty Inc. v. Disney*⁶ – a case in which the High Court displayed an impressive understanding of a practice then in its infancy. Latham C.J. clearly described the appeal of Disney's Mickey Mouse and Minnie Mouse characters:

Some years ago Walter E. Disney invented two fantastic and amusing cinema characters – Mickey Mouse and Minnie Mouse. They have become very popular throughout the world. Their names and the very distinctive figures which represent or possibly constitute their personality are almost universally familiar – certainly they are very widely, if not universally, known throughout Australia.⁷

The judgment of Dixon J. clearly sets out the manner in which these characters could be exploited:

Another very important application of the names and figures of Disney's conceptions concerns the retail sale of all kinds of goods. Presumably because of the attraction which the figures and their fictional activities have for so many people, traders of all sorts desire to affix representations of them to their goods or use the figures or their names in connection therewith. In the use of the conceptions as an aid to selling goods, their author and the trading bodies he has promoted have found a valuable source of revenue. An elaborate and extensive system of licensing has been set up. Under it manufacturers or traders pay for permission to use the names or the figures in connection with their goods. In Australia alone licences have been granted

3 Per Gummow J. in *Hogan v. Pacific Dunlop Ltd* (1988) ATPR 40-914, 49,814.

4 (1989) ATPR 40-948 (Full Fed. Ct)

5 *Id.*, 50,347.

6 (1937) 57 CLR 448.

7 *Id.*, 452.

for all sorts and descriptions of goods produced by numbers of unconnected manufacturers. The articles bearing representations of or called by the names of Disney's conceptions have no characteristic in common. They go from canned soups to cotton undershirts and from bridge scorers to boys' braces.⁸

The legal arrangements underlying character merchandising were recently explained in more detail by Foster J. in *Fido Dido Inc. v. Venture Stores (Retailers) Pty Ltd.*⁹

The first applicant . . . carries on the business of creating cartoon characters and designs and licensing other persons and corporations to use those characters and designs for the purpose of aiding sales of their products. In other words, it creates and licences characters for use in the now well-known business of character merchandising. In particular, it has created the character known as 'Fido Dido' and other characters in what has been described as the 'Fido Dido Range'.

The second applicant is the world-wide licensing representative of the first applicant and has power to appoint licensing agents and licensees to reproduce the characters and designs referred to. Pursuant to such powers the second applicant has appointed a licensing agent in Australia . . . which has, in turn, licensed certain clothing manufacturing organisations in Australia to produce garments bearing the Fido Dido range of characters upon them.

Royalties are paid to the first applicant under licensing agreements which are entered into by these licensed manufacturers. Under these agreements significant quality controls are imposed upon the manufacturers in relation to garments produced bearing the Fido Dido range of characters. These licensing arrangements are quite clearly typical of licensing arrangements regularly entered into in the world-wide business activity of character merchandising.

The most recent cases on character merchandising in Australia have resulted from the success of the character of Mick Dundee, the persona of Paul Hogan in the Crocodile Dundee films. The significant exploitable values that flowed from the success of the films have led to an epidemic of unauthorised character merchandising. In restraining the activities of the imitators, the Federal Court has provided substantial protection against the misappropriation of commercial intangibles.¹⁰

B. CHARACTER MERCHANDISING: THE MARKETING PERSPECTIVE

Characters have been used in marketing goods and services for many years. The toy industry was the first to recognise the use of popular

8 *Id.*, 455-456. Disney had no registered trade mark protection but was able to prevent the unlicensed applicant from registering the characters in respect of radios on the ground that such use would be likely to deceive (see now s.28(a) Trade Marks Act 1955 (Cth)). The names of the characters were so well known that it was inevitable that the public would think that there was some association between their originator and the applicants goods. The possibility of some detriment to Disney's goodwill was not a consideration; indeed the High Court doubted whether a passing off action could lie on these facts. Dixon J. *obiter* said that it was clear that Walt Disney could obtain no injunction for the protection of such an interest as that arising from "the mere celebrity of reputation of Disney's production" *semble* because the only adverse effect on the commercial operation of Disney would be refusal to pay licence fees, *id.*, 459.

9 (1988) ATPR 40-912, 49,789 (Fed. Ct)

10 *Hogan v. Koala Dundee Pty Ltd* (1988) ATPR 40-902 (Fed. Ct); *Hogan v. Pacific Dunlop Ltd* (1988) ATPR 40-914 (Fed. Ct), affirmed on appeal (1989) ATPR 40-949 (Full Fed. Ct).

characters and today is still probably the largest market. The famous character "Santa Claus" is recorded in various toys back to the early nineteenth century but the works of Beatrix Potter in the early twentieth century provide the first major example of character merchandising.¹¹ However, it was the first appearance of Walter E. Disney's creations starting with Mickey Mouse over 60 years ago that led to character merchandising expanding from toys to clothing and other products and led to character merchandising becoming a significant aspect of merchandising.¹² The industry has developed rapidly over the last decade because of the "wide and rapid degree of public recognition now made possible by the mass media".¹³ Indeed, the process is rather incestuous as the communications industry which facilitates character merchandising also provides the source of many of the real and fictional characters. Recent trends include the creation of characters developed for the sole purpose of licensing on various types of merchandise ("Holly Hobbie", the cute child in a pinafore and bonnet, is the obvious example¹⁴) and, in what has been described as "a sort of retaliation against the clothing manufacturers", the sale of soft-drink makers' names to be used on clothes.¹⁵ The latest trend has seen character merchandising go "upmarket" as fashion designers exploit characters such as "Batman".¹⁶

The size of the character merchandising industry is immense. Internationally, the licensing industry is estimated to generate at least \$10 billion in retail sales each year.¹⁷ In *Hogan v. Pacific Dunlop Ltd*¹⁸ evidence was presented that in 1981 the retail value of all goods in Australia which had been licensed or franchised to a retailer, wholesaler or manufacturer was \$100 million, and that in 1986 this had increased to \$1,000 million. "Cosette", the wide-eyed impoverished waif from the musical *Les Miserables*, was responsible for merchandise sales over \$1 million in the first 6 months of the Sydney season.¹⁹ "Batman", who was introduced to a new generation of young Australians with the launch of the movie in August 1989, has experienced remarkable success through a licensing exercise involving 40 licensees and over 100 products.²⁰ Warner Bros

11 Baillie, "Merchandising: A Historical Survey" in Adams, *Merchandising Intellectual Property* (1987), xxv.

12 *Ibid.*

13 *Legal Protection of Character Merchandising in Australia*. A Report of the Industrial Property Advisory Committee (March, 1988).

14 *Re "Holly Hobbie" Trade Mark* (1984) 1 IPR 486.

15 *Per Pincus J. in the Sue Smith Case* (1988) ATPR 40-833, 48,988 (Full Fed Ct.) citing *The Economist*, 24 October, 1987, 6.

16 *Australian Financial Review*, 1 November, 1989.

17 *Sydney Morning Herald*, 11 July, 1988.

18 (1988) ATPR 40-914 (Fed. Ct.).

19 *Australian Financial Review*, 25 July, 1989.

20 Australian consumers nevertheless do not yet have the opportunity to buy products as diverse as Batman band-aids or \$500 U.S. Batman jackets with rhinestone studded bat logos (*Sydney Morning Herald*, 29 August, 1989; *Australian Financial Review*, 25 July, 1989).

expects Australian sales of Batman paraphernalia to earn between \$20 million and \$30 million by the end of 1989.²¹ The Walt Disney Company has over 3,000 merchandising, music and publishing licensees producing more than 14,000 different products in 60 countries,²² and in 1988 worldwide retail sales of products exploiting Disney characters were about \$4 billion.²³ Mickey Mouse, now over 60 years old, appears on over 9,000 merchandising items. The Walt Disney Company has recently established an Australian subsidiary to exploit the "proven line of quality images" and "instant awareness" of the Disney characters in Australia and Disney's 86 Australian licensees have retail sales in excess of \$100 million.²⁴

Character merchandising as a marketing technique has a secure future. Its commercial potential is immense and its advantages over traditional techniques ensure its continued development. In the same manner as franchising has revolutionised orderly distribution systems, character merchandising has revolutionised marketing practices:

By licensing a property that has already achieved substantial public recognition, for a relatively minimal investment a manufacturer is now able to immediately distinguish his products from those of his competition, presumably enabling substantial quantities of his products to be sold. In essence, the manufacturer is able to bootstrap the success of his product to the already achieved popularity of the licensed property. This, of course, explains why the more successful a property is, the higher the royalty rates it can command.

While many people consider merchandising to be a fad, it is, in fact, a cost-effective, highly successful marketing tool. This is particularly true for small businessmen who lack the resources to follow the traditional methods of product development and introduction. Merchandising affords small businessmen the ability to compete on equal terms with large manufacturers who, historically, were the only ones able to invest the substantial sums required by classic marketing techniques.²⁵

C. CHARACTER MERCHANDISING: THE LEGAL PERSPECTIVE

Despite the enthusiasm with which the marketing industry has embraced character merchandising, the judiciary in Anglo-Australian jurisdictions has displayed a healthy cynicism of the practice of applying well-known names to goods with which they have no real connection. Lord Bridge in the *Holly Hobbie Case* was particularly blunt:

But character merchandising deceives nobody. Fictional characters capture the imagination, particularly of children, and can be very successfully exploited in the marketing of a wide range of goods. No one who buys a Mickey Mouse shirt supposes that the quality of the shirt owes anything to Walt Disney Productions.²⁶

21 Note 19 *supra*.

22 *Sydney Morning Herald*, 24 September, 1988; *The Australian*, 17 November, 1988.

23 Note 19 *supra*.

24 Note 22 *supra*.

25 G.J. Battersby and C.W. Grimes, "Merchandise and Character Licensing" (1985) 83 *Patent and Trademark Review* 213, 215. The IPAC Paper, note 13 *supra*, cautions that use of the expression "merchandising properties", which is common in the United States, would in Australia beg the question of whether a property right exists, a question addressed later in this paper.

26 *Re "Holly Hobbie" Trade Mark* (1984) IPR 486, 488.

The reality was little different in the formative years of character merchandising. In *Radio Corporation Pty Ltd v. Disney*, Dixon J. commented that:

I find it hard to believe that the use of the words on or in connection with a radio receiving set would produce any other impression than in the case of most of the other almost innumerable classes of articles to which the name or the representation of Mickey Mouse has been applied. That impression does not, I think, primarily relate to the origin, selection or treatment of the goods. The reason for using the names is to attract the attention of members of a public that has found pleasure and amusement in the grotesque forms and absurd antics of Disney's creatures, and at the same time to give to the goods a name or means of description at once familiar and pleasing or interesting to the possible buyer. No doubt this means that the trader makes use of elements which belong to the reputation and fame of Disney's creations and it may be that in some vague way the buyer supposes that Disney must have sanctioned it.²⁷

This passage was referred to by Pincus J. in the Full Federal Court in the *Sue Smith Case*:

It appears to me a little artificial to assume that the ordinary reader is so gullible as to think, these days, that (for example) the application of the name of a well-known French clothing manufacturer to a great variety of goods necessarily implies anything about the 'origin, selection or treatment of the goods' or, to quote further from Dixon J., that it implies anything other than that the owner of the name 'must have sanctioned it' . . . It cannot be pretended that the proliferation of this sort of practice has failed to debase the currency. However faint the illusion might have been, 50 years ago, that the application of the name 'Mickey Mouse' to a radio really said anything about the goods other than that they had that name on them, similar usages today must convey an even more nebulous message about the goods. It should not be too readily accepted that the mere mention of a name in an advertisement necessarily connotes that the goods advertised have any characteristic – for example, that they have been approved, or even examined, by the person named. In commercial parlance, it may be that a racing-car driver 'endorses' all the products referred to on his car and clothing, but he is not generally thought to be thereby expressing a view about them.²⁸

The marketing industry would be unlikely to argue with this assessment. The Vice President of the Australian arm of the International Management Group has been reported as conceding that "Nobody could really think that Greg Norman wears a certain brand of shoes or Pat Cash a particular shirt simply because they like it."²⁹ It follows that the Australian public understands the basic notion of character merchandising, and it has been accepted by the Federal Court in recent cases that advertising campaigns seeking to exploit another's notoriety have been "conceived and implemented with an appreciation that many persons would be aware in a general way of business practices whereby licences for reward were given for marketing of products in association with representations of well-known fictional characters, and whereby persons in the public eye

27 (1937) 57 CLR 448, 457.

28 (1988) ATPR 40-833, 48,988.

29 *The Australian*, 15 November, 1988.

agree to associate themselves with the marketing of products.”³⁰

The judicial pronouncements as to character merchandising “debasement of the currency” reflect no criticism of the practice. They do, however, signal potential problems in the legal protection of character merchandising values. The key to successful character merchandising is the possession of a property right in the intangible values sought to be protected. Property rights are conferred by the intellectual property regime and a “character” which is protected as a registered trade mark (under the Trade Marks Act 1955 (Cth)), as a registered design (under the Designs Act 1906 (Cth)) or by copyright (under the Copyright Act 1968 (Cth)) obtains effective protection. However, the reach of the intellectual property regime is not sufficient to protect the character merchandiser in every case. The inadequacies of legislation which has not been effectively tailored to accommodate the particular demands of character merchandising have recently been addressed in the 1988 Report of the Industrial Property Advisory Committee, *Legal Protection of Character Merchandising in Australia*. Fortunately, the intellectual property regime is supplemented by a miscellany of other statutory and common law mechanisms. Australian law operates in a variety of ways to enable control of the use for commercial purposes of words, drawings or symbols conveying character merchandising “associations”. Depending on the circumstances, there may be protection available under the law of contract,³¹ or defamation,³² or the criminal law in cases of fraud, or specific statutory provisions.³³ However, such cases are exceptional and their limited research has thrown much of the responsibility for the legal protection of character merchandising onto the common law passing off action supplemented by the expansive interpretation accorded to the prohibition of misleading or deceptive conduct by section 52 of the Trade Practices Act, which operates in this context in effect as a statutory passing off action.

This paper addresses the capacity of passing off and section 52 to redress the unauthorised exploitation of a name, identity, likeness, image or other intangible character merchandising value – the unauthorised association of a “reputation” with a product in order to promote the product.³⁴

30 Per Gummow J. in *Hogan v. Pacific Dunlop Ltd* (1988) ATPR 40-914, 48,828 (Fed. Ct).

31 See *Wickham v. Associated Pool Builders Pty Ltd* (1988) ATPR 40-910 (Fed. Ct).

32 See *Tolley v. J.S. Fry Sons Ltd* [1931] AC 333; *Kirk v. A. and A.W. Reed* [1969] NZLR 801.

33 Legislation, both commonwealth and state, is designed expressly to enable and protect licensing for commercial purposes of certain words and symbols, in situations where the intellectual property regime may not be applicable, the Olympic Rings symbol (Olympic Insignia Protection Act 1987 (Cth)), Australian Formula One Grand Prix insignia (Australian Formula One Grand Prix Act 1984 (S.A.)), Australian Bicentennial insignia (Australian Bicentennial Authority Act 1980 (Cth)).

34 It should be noted that character merchandising as a marketing technique is distinguishable from what may be described as testimonial or opinion merchandising where a person who might be seen to be an expert in a particular area endorses within the scope of his expertise a product (such behaviour may constitute misleading or deceptive conduct under s.52 of the Trade Practices Act or amount to a false representation under s.53).

II. THE "CONSIDERABLE OVERLAP" BETWEEN PASSING OFF AND MISLEADING OR DECEPTIVE CONDUCT

In *Hornsby Building Information Centre Pty Ltd v. Sydney Building Information Centre Ltd*, Murphy J. observed that "passing off is a classical example of misleading or deceptive conduct".³⁵ Although the doctrinal bases of the common law and the statutory action are different – passing off is designed to protect the plaintiff's "property in the business or goodwill likely to be injured by the misrepresentation"³⁶ whereas section 52 is designed to protect consumers from misleading or deceptive conduct – the overlap is well established. As Mason J. explained in *Parkdale Custom Built Pty Ltd v. Puxu Pty Ltd*,³⁷ "the remedy to prevent deception of the public often has the incidental effect of protecting a competing trader's goodwill which would also be injured by that description". In cases involving character merchandising, section 52 is invariably pleaded as an alternative to passing off³⁸ and in interpreting section 52 the courts habitually apply passing off principles despite the need for caution urged by Deane and Fitzgerald JJ. in *Taco Company of Australia Inc. v. Taco Bell Pty Ltd*³⁹:

The background of s.52 and the law of passing-off are quite different. Their respective purposes and the interests which they primarily protect are contrasting. Their areas of operation do not coincide. The indiscriminate importation into s.52 cases of principles and concepts involved in passing-off and the associated area of trade mark law is likely to be productive of error and to give rise to arguments founded on false assumptions.⁴⁰

Nevertheless, there is a "considerable overlap"⁴¹ between statutory and the common law actions and one commentator has observed that –

... although it has now become customary in such cases for the Federal Court and the High Court to prefix their judgments with a differentiation between their respective policy objectives, s.52 and the action for passing off are often seen by both courts as involving almost identical issues; and this seems to be the common attitude of the

³⁵ (1978) 140 CLR 216, 234.

³⁶ *Spalding v. Gamage* (1915) 32 RPC 273.

³⁷ (1982) 148 CLR 191, 202.

³⁸ The Federal Court's exclusive jurisdiction under s.86 (subject to the cross-vesting legislation) is supplemented by its jurisdiction to deal with common law causes of action – such as passing off – based on a substratum of facts common to both such causes of action and the cause of action arising under the Act. See *Philip Morris Inc. v. Adam P. Brown Male Fashions Pty Ltd* (1981) 148 CLR 457.

³⁹ (1982) ATPR 40-303, 43,748 (Full Fed. Ct). See Blakeney, "Old Wine in New Bottles: Influence of the Common Law on the Interpretation of Section 52 of the Trade Practices Act" (1984) 58 ALJ 316.

⁴⁰ In *Pacific Dunlop Ltd v. Hogan* (1989) ATPR 40-948 (Full Fed. Ct). Sheppard J. pointed out that although it has been clearly established that conduct will not involve a contravention of s.52 of the Trade Practices Act if it is confusing as distinct from misleading, there are many *dicta* in the authorities dealing with passing-off which show that there need not be actual deception: confusion will be enough (50,339).

⁴¹ Per Wilcox J. in *Hutcheon v. South Sea Bubble Co. Pty Ltd* (1986) ATPR 40-667, 47,379; per Burchett J. in *Sue Smith* (1988) ATPR 40-851 (Fed. Ct).

parties and their legal representatives as well. Although the latter advance s.52 and passing off as alternative grounds, it is usually taken for granted that if they do not succeed under one, they cannot succeed under the other.⁴²

In character merchandising cases the same factual considerations and legal principles have been applied in both the section 52 and the passing off actions. If no misrepresentation is involved, the conventional wisdom is that neither misleading or deceptive conduct nor passing off can be established. However, the essential complaint in cases of unauthorised character merchandising is not public deception but a "reaping without sowing". The recent character merchandising cases⁴³ make it clear that it is only the tort of passing off which has the potential to free itself from the shackles of a "misrepresentation" requirement and develop into a wider tort of unfair trading. Section 52 clearly has the capacity to provide the public with a "wider protection from deception than [passing off]"⁴⁴ but passing off clearly has a much greater potential to prevent unauthorised exploitation of celebrity.

III. PASSING OFF

A. DEVELOPMENT OF PASSING OFF AS A CHARACTER MERCHANDISING REMEDY

Passing off derives from the common law's recognition of the right of a trader to protect his mark. Medieval traders were required to affix distinguishing marks to their goods so that their products could be identified for the purpose of prosecution under the Assizes of Bread and Beer.⁴⁵ Customers began to select particular bakers and brewers whose products were good on the basis of the marks. Centuries prior to the enactment of trade marks legislation the common law extended its protection to the trader's goodwill in his mark through an action that has become known as "passing off". By early this century the tort was capable of protecting goodwill in a range of circumstances. Equity had intervened to free the action from any requirement of fraud or deceit,⁴⁶ and to establish that the basis of the action was to protect the trader's property in "the business or goodwill likely to be injured by misrepresentation rather than the narrower protection of a right of property in a mark, name, or get-up".⁴⁷ In later developments it was held that –

[Passing off] is wide enough to encompass other descriptive material, such as slogans or visual images, which radio, television or newspaper advertising campaigns can

42 Murumba, *Commercial Exploitation of Personality* (1986), 109.

43 See, in particular, *Pacific Dunlop Ltd v. Hogan* (1989) ATPR 40-949 and *Hogan v. Koala Dundee Pty Ltd* (1988) ATPR 40-902.

44 Per Mason J. in *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd* (1982) 148 CLR 191, 205.

45 See Adams, "Is there a Tort of Unfair Competition?" [1985] *JBL* 26, 30.

46 *Millington v. Fox* (1838) 40 ER 956.

47 *Spalding v. Gamage* (1916) 32 RPC 273, 284.

lead the market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product. And the test is whether the product has derived from the advertising a distinctive character which the market recognises.⁴⁸

The traditional formulation of passing off was nevertheless limited by the requirement that the "consuming public [be] confused or misled by the get-up, the formula or the advertising of the respondent's product into thinking that it was the appellants' product".⁴⁹ The modern formulation, for which most credit is given to Lord Diplock in the *Advocaat Case, Erven Warnick B.V. v. J. Townend & Sons (Hull) Ltd*,⁵⁰ liberalises the range of actionable misrepresentations which can found a passing off action. Lord Diplock's standard formulation for the modern action for passing off comprises five essential ingredients:

(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.⁵¹

Lord Diplock acknowledged that this was a formulation of passing off "not in its classic form of a trader representing his goods as the goods of somebody else, but in an extended form".⁵²

The difference between *classic* passing off and *extended* passing off has been explained by reference to the proprietary interests protected thereby: the *classic* action protects trading goodwill, the *extended* action protects promotional goodwill.⁵³ In the extended action

... the defendant does not necessarily seek to disguise the source of his goods or services. He simply makes a representation which links him with the plaintiff or his goods. The public, while recognising that the goods or services in questions come from the defendant, is nevertheless deceived into believing that the plaintiff is somehow associated with them – and this is the essence of the extended action for passing off. The proprietary interest filched does not involve the plaintiff's trading goodwill; it is promotional goodwill, the ability to recommend or promote other goods or services – or merchandising rights – which are appropriated.⁵⁴

Because the extended action renders illegal some uses of images which say nothing about the origins or history of goods or services it follows that the assignor of a right in a character need not assign any business. It is possible to bring a passing off suit in respect of an "image" including a name unconnected with any business at all. This consequence was expressly addressed by Pincus J. in *Hogan v. Koala Dundee Pty Ltd*.⁵⁵

48 *Cadbury Schweppes Pty Ltd v. Pub Squash Co. Pty Ltd* (1981) 55 ALJR 333, 336 per Lord Scarman (Privy Council).

49 *Schweppes Pty Ltd v. Cadbury Pub Squash Co. Pty Ltd* (1980) 32 ALR 387, 393.

50 [1979] AC 731.

51 *Id.*, 742.

52 *Id.*, 739.

53 Murumba, *Commercial Exploitation of Personality* (1986), 27.

54 *Id.*, 65.

55 (1988) ATPR 40-902, 49,712.

I think the law now is, at least in Australia, that the inventor of a sufficiently famous fictional character having certain visual or other traits may prevent others using his character to sell their goods and may assign the right so to use the character; furthermore, the inventor may do these things even where he has never carried on any business at all, other than the writing or making of the work in which the character appears.

Passing off has provided little comfort to the English character merchandiser and the United Kingdom courts have frequently been criticised for failing to accept that the “making of goods in a manner calculated to exploit, without consent, the attractive force of a popular entertainment damages the business of either the publishers of that entertainment or that entertainer concerned”.⁵⁶ The cases responsible for this rebuke are well known:

- (i) *McCulloch v. Lewis A. May (Produce Distributors) Ltd*⁵⁷
A well-known entertainer who broadcast to children under the name of “Uncle Mac” failed to restrain the promoters of a breakfast cereal from calling it “Uncle Mac’s Puffed Wheat” and selling it under the slogan “Uncle Mac loves children and children love Uncle Mac”.
- (ii) *Wombles Ltd v. Wombles Skips Ltd*⁵⁸
The creators of a highly popular series of books and television programmes which featured the exploits of fictitious animals known as The Wombles (who were celebrated for their propensity to remove litter) failed to restrain the promoter of a rubbish skip leasing company from trading as “Wombles Skips Limited”.
- (iii) *Taverner Rutledge Ltd v. Trexapalm Ltd*⁵⁹
The unlicensed users of the name Kojak Pops for lollipops were granted an interlocutory injunction to restrain the licensees of Universal City Studios (makers of the Kojak television series) from entering the market with a brand of lollipop called Kojak Lollies. The licence from Universal afforded no defence.
- (iv) *Anni-Frid Lyngstad and Others v. Anabas Products Ltd*⁶⁰
The pop group Abba failed to restrain the sale and distribution of T-shirts, pillow cases, pendants, key rings and stickers bearing the name Abba and in some cases a photograph of the performers themselves.

The necessary element of misrepresentation could not be established in these cases because of the common law’s requirement of a “common field

56 Hobbs, “Passing Off and the Licensing of Merchandising Rights” (1980) *EIPR* 47, 48.

57 (1948) 65 RPC 58.

58 [1975] FSR 488.

59 [1977] RPC 275.

60 [1977] FSR 62.

of activity"⁶¹ and failure to acknowledge either the practice⁶² or nature⁶³ of character merchandising. It was not until the *Judge Dredd Case* in 1983 in which Goulding J. acknowledged that –

... at the present time the public know something about the prevalent practice of character merchandising [and] a substantial number of people will infer that the record has been authorised and approved by the plaintiff.⁶⁴

– that the character merchandiser obtained any protection under United Kingdom common law. The replacement of the inflexible “common field of activity” requirement with the flexible requirement of “confusion”⁶⁵ has provided a doorway to passing off protection but the reality is more mundane. In *Hogan v. Koala Dundee Pty Ltd* Pincus J. was critical of the English developments:

English law has not progressed (if the changes are in truth progress) much beyond the traditional notion of passing off, namely suggesting that what are in fact goods or services of the defendant are produced by the plaintiff, and misrepresentations closely similar to that central type ... One finds statements [in the English decisions] to the effect that misleading the public as to a product’s “associations” or the like can be passing off, but the actual results of the decisions in the United Kingdom show clearly enough that protection of images *simpliciter* is but embryonic there.⁶⁶

The Australian Courts have traditionally taken a more robust approach

61 In the *Uncle Mac Case*, for example, Wynn-Parry J. based his refusal of an injunction on the absence of a common field of activity: “On the postulate that the plaintiff is not engaged in any degree in producing or marketing puffed wheat, how can the defendant, in using the fancy name used by the plaintiff be said to be passing off the goods or the business of the plaintiff?”, (1948) 65 RPC 58.

62 In the *Abba Case* for example, Oliver J. accepted that the expression “common field of activity” was “merely a convenient shorthand term for indicating ... the need for a real possibility of confusion which is the basis of the action” but was “entirely unsatisfied” that there was any real possibility of confusion:

“I do not think anyone reading the advertisement of which complaint is made or indeed receiving the goods described in them could reasonably imagine that all the pop stars named in the advertisement were giving their approval to the goods offered or that the defendants were doing anything more than catering for a popular demand among teenagers for effigies of their idols. There is no business of the plaintiffs here were which in my judgment the defendant’s goods could possibly be confused”, (1977) FSR 62, 67-68.

63 In the *Kojak Case*, Walton J. considered the public knowledge of licensing arrangements is not sufficient:

“What the person who owns the rights would have to go on to show is that it has also become so well known that people in the situation of licensors of these names exercised quality control over any product bearing their name, so that as soon as anybody in the street came to the conclusion that a product was licensed by the owners of some series, such as the ‘Kojak’ series, he would say to himself not only, ‘This must have been licensed by them’, but also: ‘and that is a guarantee of its quality’. That point we are miles away from reaching and there is not really a shred of evidence in front of me to that effect” (1977) RPC 275.

64 (1983) FSR 348.

65 See *Annabel’s (Berkely Squares) v. Schock* [1972] FSR 261; *Lego Systems A/S v. Lego M Lemelstrich Ltd* [1983] FST 501; *String Fellows v. McCain Foods (G.B.) Ltd* [1984] RPC 501; *IPC Magazines Ltd v. Black and White Music Corp.* [1983] FSR 348.

66 (1988) ATPR 40-902, 49,712.

to passing off in the character merchandising context.⁶⁷ In *Henderson v. Radio Corp. Pty Ltd*⁶⁸ the N.S.W. Court of Appeal in 1969 rejected the requirement of a common field of activity. Two well-known ballroom dancers succeeded in restraining the unauthorised use of their photograph on the cover of a record of dance music on the basis that this amounted to a representation that the plaintiffs had somehow recommended or approved the records, and that the only rational purpose for use of the photograph was to assist sales. The Court's rejection of the "common field of activity" requirement was decisive. Evatt C.J. and Myers J. stated that:

The remedy of passing off is necessarily only available where parties are engaged in business, using that expression in its widest sense to include professions and callings. If they are, there does not seem to be any reason why it should also be necessary that there be an area, actual or potential, in which their activities conflict.⁶⁹

Henderson's Case opened the way for greater control of unauthorised character merchandising by the tort of passing off. Although it was not influential in the subsequent English *Wombles*, *Kojak* and *Abba* cases, it was followed in Australia by the New South Wales Supreme Court in *Children's Television Workshop Inc. v. Woolworths (N.S.W.) Ltd.*⁷⁰ The producers of the "Sesame Street" television series held a licence to use "Muppets" in the program, and also had some control over the granting of licences for the manufacture, sale, advertising and promotion of any products using the "Muppet" characters. The producers and their licensees, in a passing off action, were able to prevent the sale by Woolworths of plush toys resembling "Muppet" characters. Helsham C.J. held that the plaintiff had

... a business reputation, in the sense that it is its imprimatur, by licence, that permits the character merchandising or image related merchandising of dolls to take place; it is behind the commercial exploitation of its character as dolls as licensor.

... The fame that these characters possess, their good name, the affection in which they are held, enables exploitation by image merchandising. The evidence is that members of the public associate that type of commercial exploitation with whomsoever has the right to permit it, by licensing or arranging for the manufacture of toys or other representation of the character.⁷¹

It was part of the business of the plaintiffs to get their character reproductions into the market in various forms through licensing arrangements, and by exposing for sale deceptively similar goods, the public was likely to be misled into believing that the defendants' goods are

⁶⁷ The obvious exception is the recent decision of Spender J. in *Wickham v. Associated Pool Builders Pty Ltd* (1988) ATPR 40-910 in which it was held that a professional swimmer could not succeed in an action for passing off against a swimming pool company which used her name because she never had a business of selling swimming pools.

⁶⁸ (1960) SR (NSW) 576.

⁶⁹ *Id.*, 580.

⁷⁰ (1981) 1 NSWLR 273.

⁷¹ *Id.*, 280.

in the same sense the plaintiffs' goods, "linked to the plaintiffs through the same sort of arrangement."

B. CONVENTIONAL APPLICATIONS OF EXTENDED PASSING OFF: THE MISREPRESENTATION OF PROMOTIONAL ASSOCIATION

Despite the enhanced protection available to the character merchandiser through the extended formulation of passing off, the scope of the protection is nevertheless limited by the misrepresentation requirement. In *A.G. Spalding & Bros v. A.W. Gamage Ltd*, Lord Parker stated that the "basis of a passing off action [is] a false representation" but acknowledged that "it would be impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on"⁷² to establish extended passing off. The recent Australian character merchandising cases illustrate a gradual widening of the range of actionable representations – "Any representation that the plaintiff is in some way associated with the defendant's business, whether by way of partnership, sponsorship or licensing, will suffice"⁷³ – and demonstrate a preparedness to artificially construct a misrepresentation to satisfy the requirements of the tort if there has been a misappropriation of the plaintiff's promotional goodwill.

In the absence of any misrepresentation, neither passing off nor section 52 will provide a remedy. *Newton-John v. Scholl-Plough Australia Ltd*⁷⁴ concerned an advertisement containing a colour photograph of a young lady who was said to bear a considerable likeness to the applicant, Olivia Newton-John, and who came to do the advertisement by virtue of herself answering an advertisement for an Olivia Newton-John look-alike. At the top, in very large and striking letters, were the words: "Olivia? No, Maybelline!". The applicant suggested that the prominent photograph would attract a significant number of people as being a photograph of Olivia Newton-John. The action was not successful because Burchett J. held that the direct words "No, Maybelline" negated any association:

The applicant submits that from the appearance of someone who obviously is intended to look like Olivia Newton-John, combined with the reference to her name twice in the advertisement elsewhere, the inference could be drawn that she is in some way associated with the advertisement. It is conceded it would be a matter of speculation how she is associated, but it is suggested that consumers would make that association, and some reliance is placed on a passage from a judgment of Dixon J. as he then was, in *Radio Corporation Proprietary Limited v. Disney* (1937) 57 CLR 448 at p.457. . . . In that citation, Dixon J. referred to representations, by a trader, of Mickey Mouse, and made the comment:

'No doubt this means the trader makes use of elements which belong to the reputation and fame of Disney's creations, and it may be that in some vague

72 (1915) 32 RPC 273, 284.

73 Per Burchett J. in the *Sue Smith Case* (1988) ATPR 40-851 (Fed. Ct).

74 (1986) ATPR 40-697.

way the buyer supposes that Disney must have sanctioned it.'

It seems to me that, in the present case, the inference clearly arises that there has been an appropriation of the appearance of the applicant, and it is suggested that in some subliminal way this may be a means of deception. The difficulty, as I see it, is that this advertisement tells even the most casual reader, at even the first glance, that in fact it is not Olivia Newton-John who is represented in the advertisement.⁷⁵

Similarly, in *10th Cantanae Pty Ltd v. Shoshana Pty Ltd*⁷⁶ (cited as the *Sue Smith Case*) the personality's failure to establish a misrepresentation was fatal to the passing off and section 52 actions. The conduct complained of was a magazine advertisement which featured a picture of a woman watching television equipped with a video recorder. In heavy print were the words "Sue Smith just took control of her video recorder". The second respondent, Sue Smith, was a prominent and well known national television personality. Her essential complaint was that the applicants had, without her permission, exploited her name and identity in advertising their product. It was accepted by Burchett J. at first instance that the use of the name "Sue Smith" was coincidental and that there was no intention to refer to the real Sue Smith. However, this did not provide a defence – "innocence of intent does not deny liability under sections 52 and 53 of the Trade Practices Act" or passing off.⁷⁷ Burchett J. held that there was a misrepresentation through the advertiser improperly associating its product with the public image and reputation of the celebrity: the good impression about the videos conveyed by the advertisement "would be likely to be enhanced by an association of it with Sue Smith".⁷⁸ This conduct was held to constitute passing off, misleading or deceptive conduct and a representation as to sponsorship and approval in breach of section 53(c) and (d). Damages of \$15,000 representing an appropriate endorsement fee were awarded.

The Full Court allowed the appeal (Wilcox and Pincus JJ., Gummow J. dissenting) essentially on different conclusions drawn from the facts. Despite differences in appearance, Burchett J. had found that the lady in the advertisement bore "some resemblance" to Sue Smith which could lead a casual reader or a person not very familiar with Sue Smith's appearance to suppose that the person pictured was Sue Smith. The

75 *Id.*, 47,633. Burchett J. accepted that:

... it is legitimate to employ the argument from the subliminal effect of an advertisement, and I accept that an advertisement may be deceptive even without making any untrue statement, but that does not excuse the Court from the requirement of being able to find some indication that in fact the subliminal effect would be conveyed. It is not enough to talk about subliminal effects. It is necessary to be able to see that the case in question poses a real, not remote, prospect that this effect would indeed occur (47,633).

76 (1988) ATPR 40-833.

77 (1988) ATPR 40-851, 49,169 (Fed. Ct). The question of intention will nevertheless affect the remedy. In relation to passing off it is necessary to show fraud before damages are awarded but loss or damage may be recovered under s.82 of the Trade Practices Act for a contravention of s.52 or s.53 without proof of fraud.

78 *Id.*, 49,168.

majority in the Full Court upheld the appeal on the simple basis that the finding that readers would be likely to read the advertisement as containing a reference to her or as being associated with her could not be sustained.⁷⁹ Wilcox J. stated that:

Whether one approaches this case under the Trade Practices Act or under the law relating to passing off – indeed, even if it were considered as an ‘appropriation’ case – the respondents must establish that a significant segment of the readers of the advertisement would be likely to associate Ms. Smith with the ‘Sue Smith’ of the advertisement.⁸⁰

The majority held that no wrong had been done because the personality was insufficiently identified. In relation to the critical question of whether the advertisement, having regard to all relevant aspects, was likely to result in members of the public being misled, Wilcox J. made the following comments:

In some cases the likelihood may be obvious. For example in the case of an advertisement which unequivocally identifies a particular person, as by including a photograph or other information peculiar to that person. In other cases, the likelihood of readers being misled may arise out of the context in which the name is used. The example given by Stephen J. in *Hornsby Building Information Centre Pty Ltd & Anor v. Sydney Building Information Centre Ltd* (1978) ATPR 40-067 at p.17,690; (1979) 140 CLR 216 at p.227 of the unknown singer who shares the name of a famous prima donna comes to mind, the point being that the name is used in a context, an announcement of an opera with which readers would readily associate the prima donna. So if, for example, in an advertisement for tennis racquets, an advertiser were to use the name of a Wimbledon champion, even without any photograph or other particular identification, it would be reasonable for a court to hold that readers might be misled into thinking that the advertiser was referring to the Wimbledon champion. And there would be nothing harsh about this result because it is inconceivable that a vendor of tennis equipment would not have known of the existence of that player when framing the advertisement.

A third way in which the likelihood of deception may be demonstrated is by showing that the relevant name is so unusual that readers, or at least a significant proportion of them, would reason that there were unlikely to be two persons of that name and would make a connection accordingly. It is easy to apply this approach in the case of ‘concocted’ names. See the comment made by Lord Simonds in *Office Cleaning Services Limited v. Westminster Window and General Cleaners Limited* (1946) 63 RPC 39 at p.42. It is much more difficult to do so in a case where the name is an ordinary descriptive name – cf. *Hornsby Building Information Centre Case*, above – or uses a common first name and surname. The courts must assume that people would realise that Australia is likely to contain more than one John Brown or Alan Jones, so that the use of the name, without more, is not necessarily a reference, respectively, to the Minister for the Arts, Sport, the Environment, Tourism and Territories, or to the racing car driver, although it may be taken as such, if there is other identifying material or an appropriate context.

In the present case, there was nothing more than the bare name. The advertisement

79 The Full Court was able to revise the trial judge’s findings because the evidence was such that it could be evaluated on appeal: “the case is one in which this Court is in substantially as good a position as the learned primary judge in determining that point”. (per Pincus J. *id.*, 48,989).

80 (1988) ATPR 40-833, 48,984.

contained no information pointing unequivocally to Ms. Smith. There was no relevant context. The two names 'Sue' and 'Smith' are common enough, whether considered separately or as a combination. The only additional material was a picture of the 'Sue Smith' referred to in the advertisement. But, because it was a picture of a person dissimilar in appearance to the second respondent it pointed the other way.⁸¹

In his dissenting judgment Gummow J. considered that it would be wrong to place too much emphasis on the alleged dissimilarities in appearance in evaluating the overall effect of the advertisement upon readers:

It is... of the nature of glossy advertisements of this kind that they create an impression and evoke a response which does not proceed from a discerning analysis.

... [R]eaders of the advertisement must include many who, by reason of the wide publicity given to Sue Smith's name would immediately associate the heavy print of the headline with the well-known television personality, even though, had it not been for the presence of the headline, they would not have recognised either photograph in the advertisement as that of Sue Smith.⁸²

Actions for passing off and misleading or deceptive conduct also failed in *Honey v. Australian Airlines Ltd*⁸³ because a misrepresentation of a commercial connection could not be established. The actions were brought by a well-known amateur athlete in respect of the unauthorised use of his photograph on a poster which formed part of a series promoting and encouraging sport.⁸⁴ The photograph was selected because it was a "work of art", a "dynamic presentation... which highlights the energy and momentum of a champion striving his utmost to achieve success". At the bottom of the poster in small print (Northrop J. stated that "The words are legible and clear but, like the shrinking violet, seem difficult to find. They are there but must be searched for")⁸⁵ there was a description of the sport and event, the photographer's name, the athlete's name, and the name and logo of the airline. To a large extent the applicant linked his claim based on passing off with a claim based upon a breach of the law of privacy. Northrop J. noted that the essential complaint was similar to that in the *Sue Smith Case* – that the respondent had, without permission, exploited the applicant's name and identity. Northrop J. referred to Canadian developments recognising an individual's right to elements of his identity⁸⁶ and U.S.A. developments in relation to privacy laws under which an individual's monopoly in the publicity value attaching to his

81 *Id.*, 48,985. Pengilly comments that: "Perhaps there is strength after all in the view that media stars should have way out names as perhaps these are more easily protectable" (1988) 4 *AMLR* 67.

82 *Id.*, 48,994.

83 (1988) ATPR 40-961.

84 Actions were also brought, unsuccessfully, against the House of Tabor, a non-denominational charismatic teaching centre, who used the photographs without permission on the cover of a book and magazine.

85 (1989) ATPR 40-961, 50,489.

86 *Krouse v. Chrysler Canada Ltd* (1971) 25 DLR (3d) 49.

identity is safeguarded⁸⁷ but recognised the limitations of Australian law. Northrop J. adopted Wilcox J. in the *Sue Smith Case*:

Anglo-Australian law does not, of course, recognise privacy interests, as such, although the expansion of the protection given by the law of passing off which was effected in *Henderson v. Radio Corp. Pty Ltd* (1960) S.R. (N.S.W.) 576 goes some distance towards covering the appropriation cases. I see no reason to exclude the application of the law of passing off from a case such as the present, provided that the court were satisfied that the advertisement published by the appellants would be read as containing a representation that Ms. Smith endorsed, or was otherwise associated with, the Blaupunkt video recorder.⁸⁸

Passing off was not made out. The facts did not disclose a "typical type of advertisement in relation to the sale of goods": the photograph was used to depict an activity and for decorative purposes. On these findings Northrop J. was not satisfied that the applicant has established that a reasonably significant number of persons seeing the poster, the magazine or the book, would draw or be likely to draw from them the message that the applicant was giving his endorsement to Australian Airlines.

Where the personality or character has been sufficiently identified the misrepresentation of an association, connection or endorsement can be constructed from the general public's knowledge of the practice of character merchandising. The misrepresentation which generally underpins both common law and statutory passing off in character merchandising cases is a misrepresentation that leads consumers to believe that the product has been licensed by the plaintiff which in turn requires a knowledge of the practice.

*M.K. Hutchence et Ors (trading as "INXS") v. South Sea Bubble Co. Pty Ltd (trading as "Bootleg T-Shirts")*⁸⁹ (cited as the *INXS Case*) provides a classic case of passing off based on public knowledge of character merchandising. Wilcox J. held that the unauthorised sale of T-shirts bearing the indicia of the rock group INXS contravened section 52 and section 53 and amounted to passing off despite the T-shirts and the stall bearing a disclaimer of any authorisation or approval by INXS. The court did not regard the disclaimers to be sufficient to neutralise the misrepresentation implicit in the use of the plaintiff's indicia – that the T-shirts were associated with, or sponsored by the plaintiffs. The basis for the statutory and common law actions was that each of the T-shirts containing the name "INXS" and other symbols associated with the band contained a representation that the T-shirt was produced and distributed by, or with the approval of, the members of the band: that it is an "INXS T-shirt". Such an argument cannot succeed unless the T-shirts represented to the public that there was some likely association between the product and the group. In *INXS*, Wilcox J. held the case was even stronger because

87 See *Prosser and Keeton on Torts* (5th ed., 1984), 851-854.

88 (1989) ATPR 40-961, 50,497.

89 (1986) 8 ATPR 40-667 (Fed. Ct).

members of the public would assume an approval in return for a financial benefit. Wilcox J. stated that:

It is clear on the evidence that, during recent years, the members of INXS have carried on the subsidiary business activity of licensing the sale of merchandise, principally T-shirts, bearing the name of, and other references to, their group. The sale of this merchandise has occurred principally at concerts in which they have performed, in circumstances likely to lead a reasonable concert-goer to infer that the goods are sold with the blessing of the members of the band. The evidence indicates that there has been considerable publicity given to the current scale and method of operation of the merchandise licensing system associated with rock groups. Under those circumstances it is probable that many rock enthusiasts will assume that the merchandise they see sold at INXS concerts is approved by the members of the group in return for a royalty or other fee. If they see what they recognise as that same merchandise sold in some other location, such as a record shop, they are likely to make the same assumption . . . and it seems to me probable that they will make the same assumption if they see what is apparently the same merchandise offered for sale at a market stall . . . The case is a classic example of the passing off by a trader of its goods as those of its rival.⁹⁰

Public knowledge of character merchandising enabled the court to find a misrepresentation.

The capacity of passing off to restrain unauthorised character merchandising was even more impressively demonstrated in *Pacific Dunlop Ltd v. Hogan*.⁹¹ It was held that the respondent's send-up of the famous "knife" scene from the movie *Crocodile Dundee* in advertising shoes constituted passing off and misleading or deceptive conduct on the basis of a particular type of misrepresentation involving use of the image or indicium in question to convey a representation of a commercial connection between the plaintiff and the goods or services of the defendant, which connection does not exist.⁹² The words spoken in the knife scene – "He's got a knife"/"That's not a knife. That's a knife" were replaced in the advertisement, featuring a male actor dressed in clothing the distinctive elements of which were similar to the clothing worn by Paul Hogan in the film, by the words "He's wearing leather shoes"/"You call those leather shoes? Now these are leather shoes". The applicants complained that the respondent had sought to "cash in" on the success of *Crocodile Dundee* and the fame attending the performance of the first applicant in the title role, in a way which is not merely unfair trading in a general sense, but also wrongful in law. The applicants contended that in its advertising the respondent has used or adapted strong images from the film, and in particular the "knife scene" to seek to persuade prospective

90 (1986) ATPR 49-667, 47,379. See also *Fido Dido Inc. v. Venture Stores (Retailers) Pty Ltd* (1988) ATPR 40-912 in which, in interlocutory proceedings, it was held that there was a serious question to be tried as to whether a "Who Me: You Too range of characters are, in fact, so deceptively similar to the Fido Dido characters as to mislead persons into believing that they come from a common source or that there is a business connection between the respective producers of the characters".

91 (1988) ATPR 40-948 (Full Fed. Ct), affirming Gummow J. (1988) ATPR 40-914 (Fed. Ct).

92 Per Gummow J. (1988) ATPR 40-914, 49,824 (Fed. Ct).

purchasers of “Grosby Leatherz” that those shoes had an association with or endorsement by the first applicant as “Crocodile Dundee” which they do not have. At first instance, Gummow J. accepted that there was an abundance of evidence to indicate widespread practices in Australia whereby those holding copyright or other rights in fictional characters license, for reward, others to manufacture or deal in products in association with a representation of those characters and inferred from this evidence that the purchasing public would be aware in a general way of this practice. The applicants’ submission that the male character in the advertisement would be taken to be Paul Hogan was not upheld, but the secondary submission – that a “substantial number of viewers in the target audience would, as a matter of real, not remote, likelihood, have responded to the advertisement on the footing that in accordance with general or normal practice, permission would have been sought for the advertisement from Mr. Hogan” – was successful.

I have found that the advertising campaign was conceived and implemented with an appreciation that many persons would be aware in a general way of business practices whereby licences for reward were given for marketing of products in association with representations of well-known fictional characters, and whereby persons in the public eye agree to associate themselves with the marketing of products . . . the misrepresentations which I have found in respect of the television commercial and the posters gave rise to passing-off of the ‘Grosby Leatherz’ as marketed under a commercial arrangement with the applicants which did not exist.⁹³

Gummow J. was not sympathetic to the respondent’s argument that the advertisement was simply a “spoof”, “parody” or “send-up” of the knife scene. His Honour took into account the circumstances that the characteristic of the advertisement as a “spoof” may have helped diminish any reaction of some viewers that the applicants were connected in a commercial sense with the advertisement but concluded that many would have “presumed” there was such a commercial connection.⁹⁴ Gummow J. granted declaratory relief for passing off and contravention of section 52 and held that the applicants were entitled at their election to pursue their claims for damages under the Act and for passing off, or for an account of profits in respect of passing off. The grant of injunctive relief was qualified so as not to forbid such advertising if it was made clear that Paul Hogan and the makers of *Crocodile Dundee* had not agreed to the advertisements or their contexts and in no way endorse “Grosby Leatherz” shoes.

The appeal to the Full Federal Court was based on four arguments:

- (i) that the “send-up” of the knife scene was not intended to suggest any endorsement or approval of the shoes and was simply used to “grab” or “hook” the attention of the public by reminding them of a funny incident in the film;

93 *Id.*, 49,828.

94 The submission that there is a well established advertising practice in Australia, recognised as such by consumers, of “trading off” scenes in well-known films without approval of the makers of the films in question was not accepted.

- (ii) that there could be no relevant misrepresentation unless there was a belief that there was a universal practice that permission would be sought in the present circumstances;
- (iii) that, in so far as any misrepresentation depended on the finding of Gummow J. that there was a belief about a "general or normal practice" that permission would be sought in the circumstances of the advertising, it cannot be a breach of section 52 or a passing off merely to depart from what is believed by some people to be the "general or normal practice"; and
- (iv) that the effect of the decision appealed from would be to proscribe the use of parody in advertising.

The appeal was dismissed by a majority (Burchett and Beaumont JJ., Sheppard J. dissenting).

Beaumont J. rejected the appellant's arguments. The "grab" argument was summarily dismissed – "the thrust of the advertising is to identify the image of 'Crocodile Dundee' with the product to be sold". The argument based on extent of public knowledge of licensing was "without substance". Gummow J. was "entitled to take a by and large approach in this area, considering the matter, as he was, from the standpoint of viewers of the advertisement who would not reasonably be expected to draw such fine distinctions."⁹⁵ The related argument that there was no misrepresentation and simply an "erroneous assumption" as to the legal relationship between the parties also failed, Beaumont J. holding that the case did not depend upon any erroneous assumption: "Either the advertisements do, or they do not, carry with them a message or suggestion of the first respondent's agreement with their tenor. If they do, there is a misrepresentation. If they do not, there can be no cause of action."⁹⁶ The "parody" argument was also unsuccessful:

... there is a real distinction to be drawn between a 'mere' caricature on the one hand and a caricature 'embedded' in an advertisement on the other. The former is innocent because viewers would receive the impression that the person caricatured would not have agreed. The latter carries with it a different impression, favourable to the subject of the caricature, in which he or she is perceived as endorsing the object of the advertising. The distinction between the 'mere' caricature and one 'embedded' in the advertising is of critical significance. If it were appropriate to divide the advertisement into two discrete parts, one part devoted to a parody of the Dundee figure and the other a sales promotion, it may be that no relevant misrepresentation could be made out. But such a division of the advertising is not possible. The Dundee figure, albeit a variant of the original image, is seen as sponsoring the appellant's shoes. The advertising is not a 'mere' caricature.⁹⁷

In answer to the question "what kind of 'connection' with the plaintiff must be claimed in order to constitute a passing off?", Beaumont J. held that the issue was "... whether a significant section would be misled into

95 (1989) ATPR 40-948, 50,346.

96 *Ibid.*

97 *Ibid.*

believing, contrary to the fact, that a commercial arrangement had been concluded between the first respondent and the appellant under which the first respondent agreed to the advertising.”⁹⁸ If such a misrepresentation was established, a case of passing off and conduct contrary to section 52 would be made out. The question was essentially one of fact, but because the representation alleged was not made in express terms the resolution of the issue turned on the proper inferences to be drawn from the appellant’s conduct.

To the extent that the question was whether a significant section of the viewing public would infer a consent of some kind by Hogan to the showing of the appellant’s advertisement, Burchett J. agreed with Beaumont J. However, Burchett J. preferred an alternative analysis:

But, to my mind, the matter may be approached more directly and more realistically by asking whether the advertisement conveys a false message of endorsement of the shoes themselves, which were its subject, by Mr. Hogan. Whether the advertisement does convey any identifiable and relevant message is, of course, a question of fact. I do not think the truly legal questions in the case are controversial.⁹⁹

Burchett J. considered that to ask whether the consumer reasons that Hogan authorised the advertisement is to ask a question which is a “mere side issue and far from the full impact of the advertisement”:

The consumer is moved by a desire to wear something belonging in some sense to Crocodile Dundee (who is perceived as a persona, almost an avatar, of Mr. Hogan). The arousal of that feeling by Mr. Hogan himself could not be regarded as misleading, for then the value he promises the product will have is not in its leather, but in its association with himself. When, however, an advertisement he did not authorise makes the same suggestion, it is misleading: for the product sold by that advertisement really lacks the one feature the advertisement attributes to it.

The whole importance of character merchandising is the creation of an association of the product with the character; not the making of precise representations. Precision would only weaken an impression which is unrelated to logic, and would in general be logically indefensible . . .

The suggestion in the present case, as his Honour found the facts, was of an endorsement of the appellant’s shoes by Mr. Hogan’s almost universally appreciated Crocodile Dundee personality, and through that of an association between Mr. Hogan and the product so endorsed. The television audience would accordingly hold the shoes in higher regard.¹⁰⁰

The vagueness of the message did not prevent the application of the principles of passing off or of section 52, Burchett J. holding that “vagueness is not incompatible with great effectiveness.”:

In my opinion, the deployment in circumstances of the present kind of techniques of persuasion, designed to influence prospective customers in favour of a trader or his products upon the basis of some underlying assumption which is false, may be held to be misleading or deceptive or to be likely to mislead or deceive within the meaning of sec.52, and may also be held to constitute passing-off.¹⁰¹

98 *Id.*, 50,345.

99 *Id.*, 50,347.

100 *Ibid.*

101 *Id.*, 50,349.

In his dissenting judgment, Sheppard J. comprehensively analyses the five elements comprising Lord Diplock's formulation of extended passing off.¹⁰² The key element was the question of a misrepresentation: "Would the portrayal of an advertisement evocative of the knife scene in the film lead a significant number of those seeing the broadcast and the poster to think that Mr. Hogan had assented to the adaption of the knife scene from the film?" After a detailed analysis of the facts, Sheppard J. concluded that viewers of the advertisement could not reasonably conclude that Mr. Hogan had consented to or authorised the advertisement. His Honour discounted the misappropriation factor:

One can understand the indignation which the respondents and their own advertising agents much have felt when they saw one of the well-known scenes from this most successful film adapted in this way. But the question is whether what was done constituted a misrepresentation. There being no question of copyright, no right of property is involved. The only question is whether the use made of the advertisements caused a significant number of people to be misled or at least confused.¹⁰³

The judgement of Sheppard J. is particularly helpful on matters of a general nature relating to character merchandising cases. In reaching a conclusion as to whether there had been a misrepresentation – the issue at the heart of a character merchandising case – Sheppard J. stressed the need for a detailed analysis of the facts. The judgment of Lord Diplock in *General Electric Co. (of U.S.A.) v. General Electric Co. Ltd*¹⁰⁴ provided guidance as to the proper approach of the court in making an assessment of the relevant factors to be considered and reaching a conclusion on what is essentially a question of fact and degree. The subjective nature of the inquiry was acknowledged. Sheppard J. acknowledged that minds may differ about the factors that need to be taken into account and the degree of importance each one has. The "difficult position" for a judge in such a case was explained in these terms:

I am entitled, indeed bound, to give effect to my own reactions and views. But, in doing so, I must be careful not to be too subjective about my approach and to endeavour to put aside any idiosyncratic notions that I may have. I ought to give substantial weight to the circumstances that viewers of the advertisements would see it under very different circumstances from those in which I saw it and I ought to have regard to the wide range of age groups, intellects and tastes of the numerous people who must have seen both the film and the advertisements.¹⁰⁵

Because of the wide variety of factual situations with which the courts have had to grapple, Sheppard J. derived little assistance from *dicta* of judges in other cases about the ambit of particular advertising: "They are not statements of principle but assertions which comprise the subjective views of the judges who propounded them . . . in the context of the case

102 In the *Advocaat Case* (1979) AC 731, 742.

103 (1989) ATPR 40-949, 50,338.

104 (1972) 1 WLR 729.

105 (1989) ATPR 40-948, 50,338.

being decided.”¹⁰⁶ Sheppard J. regarded the lay evidence as relevant but not conclusive of the outcome of the case: “The evidence must be considered, but the tribunal of fact, that is the Judge hearing the case, must also use its own judgment and common sense and consider whether it would be likely to have been deceived or confused.”¹⁰⁷ The role of the appellate court in such cases was also addressed. Sheppard J. acknowledged that although an appeal court should be reluctant to depart from the primary judge in such cases, “this Court is in as good a position to assess the evidence as was his Honour and if, upon proper reflection, it reaches the conclusion that a different view is warranted, it should give effect to its own views.”¹⁰⁸

C. A RADICAL EXTENSION: THE MISAPPROPRIATION OF PROMOTIONAL GOODWILL

In *Moorgate Tobacco Co. Ltd v. Philip Morris Ltd*¹⁰⁹ the High Court denied the existence of a tort of unfair competition. Deane J., delivering the judgment of the Court, nevertheless acknowledged that

[t]he rejection of a general action for ‘unfair competition’ or ‘unfair trading’ does not involve a denial of the desirability of adopting a flexible approach to traditional forms of action when such an approach is necessary to adapt them to meet new situations and circumstances.¹¹⁰

The cases discussed above illustrate a flexible approach to passing off to accommodate the particular situations and circumstances of character merchandising but with the possible exception of the judgment of Burchett J. in *Pacific Dunlop Ltd v. Hogan* the cases do not transgress the High Court’s directive. The retention of the misrepresentation requirement prevents passing off developing into a more general tort of unfair trading. The judgment of Burchett J. clearly challenges the status quo. His Honour eschewed the traditional “commercial connection” approach, preferring to approach the matter “more directly and more realistically” by simply asking whether the advertisement conveyed a false message of endorsement of the shoes themselves. It has been suggested that the meaning of “endorsement” is the key to the judgment.¹¹¹

If the word is to be taken to mean that some sort of financial reward was paid for the use of the mark, then his analysis would seem to be neither more direct, nor more realistic, than that of the other members of the Court, who insist upon the

106 *Id.*, 50,337.

107 *Id.*, 50,330.

108 *Id.*, 50,338. Beaumont J. commented that: “The nature of the issue, involving as it did matters of impression, is one in which particular respect and weight should be given to the decision of the trial Judge unless some error in his judgment has been demonstrated (see *S.W. Hart & Co. Pty Ltd v. Edwards Hot Water Systems* (1985) AIPC 90-242; 159 CLR 466, 478 per Gibbs C.J., Mason J. concurring; see also 491, per Brennan J.), *id.*, 50,345.

109 (1984) 156 CLR 414.

110 *Id.*, 445.

111 Eassie, “Character Merchandising – Is There Now A De Facto Action for ‘Unfair Trading’” (1989) *Commercial Law Quarterly* 12, 14.

assumption of permission for reward, as a necessary component of the 'misrepresentation'. If his Honour means simply that 'endorsement' equals 'enhancement', and nothing more, then there is either no 'misrepresentation', or if there is, it is complete without the second component – and in either event, we seem well on the way to some sort of general concept of tortious conduct, by way of unfair trading.

If a misrepresentation can be constituted by a combination of the enhancement of a product (by virtue of the "grab" or "hook" juxtaposed with the specific product marketed) and the assumption produced in the mind of the viewer that some sort of commercial permission or authorisation would have been obtained from the owner of the mark to juxtapose the mark and the particular product, the parameters of passing off have been widened significantly.¹¹²

However, the case which provides the greatest challenge to conventional wisdom is *Hogan v. Koala Dundee Pty Ltd*,¹¹³ in which Pincus J. radically extended the parameters of passing off to accommodate the practice of character merchandising. The respondent operated two shops called "Dundee Country". Displayed on signs inside and outside the shops, as well as on T-shirts, shopping bags, and tags attached to goods, was the image of a koala in a get-up strongly reminiscent of, and bearing similarities to, the character in the film *Crocodile Dundee*: bush hat with teeth in the band, sleeveless vest and knife. Pincus J. accepted that people who went to the respondent's shops and saw the name "Dundee Country" and the koala images would immediately be reminded of the film, and that the respondent had intended to take advantage of this likelihood. The case was argued on the basis of the extended passing off action under which the use of images which say nothing about the origins or history of goods and services is rendered illegal and Pincus J. accepted that a passing off suit can be brought in respect of an image including a name unconnected with any business at all.¹¹⁴ The action was successful despite his Honour acknowledging that "it cannot be held that the public have been led to think that there is a precisely known kind of commercial connection with Paul Hogan or the film."¹¹⁵

The usual approach to establishing a "commercial connection" – a misrepresentation that there was a licensing or sponsoring arrangement – was discounted. Pincus J. observed that "...there is a degree of

112 Eassie points out that: "Where 'the enhancement' is obtained by a combination of the product in question, and the specific or actual 'mark' – that is to say, by a deliberate 'pirating' of the exact personality, by a scene or clip from an actual production made by him, or the character he created – a finding that a viewer would conclude that permission or authorisation had been given, would be unimpeachable. But where 'the mark' is not an exact reproduction, but is different in many substantial respects, would it not be equally likely – indeed even more likely – that the viewer would conclude that permission had not in fact been given?", *id.*, 14.

113 (1988) ATPR 40-902.

114 See note 55 *supra*. On this basis *Wickham v. Associated Pool Builders Pty Ltd* (1988) ATPR 40-910 was wrongly decided.

115 (1988) ATPR 40-902, 49,714.

artificiality in deciding image-filching cases . . . on the basis that the vice attacked is misleading the public about licensing arrangements¹¹⁶ and added that

. . . in practice, the ideas of the buying public as to licensing arrangements are very much in the back of their minds and necessarily vague and inaccurate. They have no reason to be interested in the question of licensing. Unlike a representation as to the origin or quality of goods, use of mere images in advertising, although presumably effective to generate sales, does not necessarily do so by creating, or relying on, any specific conclusions in the minds of the buying public . . . The process of considering the views of people in the respondent's shop as to whether they think there is a licence from the applicants, or that of simply attempting to form an unaided opinion on the subject, involves ascertaining the public's views on the state of the law about character advertising, rather than their views on any factual matter. Those of the public who say they think a licence must be behind the use of 'Dundee' and the koala image are guessing as to the law's requirements – and guessing on a point which is a little unsettled.¹¹⁷

The issue was not whether members of the public would assume the image and names were used with the permission of the applicants but whether the material conveyed the idea, without authority, of an association with the film. Pincus J. stated a wide proposition which clearly extends the boundaries of passing off beyond Lord Diplock's extended formulation:

The essence of the wrong done in [character merchandising cases] is not in truth a misrepresentation that there is a licensing or sponsoring agreement between the applicant and the respondent; it is . . . wrongful appropriation of a reputation or, more widely, wrongful association of goods with an image properly belonging to the applicant.¹¹⁸

The "real point" is whether a person's right of property in his name and reputation is entitled to protection.

In stating this proposition, Pincus J. obtained little assistance from the United Kingdom decisions – "the protection of images *simpliciter* is but embryonic there" – but found support in the Australian authorities. His Honour noted that the decision in *Henderson v. Radio Corporation Pty Ltd*¹¹⁹ was based on two grounds:

- (i) The plaintiffs were being represented to have recommended or approved the records.
- (ii) The plaintiffs' reputation had been wrongfully appropriated.

Pincus J. observed that although the second ground was advanced as an answer to the contention that no injunction could go because damage was not proved, the Court described the misappropriation of reputation as "an injury in itself, no less, in our opinion, than the appropriation of . . . goods or money".¹²⁰ This passage was referred to by the Full Federal Court in the

116 *Ibid.*

117 *Id.*, 49,711, 49,714.

118 *Id.*, 49,713.

119 (1960) SR (NSW) 57.

120 Per Evatt C.J. and Myers J., *id.*, 595.

Sue Smith Case in which both Wilcox J., and Gummow J. who dissented on the facts, took a more liberal view of passing off than Pincus J. himself. Wilcox J. said that *Henderson's Case* "goes some distance towards covering the appropriation cases"¹²¹ and Pincus J. interpreted his Honour's judgment as suggesting that an implied representation that the person in question was "associated" with a product and proof that his or her introduction into an advertisement would affect readers, might be enough to ground liability. Pincus J. derived even greater support from the dissenting judgment of Gummow J.:

The injury of which the plaintiff complains in many passing off suits will be loss of sales by diversion or apprehended diversion of business. But as Dixon J. pointed out in *Turner v. General Motors (Australia) Pty. Ltd.* (1929) 42 CLR 352 at 368, the court intervenes to protect the business reputation of the plaintiff from misappropriation and that protection is not confined to cases where loss simply consists in diversion of trade . . . This certainly means that there may be such misappropriation where the defendant's goods or services are shabby or second-rate, albeit not in direct competition with those of the plaintiff . . . But the principle also applies where, regardless of any question of inferior quality, the defendant wrongfully deprives the plaintiff of a right to bestow for value his recommendation of the goods or services of a third party. This is established for Australia by *Henderson v. Radio Corp. Pty. Ltd.* (1960) SR (NSW) 576 at 592-5.¹²²

Pincus J. regarded this passage as tending towards treating misappropriation of a reputation as enough at least where the complaint is by one who might otherwise have been able to get money for licensing the use of his name. His Honour also derived support for extended passing off from the High Court in *Moorgate Tobacco Co. Ltd v. Philip Morris Ltd* Deane J. stated that the Court's rejection of a general action for unfair competition had not

. . . for example, prevented the adaptation of the traditional doctrine of passing off to meet new circumstances involving the deceptive or confusing use of names, descriptive terms or other indicia to persuade purchasers or customers to believe that goods or services have an association, quality or endorsement which belongs or would belong to goods or services of or associated with another or others.¹²³

Pincus J. regarded this dictum – "particularly the use of the word 'association' as meaning a connection other than one relating to 'quality' or 'endorsement'" – as giving added authority to the second ground in *Henderson's Case*. His Honour concluded that the trend of recent Australian authority is "to treat protection of [character merchandising rights] as a proper function of the courts, at least if there is a clear and deliberate use by the respondent."¹²⁴

121 (1988) ATPR 40-833, 48,984.

122 *Id.*, 48,997.

123 (1984) 156 CLR 414, 445.

124 *Id.*, 49,711.

IV. MISLEADING OR DECEPTIVE CONDUCT

Section 53 of the Trade Practices Act 1974 (Cth) prohibits specific false representations including false claims of sponsorship or approval:

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 –

- (a) ...
- (b) ...
- (c) represent that goods or services have sponsorship [or] approval ... they do not have;
- (d) represent that the corporation has a sponsorship, approval or affiliation it does not have.

In the *Sue Smith Case*, Pincus J. “inclined to the view that the legislative intention is that [unauthorised character merchandising] allegations are to be tested under s.53” and stated that –

[It] must be a rare case in which, an allegation of falsely representing that goods have the approval of a particular person being rejected, misleading conduct is found under s.52 on the basis that there is merely ‘some likely association’ between the name and the goods...¹²⁵

Nevertheless, the experience has been that the broad prohibition of misleading or deceptive conduct by section 52 provides a much more effective remedy in character merchandising cases.¹²⁶

Section 52(1) 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.

Section 52 has received an expansive interpretation which has enhanced its credentials as a character merchandising remedy. Despite its proprietorial role being secondary to its consumer protection role – “it is not enough that conduct damages a rival trader; it must mislead or deceive or be likely to mislead or deceive members of the public in their capacity as consumers”¹²⁷ – its anticipated role as a residual consumer protection remedy has been completely overshadowed by its unfair competition role as a statutory passing off remedy. The main limitation on section 52 as a character merchandising remedy is the necessity to establish misrepresentation – a requirement spelt out by the Full Federal Court in *Taco Company of Australia Inc. v. Taco Bell Pty Ltd.*¹²⁸ However, more recent decisions of the Full Federal Court have taken a less rigid stance. In *Hogan v. Pacific Dunlop Ltd*, Burchett J. referred to *Henjo Investment Pty*

125 (1988) ATPR 40-833, 48,990 (Full Fed. Ct).

126 In *Wickham v. Associated Pool Builders Pty Ltd* (1988) ATPR 40-910 the conduct was held to contravene s.52 and s.53(c) but not s.53(d). In the *Sue Smith Case* (1988) ATPR 40-833 the Full Federal Court held that the conduct contravened neither s.52 (Wilcox and Pincus JJ., Gummow J. dissenting) nor s.53. In *Pacific Dunlop Ltd v. Hogan* (1989) ATPR 40-948, the s.52 action was successful but the s.53 action failed.

127 Per Mason J. in *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd* (1982) 149 CLR 191, 202.

128 (1982) 42 ALR 177, 202 per Deane and Fitzgerald JJ. (Full Fed. Ct).

Ltd v. Collins Marrickville Pty Ltd, in which Lockhart J. (with whom Foster J. agreed) said:

Misleading or deceptive conduct generally consists of representations, whether express or by silence, but it is erroneous to approach s.52 on the assumption that its application is confined exclusively to circumstances which constitute some form of representation. The section is expressed briefly, indeed tersely, in plain and simple words which, if I may be forgiven for repeating them, say simply: 'a corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive'. There is no need or warrant to search for other words to replace those used in the section itself. Dictionaries, one's own knowledge of the developing English language and ordinary experience are useful touchstones, but ultimately in each case it is necessary to examine the conduct, whether representational in character or not, and ask the question whether the impugned conduct of its nature constitutes misleading or deceptive conduct. This will often, but not always, be the same question, as whether the conduct is likely to mislead or deceive.¹²⁹

Burchett J. added that:

In my opinion, the vagueness of the suggestion conveyed in this case is not sufficient to save it. That vagueness is not incompatible with great effectiveness. It would be unfortunate if the law merely prevented a trader using the primitive club of direct misrepresentation, while leaving him free to employ the more sophisticated rapier of suggestion, which may deceive more completely.¹³⁰

Nevertheless, a misrepresentation, of the likelihood of it, is "deeply involved in the statutory action: the terms of s.52 speak of conduct misleading or deceptive or likely to mislead or deceive."¹³¹

In the absence of a misrepresentation section 52 will not provide a remedy for unauthorised character merchandising. In the *Newton-John*, *Sue Smith* and *Gary Honey* cases the claims based on both section 52 and passing off were dismissed on substantially similar grounds. In *Newton-John v. Scholl Plough (Australia) Ltd* the disclaimer negated any association, Burchett J. holding that:

"... the casual reader would get the impression that indeed the advertiser had made use of Oliva Newton-John's reputation to the extent of gaining attention, but not to the extent of making any suggestion of an association."¹³²

In *Sue Smith* both actions failed because the personality had been insufficiently identified and the advertisement could not be read as containing a representation that Ms Smith endorsed, or was otherwise associated with, the Blaupunkt video recorder. The dissenting judge,

129 (1988) 79 ALR 83, 93.

130 (1989) ATPR 40-948, 50,349.

131 Per Gummow J. in *Telmark Teleproducts (Aust.) Pty Ltd v. Coles Myer Ltd* (1988) ATPR (Digest) 46-038, 53,122. In *Hogan v. Pacific Dunlop Ltd* (1988) ATPR 40-914, 49,820 Gummow J. qualified this slightly:

Whilst it is erroneous to approach s.52 on the assumption that its application is confined exclusively to circumstances which constitute some form of representation, misleading or deceptive conduct generally consists of representations, whether express or by silence; this is so particularly where the allegedly misleading or deceptive conduct arises in the type of factual setting with which passing-off actions often have been concerned.

132 (1986) ATPR 40-697, 47,633.

Gummow J., was the only member of the court to deal with the respondent's "erroneous preconception" argument first developed by the Full Court in *McWilliams Wines Pty Ltd v. McDonalds System of Australia Pty Ltd*.¹³³

The decisions turning upon 'erroneous preconception' may involve the proposition that the cause of the error claimed to give rise to contravention of s.52 was a belief on the part of consumers for which the defendant was not responsible. It would, in my view, be unwise to erect these decisions into some principle or dogma of general application in construing s.52. In particular, even where a consumer nourishes an erroneous preconception as to the range of the business activities of the applicant, the consumer will act to his or her detriment only because the conduct of the respondent bears upon, or exploits, that preconception. It has never been the law that in order for conduct to contravene s.52, it must be the sole cause of the consumer being misled or deceived.

In any event, in the present case, his Honour held that the deception of consumers was struck by the advertisement upon a correct public understanding that television personalities use the image conveyed by their well-known and admired personalities for commercial gain and that they do so by endorsement of products. Accordingly, whatever be the true scope of any doctrine of 'erroneous preconception', his Honour held, in my view correctly, that it had no application to this case. If there was a preconception, it was a correct one.¹³⁴

The *Sue Smith Case* confirmed that innocence of intent does not deny liability under sections 52 and 53 of the Trade Practices Act.

In *Honey v. Australian Airlines and House of Tabor* the actions foundered on the absence of a misrepresentation. The applicant was unable to establish that a significant segment of persons seeing the poster would be likely to associate the applicant with Australian Airlines:

The poster itself does not constitute, in my opinion, a representation that Australian Airlines was connected with the applicant, that it was permitted or licensed by the applicant in respect of the applicant's name and photograph, that its services were sponsored or approved by the applicant or that it was sponsored by, or approved by or affiliated with the applicant. The poster does not even give rise to a state of wonder as to whether there is any connection between Australian Airlines and the applicant. It is seen as an art work supporting participation and excellence in sport and nothing more. The name 'Australian Airlines' is seen as nothing more than the source of the poster.¹³⁵

The claim against the House of Tabor also failed:

... in all the circumstances of the case neither the magazine nor the book constitutes a representation that the House of Tabor was connected with the applicant, that it was permitted or licensed by the applicant in respect of the applicant's photograph, that its products or services were sponsored or approved by the applicant or that it was sponsored by, or approved by or affiliated with the applicant. In my opinion, the applicant has not made out a case against the House of Tabor based upon a contravention of the Act.¹³⁶

If however, a misrepresentation can be established, section 52 will provide a remedy. In some character merchandising cases the

133 (1980) 49 FLR 455.

134 (1988) ATPR 40-833, 49,002.

135 (1989) ATPR 40-961, 50,496.

136 *Id.*, 50,497.

misrepresentation will be obvious. Section 52 provided a remedy in *Wickham v. Associated Pool Builders Pty Ltd*.¹³⁷ Spender J. held that the continued use of Tracey Wickham's name by a swimming pool company after termination of a promotions agreement would convey the erroneous representation that there was still a connection or association of Miss Wickham with the business of the company:

The subsequent use of the name was, in my opinion, an attempt by [the company] to assert an association between its products and Tracey Wickham, which they no longer had. Since retiring from swimming Miss Wickham had predominantly been involved in promotion and there was a significant goodwill in her name and reputation. The conduct of the respondents amounted to a misuse by them of her reputation for their own commercial gain without appropriate remuneration being paid to Miss Wickham. Miss Wickham has a pecuniary interest in the goodwill attaching to her name and is at liberty to exploit the publicity value of her name.¹³⁸

In other cases the misrepresentation of an association, connection or endorsement will depend on the general public's knowledge of the practice of character merchandising. In *M.K. Hutchence et Ors (trading as "INXS") v. South Sea Bubble Co. Pty Ltd (trading as "Bootleg T-Shirts")*,¹³⁹ the basis for the statutory and common law actions was the same – that each of the T-shirts containing the name "INXS" and other symbols associated with the band contained a representation that the T-shirt was produced or distributed by, or with the approval of, the members of the band: that it is "INXS T-shirt" – that they represented to the public that there was some likely association between the product and the group.

Similarly, in *Pacific Dunlop Ltd v. Hogan*¹⁴⁰ the Full Federal Court (Burchett and Beaumont JJ., Sheppard J. dissenting) affirmed the first instance decision of Gummow J., that a send-up of the famous "knife" scene from the movie *Crocodile Dundee* constituted misleading or

137 (1988) ATPR 40-910. The passing off action was unsuccessful, Spender J. holding that as Wickham had a trade or business of selling swimming pools or swimming pool kits, it was not possible for another person to pass off their trade or business as her trade or business. However, this ruling conflicts with the principle, well established in Australia, that there need be no common field of activity.

138 *Id.*, 49,782. Wickham also claimed that she had never consented to A.P.B. carrying on business under the names "Tracey Wickham" and "Tracey Wickham Pools" and that the use of the name misrepresented that the products and business of the respondents were her own. However, Spender J. held that:

"The use of the name and logo during the currency of the agreement does not, in my opinion, breach s.52 or s.53(c) and 53(d) of the Trade Practices Act 1974, nor does it amount to 'passing off'. Until the termination of the agreement in early 1986, no false imputation is involved in the respondents using the name or logo in the advertising and promotion of their products or business. Pursuant to the agreement reached between the parties, the respondents were authorised to use Miss Wickham's name in accordance with the contract, nor do I consider the conduct of the respondents during that period to be 'passing off' as any belief that the product of the respondents was connected to the applicant during that period is accurate and factually based on a promotions contract that existed between the parties" *id.*, 44,782.

139 (1986) ATPR 40-667 (Full. Ct.).

140 (1989) ATPR 40-948.

deceptive conduct on the basis that a substantial number of viewers in the target audience would, as a matter of real, not remote, likelihood, have responded to the advertisement on the footing that, in accordance with general or normal practice, permission would have been sought for the advertisement from Mr. Hogan. The section 52 action raised essentially the same question and the same considerations as the passing off action discussed above, namely, was there a misrepresentation of a commercial association? The "erroneous assumption" argument – that an applicant will fail if the cause of the error claimed to give rise to contravention of section 52 was an erroneous belief on the part of consumers for which the respondent was not responsible¹⁴¹ – was rejected by both courts. Burchett J. commented that an acceptance of the proposition that deception grew out of error and confusion on the part of some consumers would not necessarily be fatal:

But if intentional advantage is taken by a corporation of a misconception harboured by some consumers, I think at least it can be said it will not be open to the corporation to rely on the misconception, or on some confusion about it, in order to negative the quality of its own conduct as a breach of s.52. Here, the appellant intended to stimulate in the minds of consumers, including those who had the relevant preconceptions, an impression that there was an association between Grosby shoes and Mr. Hogan in the guise of Mick Dundee.¹⁴²

In *Hogan v. Koala Dundee Pty Ltd* it was unnecessary for Pincus J. to deal with the section 52 claim since he found that the passing off claim was established. The indications are, however, that the applicants would not have succeeded on the section 52 claim:

... it cannot be held, either for the purposes of the law of passing off or under the *Trade Practices Act*, that the public have been led to think that there is a precisely known kind of commercial connection with Paul Hogan or the film.¹⁴³

V. UNFAIR TRADING

Passing off and Part V of the Trade Practices Act provide no actual right of *property* in the indicium "protected", but only a right to prevent its use by others to indicate a connection with the plaintiff. It is not enough that the defendant has appropriated the plaintiff's "property" if what is done does not involve misrepresentation. The protection provided to the character merchandiser under passing off and section 52 will always be restricted while misrepresentation either calculated to damage the plaintiff's goodwill in the case of passing off, or resulting in conduct that misleads or deceives in the case of section 52, is an essential ingredient of

141 The doctrine of erroneous assumption has been referred to in *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd* (1982) 149 CLR 191; *McWilliams Wines Pty Ltd v. McDonalds System of Australia Pty Ltd* (1980) 49 FLR 455; and *Lego Australia Pty Ltd v. Paul's (Merchants) Pty Ltd* (1982) 60 FLR 465.

142 (1989) ATPR 40-948, 50,349.

143 (1988) ATPR 40-902, 49,714.

the actions. In the context of character merchandising there are two problems with the misrepresentation requirement:

- (i) The essential complaint in character merchandising is not misrepresentation but misappropriation. The reality of character merchandising is that the plaintiff has lost a commercial opportunity for exploiting his character or reputation. This point was clearly made by Gummow J. in *Hogan v. Pacific Dunlop Ltd.*:

The celebrity who is wrongly perceived as connected with the marketing of the product of the manufacturer may thereby be deprived of the opportunity of a fee to sponsor the product of a competing manufacturer, the less the celebrity engages in these activities, the more selective he or she is seen as being, and the more valuable his or her favour.¹⁴⁴

In the *Sue Smith Case*, Pincus J. recognised that –

Although the award of damages is based on the view that it was untruthfully asserted, among other things, that the second respondent sponsored and approved the machine and its vendor, such an assertion might have had at best a tenuous claim to truth even if the second respondent had agreed to the use of the name and been paid for it. Her real complaint, in a commercial sense, is not the falsity of the advertisement, but that the name was used other than pursuant to an ‘endorsement’ agreement involving a fee.¹⁴⁵

The currency is so debased that the misrepresentation factor is not compelling from a marketing or consumer perspective. In substance the key factor is not so much injury to reputation or misleading or deceptive conduct but that the defendant’s activities will result in foreclosing for the plaintiff the possibility of merchandising. The qualification of injunctive relief also illustrates the limitations of character merchandising remedies based on the misrepresentation requirement. In *Pacific Dunlop Ltd v. Hogan*, for example, the grant of injunctive relief was qualified so as not to forbid such advertising if it was made clear that Paul Hogan and the makers of *Crocodile Dundee* had not agreed to the advertisements or their contexts and in no way endorse Grosby Leatherz shoes. The disclaimer clearly removes any capacity of the advertising to mislead but does not address the misappropriation factor.

- (ii) Despite the traditional rhetoric of passing off and section 52 cases, the trend in passing off cases outside the product design area seems to be to focus on the intention to take a free ride on the plaintiff’s goodwill as establishing the necessary ingredient of confusion. In many cases the requirement of misrepresentation appears to be artificially constructed to satisfy the requirements of the action. In *Hogan v. Koala Dundee Pty Ltd*, Pincus J. stated that “there is a degree of artificiality in deciding image-filching cases . . . on the basis that the vice attacked is misleading the public about licensing

144 (1988) ATPR 40-914, 49,824.

145 (1988) ATPR 40-833, 48,987.

arrangements”¹⁴⁶ and that in any event the process involves “ascertaining the public’s views on the state of the law about character advertising, rather than their views on any factual matter.”¹⁴⁷

The *INXS Case* illustrates these problems. It can be argued that if “INXS” warranted a remedy it was because their innovation was stolen and not because consumers may have been misled as to whether the T-shirts had been authorised by the band. In such merchandising cases the only connection is the personality’s signature on the licensing agreement and usually some quality controls. However, neither is particularly compelling. Despite judicial recognition that the practice of character merchandising and licensing is well known by the consuming public, it is surely a matter of indifference to the teenage consumer that there was in this case a fragile link via a contractual licence to the group. As Bootleg T-shirts no doubt appreciated, if the products could not be differentiated in terms of quality, the cheaper “unendorsed” T-shirt is a more attractive item than the more expensive “endorsed” T-shirt. Furthermore, the qualification as to quality control is probably not compelling. The currency is now so debased that a character merchandised product is no guarantee of quality. That there are unarticulated policy factors at work is readily apparent from a comparison of *INXS* and *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd*.¹⁴⁸ Both cases concerned deliberate copying and in both the respondent had attempted through the use of disclaimers to avoid liability for common law or statutory passing off. Despite the traditional rhetoric of the respective decisions, unfair competition considerations clearly, underlie them. In *Parkdale* the disclaimer was effective; in *INXS* it was ineffective. In product design cases such as *Parkdale* there are sound policy reasons in the absence of statutory protection for allowing competitors to exploit that market. But cases concerning the promotion and distribution of products such as *INXS* provide a classic situation of misappropriation – reaping without sowing – in circumstances where there is little public interest in allowing the continuance of the practice. There may be only one product but there may be an infinite number of marketing techniques with which to promote that product.

Despite a mild flirtation with a general action for “unfair competition” or “unfair trading”, Anglo-Australian Courts have not embraced this concept.¹⁴⁹ However, while decisively rejecting such an action in *Moorgate Tobacco Co. Ltd v. Philip Morris Ltd*, the High

146 (1988) ATPR 40-902, 49,713.

147 *Id.*, 49,714.

148 (1982) 149 CLR 191.

149 See generally Terry, “Unfair Competition and the Misappropriation of a Competitor’s Trade Values” (1988) 51 *MLR* 296.

Court recognised the “desirability of adopting a flexible approach to traditional forms of action when such an approach is necessary to adapt them to meet new situations and circumstances”.¹⁵⁰ In *Hogan v. Koala Dundee Pty Ltd*, Pincus J. seized the High Court’s invitation to adapt the traditional doctrine of passing off to meet new circumstances and spectacularly vindicated the trust the character merchandiser has long placed in the tort of passing off. Previous decisions have been regarded as moving beyond the “well-trodden paths of passing off into the unmapped areas of ‘unfair trading’ or ‘unlawful competition’”¹⁵¹, but the reality has been more mundane. Although the majority judgments in *Pacific Dunlop Ltd v. Hogan* have been criticised as approaching “some sort of general concept by way of unfair trading”,¹⁵² the case is not an authority for the proposition that misappropriation of reputation without the necessary kind of misrepresentation will suffice for passing off. The decision nevertheless clearly illustrates a preparedness to artificially construct a misrepresentation to satisfy the requirements of the passing off action once a misappropriation of promotional goodwill is established.

The significance of *Hogan v. Koala Dundee Pty Ltd* is that the juridical basis for the passing off action is misappropriation rather than misrepresentation. If the judgment stands,¹⁵³ the line between passing off and misleading or deceptive conduct can be more clearly drawn. There will always be an overlap as a misrepresentation may give rise to the common law or the statutory action. But the extension of passing off to cover wrongful misappropriation of reputation or the wrongful association of goods or services with an image properly belonging to the applicant lies beyond the proper sphere of influence of section 52. In *Sitmar Cruises Ltd v. Carnival Cruise Lines Inc.*, Beaumont J. stated that:

... however unfair misappropriation of the efforts of another party may appear to be, it does not follow that consumers are likely to be misled or deceived in that respect... For the purposes of s.52 and in passing off, it is the making of a misrepresentation to consumers, not damage to a rival trader, which is the critical consideration.¹⁵⁴

This proposition may have to be revised in relation to passing off.

150 (1984) CLR 414, 445 per Deane J.

151 Per Cross J. in *Vine Products Ltd v. MacKensie & Co. Ltd* [1969] RPC 1, 23 (the “Sherry” Case) referring to *J. Bollinger S.A. v. Costa Brava Wine Co.* [1960] 1 Ch 262 (the “Spanish Champagne” Case).

152 Eassie, note 111 *supra*.

153 An appeal is pending. It should be noted that in the two reported cases since *Koala Dundee* the extended passing off doctrine enunciated by Pincus J. has either been ignored (Northrop J. in *Honey v. Australian Airlines Ltd*) or treated as authority for the establishment of a misrepresentation by an unauthorised association (Beaumont J. in *Pacific Dunlop Ltd v. Hogan*).

154 (1986) ATPR 40-728, 47,951.

VI. CONCLUSION

In the *Sue Smith Case*, Wilcox J. stated that:

However debased the currency of endorsement may have become, in my opinion it cannot yet be said that readers of advertisements remain unaffected by the introduction into an advertisement of a respected name. The Court must assume that the advertising community has some understanding of the effect of certain types of advertisements and it is notable that advertisers continue to pay high fees to well-known personalities in return for the right to use their names, photographs, etc., in advertisement.¹⁵⁵

These sentiments, expressed in relation to real persons, are equally applicable to fictional characters. Character merchandising is a growth industry of considerable economic importance which recognises that "modern buying habits are highly responsive to image related advertising".¹⁵⁶ However, the capacity to restrain unauthorised character merchandising is necessary to ensure the continued vitality of the industry.

The intangible values which support the character merchandising industry may qualify for protection under the statutory intellectual property regime but it has been the resilience of the common law in adapting the traditional doctrine of passing off to meet new circumstances that has been largely responsible for meeting the challenges posed by unauthorised character merchandising. Character merchandising involves the "application of established principles in unfamiliar settings"¹⁵⁷ but there are clear indications that the courts are responding to the challenge. In *Hogan v. Pacific Dunlop Ltd*, Gummow J. noted that within the action for passing off, as presently understood in Australia, there are accommodated and adjusted inter se three sets of interests:

There is the plaintiff's interest in protecting his skill, effort and investment, the interest of the defendant in freedom to attract purchasers for his goods and services, and the interest of consumers in having available a range of competitive goods and services for selection by consumers without the practice upon them of misrepresentation.¹⁵⁸

The recent Australian cases clearly favour protection of the personalities' intangible property rights. The rights to use a personality or character can be extremely valuable and the trend of recent Australian authority is "to treat protection of such rights as a proper function of the courts, at least if there is a clear and deliberate use by the respondent".¹⁵⁹ The problem is increasingly recognised as one of "reaping without sowing" and in shifting the basis from misrepresentation to misappropriation the Federal Court has moved close to the general action of "unfair competition" or "unfair trading" rejected by the High Court in *Moorgate Tobacco Co. Ltd v. Philip Morris Ltd*.

155 (1988) ATPR 40-833, 48,984 (Full Fed Ct.).

156 Hobbs, "Passing Off and the Licensing of Merchandising Rights" [1980] EIPR 47.

157 Per Burchett J. in *Pacific Dunlop Ltd v. Hogan* (1989) ATPR 40-948, 50,348.

158 (1988) TPR 40-914, 49,824.

159 Per Pincus J. in *Hogan v. Koala Dundee Pty Ltd* (1988) ATPR 40-902, 49,711.