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1994 AALS SYMPOSIUM

LICENSING AND MERCHANDISING OF CHARACTERS: ART LAW TOPIC FOR AALS 1994

PHILLIP EDWARD PAGE*

The selection of Orlando as the site for the 1994 meeting of the American Association of Law Schools prompted the Art Law Section Chairman, Tom Goetzl, and others to consider the cartoon character as both a work of art, thus the topic's embrace by the Art Law Section, and as a problem for energetic entrepreneurs and intellectual property theorists. The Intellectual Property Law Section had already announced its topic as being the appropriation of imagery, which presumably includes the images of popular characters. We therefore chose not to pursue the issue of fair use of these revered and familiar characters, or other issues that were likely to dominate discussion in the Intellectual Property meeting. Our primary purpose was to explore how visually depicted characters have come to be protected, and how they will be protected in the future. Our panelists discussed the various bases for character protection, recent trends reflecting untested assumptions about the desirability of vigorous protection, and the need for clear analysis as copyright and trademark notions increasingly supplement or succeed one another.

Both the market use of characters and the rights associated with their creation and use have changed significantly in recent decades.¹ While capitalizing on the public fancy for popular charac-

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1. "In 1980, sales of licensed products worldwide amounted to \$10 billion, according to the LICENSING LETTER, a newsletter. [In 1989], sales hit a record \$64.6 billion. While the biggest licensing category is trademarks and brand names, cartoon characters like the Simpsons represent a healthy \$12 billion chunk of the industry." N.R. Kleinfeld, *Cashing in on a Hot New Brand Name*, N.Y. TIMES, Apr. 29, 1990, § 3, at 1; "Walt Disney Company's retail stores sell an average of more than \$600 of merchandise per square foot of selling space each

ters is not altogether a recent phenomenon,² nothing approaches the degree of use associated with modern merchandising. Especially when visually depicted, these creatures of our popular culture seem to be everywhere, and not just in Orlando. They adorn our clothing and lunch boxes; they grace the bandages that bind our children's wounds (any parent knows the predicament of trying to staunch the flow of blood with Batman while the thrashing, injured party insists, instead, upon the application of Sonic Hedgehog). These characters wrap our food; sometimes they are our food. The author was able to report to the Orlando conferees that on the previous day my six-year-old daughter, no stranger to frozen confections, enjoyed an ice cream in the shape of a notable mouse's face, and seemed to find it altogether more delicious for having been Mickey-molded.

The increased ability to manufacture and market products bearing a character's image makes a character a more valuable commodity. Additionally, as advancing technology has created new media opportunities, the exploitation of characters in various entertainments has proliferated.³ But, as this century's new media and marketing techniques made character use more attractive, by the creator and unauthorized others, the protection available to the author or entrepreneur became questionable. Although characters were created and licensed as though they were the vessels of exclusive rights,⁴ the Ninth Circuit Court of Appeals in the "Sam Spade" case⁵ suggested that only the most dominant of character creations would be separately protected by copyright. While

year, better than twice the industry average for a specialty retailer. The average store generates net annual sales of about \$2 million." Richard W. Stevenson, *Disney Stores: Magic in Retail?*, N.Y. TIMES, May 4, 1990, at D1, D18.

2. Shakespeare is alleged to have written *THE MERRY WIVES OF WINDSOR* because Queen Elizabeth had been "so well pleased with that admirable character of Falstaff in the two parts of HENRY IV that she commanded him to continue it in one play more and show him in love." Leslie Hotson, *THE FIRST NIGHT OF TWELFTH NIGHT* 180 (1954), as quoted in Anne Somerset, *ELIZABETH I* 370 (1991). In response to public demand, Arthur Conan Doyle trotted out Sherlock Holmes more often than he wished, *HESKETH PEARSON, CONAN DOYLE* 96 (1943). Mark Twain reused a character from *THE ADVENTURES OF TOM SAWYER* (1876) for his masterpiece, *THE ADVENTURES OF HUCKLEBERRY FINN* (1884). Indeed, he later reused both characters in "a frank attempt to cash in on the current rage for Sherlock Holmes" JUSTIN KAPLAN, MR. CLEMENS AND MARK TWAIN 332 (1966).

3. See Jura Konkincs, *Toys-Toys-Toys-Toys-Toys*, WASHINGTON POST, Feb. 24, 1994, (Washington Home) at p. 10; Ellen Edwards, *PBS Missing Out on 'Barney' Bucks; Tie-Ins Reap Millions for Creators*, WASHINGTON POST, Sept. 13, 1993, § A, at 1.

4. Richard Wincor, Book Review of KAPLAN, *An Unhurried View of Copyright*, 76 YALE L.J. 1473, 1479 (1967).

5. Warner Bros. Pictures, Inc. v. Columbia Broadcasting Sys., Inc., 216 F.2d 945 (9th Cir. 1954), cert. denied, 348 U.S. 971 (1955).

Learned Hand had previously indicated that not all characters were created copyright equal,⁶ the Ninth Circuit stated that only those characters so central to the work that they were “the story being told,” could be meaningfully licensed apart from the work in which they appeared.⁷

This skepticism about character protection, although regarded as more than provocative dicta,⁸ was never widely embraced.⁹ Even in the Ninth Circuit, an important distinction came to be made between literary characters, such as Sam Spade in the Dashiell Hammett mysteries, and characters, like Mickey Mouse or Superman, that were created for visual or audio-visual media.¹⁰ With this distinction made, and the Sam Spade limitation itself in some doubt, the way was clear for courts to enforce strong exclusive rights for character creations.

This they did. As characters became ubiquitous in our popular culture and merchandising, their protection became increasingly robust.¹¹ While copyright was generally the theory under which the owner prevented use of the character, trademark, unfair competition, and related doctrines have also been relied upon.¹² Indeed, it has not always been clear what theory of protection the courts were employing.¹³ While there may once have been Sam Spade-

6. *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930) (L. Hand, J.).

7. *Warner Bros.*, 216 F.2d at 950.

8. See NIMMER, ON COPYRIGHT, § 2.12, n.13 (1963); Victor S. Netterville, *Copyright and Tort Aspects of Parody, Mimicry and Humorous Commentary*, 35 So. CAL. L.R. 225, 243-45 (1962); Melville B. Nimmer, COPYRIGHT 1955, 43 CAL. L.R. 791 (1955).

9. “[W]e think it sensible to say that the constitutional clause extends to any concrete, describable manifestation of intellectual creation” *Columbia Broadcasting Sys., Inc. v. DeCosta*, 377 F.2d 315, 320 (1st Cir. 1967). “[S]uch a conclusion would be clearly untenable from the standpoint of public policy, for it would effectively permit the unrestrained pilfering of characters.” *Goodis v. United Artists Television, Inc.*, 425 F.2d 397, 406 n.1 (2d Cir. 1970).

10. *Walt Disney Prod. v. Air Pirates*, 581 F.2d 751 (9th Cir. 1978).

11. Michael Todd Helfand, *When Mickey Mouse Is as Strong as Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Characters*, 44 STAN. L. REV. 623 (1992).

12. See, e.g., *In re DC Comics, Inc.*, 689 F.2d 1042 (C.C.P.A. 1982) (holding that the applicant's drawings of fictitious comic book characters were not descriptive of toy dolls to such an extent that they were incapable of functioning as trademarks for such dolls); *Gruelle v. Molly-E's Doll Outfitters*, 94 F.2d 172 (3d Cir. 1937), cert. denied, 304 U.S. 561 (1938) (holding that the designer of “Raggedy Ann” and “Raggedy Andy” dolls could prevent the use of the names, but could not enjoin the sale of similar dolls, where the law of copyright was not invoked).

13. See, e.g., *Warner Bros. v. American Broadcasting Co.*, 530 F. Supp. 1187 (S.D. N.Y. 1982), aff'd, 720 F.2d 231 (2d Cir. 1983) (applying “total concept and feel” to both trademark and copyright analysis); *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 746 F.2d 112 (2d Cir. 1984) (applying “total look and feel” test in its trademark analysis).

inspired doubt about the protectability of characters, courts are increasingly resorting to any theory—sometimes a curious combination of theories¹⁴—that would protect the proprietor against unauthorized use. These remedies are, of course, useful in securing the proprietor a more assured return on his investment.¹⁵ Whether the proprietor should have so ample an arsenal was a question central to the panel discussion.

The most obvious question raised in resorting to trademark notions as a method of character protection is the problem of perpetuity. Copyrights are necessarily of limited duration.¹⁶ The protections of trademark and unfair competition do not have fixed terms, but persist so long as the defendant's activity is likely to cause confusion.¹⁷ The longer the character is associated with the copyright proprietor, now approximately seventy-five years,¹⁸ the stronger the public association of character and proprietor is likely to be. The stronger the association with the original proprietor, the more likely is the resulting confusion if others begin to exploit the character, even after the copyright expires.¹⁹ Some have been con-

14. See *Litchfield v. Spielberg*, 736 F.2d 1352 (9th Cir. 1984), *cert. denied*, 470 U.S. 1052 (1985). "We think . . . that plaintiff's remedy more properly lies under the Copyright Act. Nevertheless, . . . where the product sold by plaintiff is 'entertainment' in one form or another, then not only the advertising of the product but also an ingredient of the product itself can amount to a trademark . . ." *DC Comics, Inc. v. Filmation Assoc.*, 486 F. Supp. 1273, 1277 (S.D.N.Y. 1980); *Edgar Rice Burroughs, Inc. v. Manns Theatres*, 195 U.S.P.Q. (BNA) 159, 162 (C.D. Cal. 1976) (holding that a hybrid form of protection including the term of protection of copyright and the absolute monopoly of trademark: "Famous character names in copyrighted works may not be used by others during the life of the copyright without the authorization of the copyright proprietor").

15. Prior to the Supreme Court's decision in *Feist Publications, Inc. v. Rural Telephone Serv. Co., Inc.*, 499 U.S. 340 1282 (1991), lower courts frequently felt obliged to reward an industrious plaintiff where there was a free-riding defendant. See, e.g., *Hutchison Telephone Co. v. Frontier Directory Co. of Minn., Inc.*, 770 F.2d 128 (8th Cir. 1985); *Illinois Bell Telephone Co. v. Haines Co., Inc.*, 905 F.2d 1081 (7th Cir. 1990).

16. U.S. Const., Art. I, § 8, cl. 7 (the authority to "secur[e] for limited Times to Authors . . . the exclusive Right to their respective Writings . . ."); *Stewart v. Abend*, 495 U.S. 207, 230 (1990) ("the 1976 Copyright Act provides a single, fixed term . . .").

17. Application of *Mogen David Wine Corp.*, 328 F.2d 925, 929 (C.C.P.A. 1964); *Time Mechanisms, Inc. v. Qonaar Corp.*, 422 F. Supp. 905, 910 (D.N.J. 1976).

18. H.R. Rep. No. 94-1476 94th Cong., 2d Sess., at 135 (1976) ("If life expectancy in 1909, which was in the neighborhood of 56 years, offered a rough guide to the length of copyright protection, then life expectancy in the 1970s which is well over 70 years, should offer a similar guide; the Register's 1961 Report included statistics indicating that something between 70 and 76 years was then the average equivalent of life-plus-50 years.").

19. Courts have been sensitive to this problem where it is the 17-year patent monopoly that creates an identification between manufacturer and product shape in the public mind. See, e.g., *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938). Indeed, where the configuration, or "trade dress," is the result of patented technology, the courts are likely to deny a trademark interest in the product shape as being "functional," thus unprotectable. See *In re*

cerned about the possibility of using the copyright to leverage an invulnerable trademark position for an undetermined period. If the trademark, though certainly different from copyright, continues effectively to preserve the monopoly over the character, then the "limited times" policy of copyright may indeed be undercut.²⁰ The panelists were asked to consider whether trademark notions might ultimately serve as a kind of legal cryogenics, keeping Disney characters forever in a state of protected and suspended, well, animation.

Although the cartoon character was the particular focus of the panel, other forms of art might profit from the same scrutiny. After all, if a particular mouse may be emblematic of the Disney empire, then the melting watch may similarly signify the Salvador Dali estate. If courts protect artistic style, whatever that is,²¹ under unfair competition,²² then copyright may begin to yield to trademark as works of popular art, whether by Disney or Dali, Warner Brothers or Warhol, come within a scythe's distance of the grim copyright reaper.

It is difficult to imagine being blessed with a livelier or better equipped panel to explore these issues. Our first speaker was Peter F. Nolan, vice-president and assistant general counsel of the Walt Disney Company. Mr. Nolan has been with Disney for over twenty years, prior to which he served in the U.S. Copyright Office and as an associate at the Washington, D.C. firm of Pattishall, McAuliffe & Hofstetter. Mr. Nolan provided the background for the discussion and outlined the various theories under which characters

Morton-Norwich Products, Inc., 671 F.2d 1332 (C.C.P.A. 1982). The doctrine of functionality serves to deny the aspiring trademark proprietor the benefit of his patent monopoly in creating, or at least enjoying, the secondary meaning that attaches to his product. *Id.* at 1342. There may yet develop a comparable doctrine that would deny full trademark protection for characters or other works that have already enjoyed a full copyright life.

20. Some have suggested, on the other hand, that there is really no need to be concerned about the relationship between copyright and trademark protection since they are such very different vehicles in terms of acquisition, scope of protection, formalities, and other characteristics. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6.04[2] (3d ed. 1992). Just as the availability of design patent has been largely untied from possible or actual copyright protection, *see, In re Yardley*, 493 F.2d 1389, 1395 (C.C.P.A. 1974) ("Neither the copyright statute nor the patent statute says that because a thing is copyrighted it may not be patented as a design."), *but see*, 37 C.F.R. § 202.10(a) (1991) (holding that design patents having been issued precludes copyright registration for the same article), so might the trademark analysis be entirely independent of the copyrightable nature of the matter serving as an indicator of origin for trademark purposes.

21. *See Michelle Brownlee, Safeguarding Style: What Protection is Afforded to Visual Artists by the Copyright and Trademark Laws?*, 93 COLUM. L. REV. 1157, 1158 (1993).

22. *See Romm Art Creations, Ltd. v. Simcha Int'l, Inc.*, 786 F. Supp. 1126 (E.D.N.Y. 1992).

might be protected. In addition to the theories the panel was prepared to examine, he suggested that there might be something comparable to the right of publicity that characters, even though they are not natural persons, might enjoy.

Our second speaker was Professor Jessica Litman of Wayne State University. Professor Litman has written widely on copyright issues and is the co-author, with Jane Ginsburg, of the recent supplement to Ginsburg, Goldberg & Greenbaum, *Trademark and Unfair Competition Law*. In her recent scholarly work, Professor Litman has emphasized the importance of the public domain, and challenged the assumption that more protection necessarily makes for a more desirable intellectual property regime.

Our third speaker was Professor Leslie Kurtz of the University of California at Davis, who has written more specifically than the other panelists about the protection of characters. In her writings, Professor Kurtz has been sensitive to the problems created when principles of copyright and trademark too freely converge.

Our fourth speaker was Professor Marshall Leaffer. Among his more notable achievements, in addition to his valuable *Understanding Copyright Law*, is his recent analysis of international issues in copyright. Professor Leaffer provided the discussion with an international and comparative perspective, and in doing so, analyzed how concerns about convergence, perpetuity, and other matters have been handled by other regimes, particularly in the United Kingdom.

Finally, we were especially pleased to have Judge Alex Kozinski of the Ninth Circuit Court of Appeals, not only for his perspective from the bench, but also for his ability to enliven any discussion. Judge Kozinski has written several notable opinions dealing with intellectual property issues. He has contributed handsomely to the scholarship in the area, most recently with his article, *Trademarks Unplugged*, in the *New York University Law Review*.²³

All of the speakers were sensitive to the tension that inevitably exists between proper incentives and appropriate liberty to make use of the common culture. As unfair competition principles are applied more often in the art world, whether regarding cartoon characters or more sophisticated fare, the First Amendment sensitivities that are looming larger in trademark jurisprudence generally²⁴ will surely be felt in character licensing as well. As copyright

23. Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. Rev. 960 (Oct. 1993).

24. See *Rogers v. Grimaldi*, 875 F.2d 994, 998 (2d Cir. 1989); *Girl Scouts v. Bantam*,

and trademark principles converge,²⁵ as First Amendment principles impinge on simplified notions of property ownership, and as concerns over encouragement theory itself²⁶ begin to make themselves felt, the limits of character protection will become less certain. The panel, in its brief time, could not fully explore all the relevant issues. However, both the presentations and exchange thereafter indicated how rich was the topic and how intriguing are the still unanswered questions.

808 F. Supp. 1112, 1118 (S.D. N.Y. 1992); *Lighthawk v. Robertson*, 812 F. Supp. 1095 (W.D. Wash. 1993). See also, Diane Leenheer Zimmerman, *Information as Speech, Information as Goods: Some Thoughts on Marketplaces and the Bill of Rights*, 33 WM. & MARY L. REV. 665, 673, 720 n.356 (1992); Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 398 (1990); Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 202 (1982).

25. See Michael Todd Helfand, *When Mickey Mouse Is as Strong as Superman: The Convergence of Intellectual Property Laws to Protect Fictional Literary and Pictorial Characters*, 44 STAN. L. REV. 623 (1992).

26. See Wendy J. Gordon, *An Inquiry into the Merits of Copyright: The Challenges of Consistency, Consent, and Encouragement Theory*, 41 STAN. L. REV. 1343 (1989).

