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# Character Merchandising and the Sporting Industry

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## Abstract

This article examines issues related to the marketing strategy of 'character merchandising', or the endorsement of products or services by famous people. The unauthorised use of a person's character may be prevented by the tort of passing off and an action under the *Trade Practices Act 1974* (Cth). Cases discussed are *Henderson v Radio Corp*, *Hogan v Koala Dundee Pty Ltd*, *Hogan v Pacific Dunlop Limited*, *Pacific Dunlop Limited v Hogan*, *Honey v Australian Airlines*, *Hutchence v South Sea Bubble Company*, and *Talmax Pty Ltd v Telstra Corp Ltd*.

## Introduction

Now that the days of amateur sports are over, and with the limited amount of time during which a sporting career is likely to last, sports-people need to capitalise, in every way, on their abilities while they can. One way in which money can be made is by the association of the name or the image of the sports-person with a product or service. The aim is that the connection will enhance the reputation, and the sales, of the product or service. Current examples are the association between basketball player Michael Jordan and Nike and, closer to home, swimmer Kieran Perkins and Pura Lite Start milk, runner Cathy Freeman and Channel 7, swimmer Ian Thorpe and Adidas and watch-maker Omega, racing car driver Peter Brock and Bridgestone tyres.

It is becoming recognised by the law that someone well known has a 'persona' that is marketable in its own right, regardless of the original reason for the fame. This has an economic worth to the well known individual, such as a famous sports-person, so the individual should be able to use it as he or she pleases, and prevent others from using it without permission and payment to promote their own interests. The marketing of name or image for monetary gain in this

manner is known as 'character merchandising', and it can be worth millions of dollars to better known sports-people. This article examines some of the legal ways in which a sports-person may prevent the unauthorised use of his or her character by others. The legal means of protection discussed are the tort of passing off and actions under the *Trade Practices Act 1974* (Cth) (the Act). Registration of a trade mark may be useful to a better known sports person, but the procedure is complex and costly. Because of these limitations, trade marks registration is not examined in this article.

## Passing off

Passing off is a tort, a tort being a civil wrong. It is what is known as an economic tort as it protects the commercial interests of the plaintiff. It is used where the plaintiff has an established reputation in business, and the defendant takes advantage of this to promote the defendant's own interests. This can be done by adopting a similar, or even the same, name, or by copying the designs of the plaintiff, or by identifying the defendant's product in a similar manner to the plaintiff's, such as by copying packaging like the distinctive dimpled bottle of

Haig's whisky. There is much overlap between the laws relating to trade marks, designs and copyright, but passing off may fill any gaps that occur.

There is no limit to the list of situations to which passing off applies, and recent developments have been in the areas known as character merchandising and product endorsement. It was in an Australian case, *Henderson v Radio Corp*,<sup>1</sup> that the courts first extended the use of passing off to enable a plaintiff to prevent the commercial exploitation of his or her image by others. In the *Henderson* case the plaintiffs were a professional ballroom dancing couple who successfully prevented the sale of a sound recording of dance music which featured a photograph of the couple on the cover.

Since that decision there have been more cases where the courts in Australia have been prepared to recognise the concept of character merchandising. The following two examples illustrate how it works. In *Hogan v Koala Dundee Pty Ltd* (the *Koala Dundee* case)<sup>2</sup> the character merchandising issue arose in relation to a fictional character. The applicant, Paul Hogan, co-wrote the script of the film *Crocodile Dundee*, in which he starred as the main character, Mick 'Crocodile' Dundee. Rimfire Films made the film and held the merchandising rights. *Crocodile Dundee* was a great success, and was seen by millions of people across Australia. The respondents owned two small shops in Queensland. The shops, called 'Dundee Country', sold hats, clothing, opals, and other items of 'Australiana'. The image used to promote the shops, and goods such as T-shirts and shopping bags, was a drawing of the upper half of a Koala wearing a bush hat with teeth in the band and a sleeveless vest. The Koala was carrying a large knife, similar to the one carried by Paul Hogan in the film. The applicants complained that the respondents cashed in on the fame of the film by

putting a funny face on the applicants' get-up and using the association to promote their business.

Pincus J, the judge who heard the matter in the Federal Court, found that there was a clear representation of association with the images in the film. He said the wrong done in such cases was 'namely wrongful appropriation of a reputation, or more widely, wrongful association of goods with an image properly belonging to the applicant'.<sup>3</sup> He granted an injunction to restrain further use of 'Dundee' in connection with the koala image, and enjoined the use of the koala image as well as any other images likely to make the public think there was an association between the film and the respondents' shops or the goods sold. No damages were awarded as His Honour could find no evidence on which to quantify any loss, but costs were awarded against the respondent.<sup>4</sup>

*Pacific Dunlop Ltd v Hogan* (the *Crocodile Dundee* case)<sup>5</sup> again concerned the film *Crocodile Dundee*. This hearing was an unsuccessful appeal from a decision by Gummow J in the Federal Court declaring that Pacific Dunlop had passed off its goods as having a commercial association with Paul Hogan.<sup>6</sup> Pacific Dunlop were the manufacturers of Grosby 'Leatherz' shoes. An advertising campaign for the shoes, using posters and television commercials, featured a parody of the famous knife scene from the film, the shoes being the instruments used for despatching the mugger instead of the knife. The character in the advertisement was wearing clothing somewhat similar to that worn by Mick Dundee in the film, but it was clearly not Paul Hogan playing the part. Gummow J at first

<sup>1</sup> *Henderson v Radio Corp* [1960] S.R. (NSW) 576.

<sup>2</sup> *Hogan v Koala Dundee Pty Ltd* (1988) ATPR 40-902.

<sup>3</sup> *Hogan v Koala Dundee Pty Ltd* (1988) ATPR 40-902, per Pincus J 49,713.

<sup>4</sup> *Hogan v Koala Dundee Pty Ltd* (1988) ATPR 40-902, per Pincus J 49,716.

<sup>5</sup> *Pacific Dunlop Ltd v Hogan* (1989) ATPR 40-948.

<sup>6</sup> *Hogan v Pacific Dunlop Ltd* (1989) ATPR 40-914.

instance found that even though people would know it was not Paul Hogan, they would think that he had consented to the advertisement and was endorsing the sale of the shoes.<sup>7</sup> He therefore made his decision in Paul Hogan's favour. This finding was upheld on appeal.

A character merchandising case actually involving the unauthorised use of a sports person's image was *Honey v Australian Airlines Limited*,<sup>8</sup> but this was a case in which the plaintiff was not successful. The plaintiff was Gary Honey, an amateur athlete,<sup>9</sup> who claimed damages and an injunction following the use of his photograph on posters, a book cover, and a magazine cover. Because there was insufficient evidence to show that a reasonable number of people would think that the use of his photograph in those particular circumstances meant he had given his endorsement to Australian Airlines, he lost the case.

These days passing off by itself is the subject of infrequent litigation as it is easier to use the provisions of the *Trade Practices Act 1974* (Cth), although claims under the Act are often accompanied by a claim in passing off. The claims in the *Koala Dundee* case and the *Grosby* case were in passing off and under the Act. In the former case the applicants succeeded in passing off, and Pincus J found it unnecessary to consider the Act, and in the latter case the applicants were successful in both.

To be successful the plaintiff in a passing off action has to prove three things:

- The plaintiff's goods/business have an established reputation;
- The defendant's actions will cause purchasers to believe the defendant's goods/business is that of the plaintiff; and
- The plaintiff has suffered, or is likely to suffer, damage.

***The plaintiff's goods/business have an established reputation***

The plaintiff must show he has a distinctive reputation and that the reputation exists in the geographical location where the defendant is operating. The point of an action in passing off is to prevent the consumer from buying the defendant's product or service in the mistaken belief that is made or operated by the plaintiff, or is in some way sanctioned by the plaintiff. In the two cases above concerning the character of Paul Hogan in *Crocodile Dundee*, this element was easily established because the film had been viewed widely across Australia. For a sports person who is not widely known, the relevant geographical area would be more limited. An example is where a footballer is well known in a country town and a local business uses the footballer's image without permission in an advertisement in the local paper.

***The defendant's actions will cause purchasers to believe the defendant's goods/business is that of the plaintiff***

It is not necessary for the parties to be engaged in a common field of activity, although it may be more difficult to establish that confusion exists in the mind of the public if the fields of activity are totally different. For example, in *Henderson v Radio Corp*, the plaintiff ballroom dancers succeeded even though they were not in the business of selling records because the public would have mistakenly thought that the plaintiffs had authorised the activity of the defendant. In *Crocodile Dundee* and

<sup>7</sup> *Hogan v Pacific Dunlop Ltd* (1989) ATPR 40-914, per Gummow J 49,822.

<sup>8</sup> *Honey v Australian Airlines Ltd* (1989) ATPR 40-961.

<sup>9</sup> Honey was a champion long jumper who won the gold medal for the long jump at the Brisbane Commonwealth Games in 1982, the silver at the Los Angeles Olympics in 1984, and the gold at the Edinburgh Commonwealth Games in 1986.

*Koala Dundee* there was no common field of activity, but the plaintiff (Paul Hogan) was successful. In the Gary Honey case, the plaintiff sportsman failed because he could not establish that the public would mistakenly think he had authorised the activity of the defendant.

***The plaintiff has suffered, or is likely to suffer, damage***

Where there is unauthorised character merchandising, the plaintiff loses money that should have been paid for the use of his persona, and loss of reputation if he or she does not approve of the product. The merchandising may also be defamatory, such as where a sporting personality well known for an anti-smoking message is featured in an advertisement for cigarettes. The issue of proving monetary loss may be difficult in character merchandising cases, as can be seen by the decision in the *Koala Dundee* case. The reason for the difficulty is that it might be hard to prove that sponsorship had been lost, and hard to quantify the actual loss.

***Defences***

There are no defences as such. The defendant offers evidence in answer to the plaintiff's case to prevent the plaintiff from establishing the elements.

***Remedies***

The remedies are compensatory damages or an account of profits, and, in many cases of more use to the plaintiff, an injunction to prevent the continuation of the defendant's conduct.

***The Trade Practices Act 1974***

The *Trade Practices Act 1974* represents a shift in favour of the consumer away from the old 'caveat emptor' (buyer beware) attitude that gives the manufacturer a huge advantage. The general focus of the act is to free up the market place so that there is increased competition, to allow consumers can benefit

from genuine choice, and to give consumers a way to redress grievances. Part IV of the Act is entitled 'Restrictive Trade Practices', and covers issues like price fixing, misuse of market power, and resale price maintenance. Part V is of most relevance to this article: it is entitled 'Consumer Protection' and Division 1 is headed 'Unfair Practices'.

The Act is a Commonwealth Act, i.e. one passed by the Commonwealth government, so it applies to the whole of Australia. It is based on the Corporations power given to the Commonwealth government by s 50(xx) of the *Australian Constitution*, and for this reason applies only when the defendant is a corporation. At the time the Act was passed the Commonwealth government sought the agreement of the States to pass mirror legislation to Part V. The States are able to legislate with respect to individuals, so the requirement that the defendant be a corporation is overcome. All the States have now enacted mirror legislation duplicating the relevant sections of the Act (in Western Australia see s 10 of the *Fair Trading Act 1987*).

The most useful section in the context of 'character merchandising' is s 52 which is headed 'Misleading or deceptive conduct':

52(1) [Prohibited conduct] A corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

52(2) Nothing in the succeeding provisions of this Division shall be taken as limiting by implication the generality of sub-section (1).

The operation of s 52 requires the existence of three factors. The first factor is that the defendant must be a corporation although s 6(3) of the Act extends Div

1 to catch a person (i.e. an individual) 'not being a corporation' engaging in conduct involving the use of postal, telegraphic or telephonic services or which takes place in a radio or television broadcast.

The second factor is the defendant's engagement in misleading or deceptive conduct. There is, however, no need to prove any intention to deceive, that anyone has actually been misled, or any loss or damage, but it is necessary that there be a real possibility of someone being deceived.

The courts identify the class of persons likely to be deceived or misled - this may be the general public or a section of the public - the target group. Then the courts determine the likely effect of the conduct on the relevant class and will find a breach of s 52 if the conduct would deceive or mislead all but 'extraordinarily stupid' members of the identified class. Finally, there must be a link between the conduct of the respondent and the misconception arising in the target group.

The third factor is that the activity must have taken place in trade or commerce. The courts have interpreted this broadly to include, for example, newspapers, rodeo associations, and football clubs. Section 52 is the most important section in Div 1: it is a catch-all provision, and contravention of the section gives rise principally to injunction and 'statutory damages'. Section 79 makes contravention of most of the provisions of Pt V a punishable offence, but s 52 is excepted because of the generality of the wording.

A case to illustrate how s 52 prevents the misuse of image is *Hutchence v South Sea Bubble Company (Trading as 'Bootleg T-Shirts')* (the INXS case).<sup>10</sup> This case concerned the sale of T-shirts which featured various images connected with the group INXS

without the authorisation of the group. INXS sought an injunction to restrain the respondents from selling the merchandise, basing the claim on the Act and on passing off.

The respondents, the South Sea Bubble Company, sold T-shirts from a stall bearing the sign 'Bootleg T-shirts' in Paddy's market in Sydney. Among the T-shirts being sold were some with designs on them that were virtually identical to designs created for T-shirts manufactured and distributed under various licences granted by INXS. One of these designs included a photograph of the group and all the T-shirts had the name INXS and other INXS symbols on them. The 'Bootleg' T-shirts bore a label, on the inside, featuring the words 'The manufacturer does not warrant the depiction hereon has been authorised'. INXS argued that the T-shirts contained a representation that the members of the band produced, distributed, or approved of the T-shirts. South Sea Bubble argued that the trading name 'Bootleg' would alert customers to the fact that the goods were unapproved, and the garments bore stickers disclaiming any connection.

The argument failed. The judge, Wilcox J, was not convinced that the disclaimers were sufficient to alert purchasers to the fact that INXS had not sponsored or approved of the T-shirts. The injunction was granted.<sup>11</sup> Interestingly Wilcox J

<sup>10</sup> *Hutchence v South Sea Bubble Company (Trading as 'Bootleg T-Shirts')* (1986) ATPR 40-667.

<sup>11</sup> *Hutchence v South Sea Bubble Company (Trading as 'Bootleg T-Shirts')* (1986) ATPR 40-667, per Wilcox J 47,379. See also *Surge Licensing Inc v Pearson* (1991) 13 ATPR 41-119, another case where s52 was found to apply, and where passing off was also established. The applicants were successful in obtaining a permanent injunction restraining the respondents from selling T-shirts featuring the Teenage Mutant Ninja Turtles. Damages were fixed at \$10,000 and the respondents were ordered to deliver up any unsold garments.

said the plaintiffs' claim in passing off was even stronger than the claim under the Act.<sup>12</sup>



More recently the Olympic swimmer Kieran Perkins was successful in a s 52 action against Telstra (then known as Telecom) for using his name and photo, without his authorisation, in a colour supplement inserted into the Brisbane *Courier Mail* newspaper. In *Talmax Pty Ltd v Telstra Corp. Ltd*<sup>13</sup> the Queensland Court of Appeal reversed the decision of Byrne J of the Queensland Trial Division. Byrne J held that 'the publication did not misrepresent that Mr Perkins had consented to the respondent's association of his name, image and reputation with its advertising'.<sup>14</sup> The test used by Byrne J was what a 'careful reader' would make of the material in question. The Court of Appeal said this was an incorrect approach because the newspaper had a wide circulation:

[T]he 'target' readership accordingly included 'the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations', and the appellants could rely on any meaning which was reasonably open to a significant number of the newspaper readership.<sup>15</sup>

Perkins was granted an injunction, costs and damages of \$15,000 for the diminution of the opportunity to commercially exploit his name, image, and reputation.<sup>16</sup>

### Conclusion

For sports people who have achieved some measure of success commercial exploitation of their personality is a way of making money. Through the tort of passing off or through an action under the Act the law gives some protection against the unauthorised use of a sports person's name, image, and reputation by others. There are advantages and disadvantages to both, but if the plaintiff sports person wants monetary damages, as well as an injunction to prevent the defendant from continuing the misappropriation, the Act may be more satisfactory. Kieran Perkins in *Talmax Pty Ltd v Telstra Corp. Ltd* has shown how this can be done.

<sup>12</sup> *Hutchence v South Sea Bubble Company (Trading as 'Bootleg T-Shirts')* (1986) ATPR 40-667, per Wilcox J 47,379.

<sup>13</sup> *Talmax Pty Ltd v Telstra Corp. Ltd* [1997] 2 Qd R 444.

<sup>14</sup> *Talmax Pty Ltd v Telstra Corp. Ltd* [1997] 2 Qd R 444, 448.

<sup>15</sup> *Talmax Pty Ltd v Telstra Corp. Ltd* [1997] 2 Qd R 444, 446, quoting from the judgment in *Taco Co. of Australia Inc. v Taco Bell Pty Ltd* (1982) 42 ALR 177, 202.

<sup>16</sup> *Talmax Pty Ltd v Telstra Corp. Ltd* [1997] 2 Qd R 444, 452.