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Critical Analysis of Character Merchandising and its impact on Intellectual Property Rights

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Abstract

Many entertainment firms started a separate channel for cartoons to cover the global level audience of children. The customizable products allow the customers to choose which character they want in their product. A character is used as a tool for the promotion of products and it leads to a brand image for business firms. Such brand images are liable to be protected from commercial exploitation. The lacuna that is found in the Indian Legal system is the absence of specific legislation regarding personality rights and image merchandising. This paper analyzes the growth and impact of character merchandising in market and its implications on constitutional rights of individual. In addition to that, the relationship between intellectual property violation and character merchandise is also brought out. The research methodology adopted is a combination of qualitative and doctrinal research method.

Introduction

With the growth of OTT platforms, people spend their leisure time watching series and movies on OTT platforms. They tend to get attached to the characters in the series or movies they watch. This opportunity is used wisely by business people. The trending strategy in both online and offline markets is by depicting famous characters of the most loved movies and series,

including cartoon characters in the product. This is known as character merchandising. A name, character, face, or tagline is used in the products that are sold. Consumers get attracted to the product by the character depicted in the product rather than the quality or price of the product. A number of manufacturers are launching various character merchandising strategies over the years. The e-platforms sell these products at particular intervals and they aim at the targeted population during the time of release or after a huge hit made by the series or movies. The massive population attracted to OTT platforms and tremendous involvement in social media platforms pave way for the long-term trend of character merchandising. Few online shopping sites have been opened only for the purpose of trade in character merchandising. This category has flourished in the fashion industry and has brought a lot of innovation in the trade of e-commerce platforms.

Growth of the character merchandising industry

The business of character merchandising has reached the level of a multi-billion industry in many western countries with the help of e-commerce platforms. In the 1930s, the evolution of characters in Disney coupled with many comic characters led to a great fan base for the characters in the cartoons. The kids attracted to the cartoons was easily attracted to the products with their favorite characters, for example, pens, pencils, t-shirts, lunchbox, school bags, and caps were produced with characters of Chotta bheem, power puff girls, Ben 10, mickey mouse, shin-chan, Dora, Lion king, etc. For over 60 years, the market was ruled by the Mickey Mouse character.

The market for character merchandising has expanded in the public domain with the help of e-commerce platforms and social media. The producers have developed the concept of customizable products, which allows the customers to choose what they want in their

product. The immense growth of this industry has flourished the licensing industry as well. Small industries are also able to stand out in the market with help of this technique. Only a small amount of investment is needed and they incur profits better than the traditional way of business.²⁷⁸ In addition to that, the people have immensely contributed to the growth of the character merchandising industry. People have adopted the new normal of the virtual world and shifted from the products of traditional market products. With just one click, they easily avail products of their favorite character or avatars from an online store.

Nowadays, adults seem to get more attracted to character merchandising than kids. The consumer sector always welcomes new innovative ideas into the market and they contribute heavily to the growth of such industries.²⁷⁹ The personality features like name, sketch, image, symbols, doodles, and voice of the famous characters make it distinguishable from other products. Therefore, the character merchandise should be recognized legally as well for combating any issues in the way of such trade.²⁸⁰ The OTT platforms like **Netflix** are establishing a chain of stores for trading goods relating to their shows. This gives them the benefit of promoting their shows and movies as well as increases their profit by selling customized character products. They have stores in apps and sites (Netflix. shop) to sell character products of famous series like Crown, Big Bang Theory, Stranger Things, and other anime series. Netflix has made deals with other OTT platforms like Amazon, for selling toys, clothes, and other character products. Now, it has officially become a formal rival to Disney.

Types of character merchandising

Character merchandising: It is concerned with the licensing of fictional characters, especially the name or image of the character. This is also known as cartoon character merchandising. This is a widely used type of merchandising in both offline and online shopping platforms. Most of the OTT platforms' products are character merchandising. Intellectual property rights issues arise mostly in this type in high volume.

Personality merchandising: It depicts real people in the products. Famous actors or personalities are used in this type of merchandise. Mostly, entertainment and sports stars are used for the promotional technique of the product.²⁸¹ Aishwarya Rai endorsing L'oreal Paris products is an example of personality merchandising.

The right of publicizing the image is only to the person who has the authority to do. Other manufacturers cannot commercially exploit the image of personalities without their permission. Here, comes the problem of ambush marketing. Ambush marketing is considered an unethical way of smart advertisement adopted for gaining popularity. It is framed as a controversial litigated issue in all countries.²⁸²

Image merchandising: It is also considered as one type of celebrity merchandising like personality merchandising. However, image merchandising is the product depicting a real person who plays a fictional character. For example, the role of Harry Potter is played by the actor Daniel Radcliffe and the character of Captain Jack Sparrow is played by Johnny Depp. These characters enjoy dual recognition in course of business. One being the real person himself or the famous role played by him can be used for the promotion of products.

²⁷⁸ Andrew Terry, *Exploiting Celebrity: Character Merchandising and Unfair Trading*, 12 U.N.S.W.L.J. 204 (1989).

²⁷⁹ Angela Adrian, *Avatars: a right to privacy or a right to publicity?*, Int. J. Intellectual Property Management, VOL.2, (2008).

²⁸⁰ Wim Alberts, *Character Merchandising in South Africa*, 3 JUTA'S BUS. L. 77 (1995).

²⁸¹ Howard Johnson, *Legal Aspects of Character Merchandising*, 34 MANAGERIAL L. 1 (1992).

²⁸² Edward Vassallo, *Kristin Blemaster & Patricia Werner, An International Look at Ambush Marketing*, 95 TRADEMARK REP. 1338 (2005).

The Bombay High Court had recognized the “Chulbul Pandey” character from the movie Dabangg as distinctive and unique²⁸³; therefore, such character comes under image merchandising. Celebrities invoke their constitutional rights in protecting their privacy rights if are violated by image merchandising.

Protection of characters under Intellectual property law

The owner of the character can register their character name or image through various intellectual property rights. The character can be protected under intellectual property law only if they possess distinct character and consistent traits and are subjected to sufficient delineation.²⁸⁴ Only the authorized person with the license can conduct trade using the character. This helps in the growth of goodwill of the company as well as prevents the consumers from getting manipulated. The favorable response of consumers towards the products’ promotion should be taken into consideration for determining whether there is an element of deception.²⁸⁵ Due to the proliferation of counterfeit goods in the market, the need for protecting character merchandising increases.

In copyright law, the character is protected under literary work, artistic work, and cinematograph films. In the case of a cinematograph film, the producer of the film becomes the first owner of the creations made in his movies or serials. When a real person plays a role, in the case of image merchandising, the producer has to obtain the consent of the person before using his character.²⁸⁶ In other cases, the artist or the creator of the fictional character becomes the first owner of the character. However, if the

fictional character is created by a person during his course of employment, then ownership of such character will belong to the employer. In V.T. Thomas case²⁸⁷, the court held that the cartoon character “Boban and Molly” belongs to the plaintiff as he had created them before the course of employment. This was the first ever case that recognized fictional characters as the subject matter of protection under copyright law. The fundamental requirement of copyright protection is that the work should be the original work of the author or the owner.²⁸⁸ In addition to that, the character that is entitled to protection should have gained some public recognition.²⁸⁹

A trademark gives exclusive rights over the character with regard to its name, graphical representation, feature, or shape of goods. Trademark licensing aids the proprietors of the character to duly authorize third parties to conduct character merchandising. The merchandising license will provide the description of the character mark, the extent of the right, the subject matter, scope, and duration of such right. In addition to that, the design of the character can also be registered under the Design act, of 2000 for specific products. Only the registered proprietor or registered user can use the character in their products for promotion. The notion of unfair competition is that a person cannot reap what he has not sown. No person can exploit the character belonging to the authorized user without their permission.²⁹⁰ In the Teenage Mutant Ninja Turtles case²⁹¹, the court observed that to claim infringement of trademark, the unauthorized use of the character mark should be proved by relevant misrepresentation. In cases of an unregistered trademark, the owner can avail of the remedy of passing off. A new concept of copymark is evolved that connects copyright law and trademark law in a hybrid

²⁸³ *Arbaaz Khan Production Pvt Ltd v. Northstar Entertainment Pvt Ltd*, 2016 SCC On-line Bom 1812 (India).

²⁸⁴ *Nichols v. Universal Pictures Corporation et al.*, 45 F.2D 119 (2D CIR. 1930).

²⁸⁵ Mark Davison & Maree Kennedy, *Proof of Deception and Character Merchandising Cases*, 16 MONASH U. L. REV. 111 (1990).

²⁸⁶ Nishant Kewalramani & Sandeep Hegde M, *Character Merchandising*, 7 JOURNAL OF INTELLECTUAL PROPERTY RIGHTS, 454, (2012).

²⁸⁷ *V.T. Thomas v. Malayala Manorama Co. Ltd.*, AIR 1989 Ker 49 (India).

²⁸⁸ *R.G. Anand v. M/S. Delux Films*, AIR 1978 SC 1613 (India).

²⁸⁹ *Star India Pvt. Ltd v. Leo Burnett*, 2003 (2) BomCR 655 (India).

²⁹⁰ Hazel Carty, *Character Merchandising and the Limits of Passing Off*, 13 LEGAL STUD. 289 (1993).

²⁹¹ *Mirage Studios v. Counter Feat Clothing Co Ltd.*, (1991) FSR 145.

mode for the protection of characters.²⁹² However, this concept has not properly developed in the intellectual property law domain due to many criticisms.

Therefore, the most popular forms of protection for the action of the infringer are both forms of civil and criminal sanctions. In civil, the party gets a preliminary injunction, final injunction, Anton pillar order, damages, and rectification from the court's decision. The parties can sue in respect of intellectual property rights or unfair competition. In the case of criminal action, the infringer will be punished with imprisonment or a fine. In addition to that, in cases of image merchandising, the personality can file suit for protecting their privacy or publicity rights.

Right of privacy and publicity rights of celebrities

In India, there is an absence of specific legislation regarding personality rights and image merchandising compared to the US. However, the Indian Constitution ensures the right to privacy under Article 21 to every person. In the present market, celebrities follow a practice of endorsement where they allow manufacturers to use their names or images for the promotion of products or services and in image merchandising, the right to use individual persona is given by license or an agreement.²⁹³ Celebrities gain a high amount of revenue from direct sales of their character products and from the royalties they gain from the licenses of manufacturers. The unauthorized use of a persona will lead to huge losses to the celebrities as well as a violation of their privacy rights.²⁹⁴ This practice is more prevalent in the online and offline markets of the entertainment industry.

The right of a public figure evolves from the right to privacy. The right to publicity is ensured in consonance with the event or product they have agreed to sponsor. The image, voice, and traits of a celebrity are protected under these rights. A cause of action arises when the identity of a persona is used without authorization. The Delhi High Court observed that the photos of Amitabh Bacchan and Jaya Bacchan were by the defendant without their permission. Therefore, the couple's right to privacy has been misappropriated and the celebrity rights' were upheld.²⁹⁵

Conclusion

The recognition of character merchandising as a separate trade entity enables protection from the unauthorized use of fictional characters and celebrity rights. However, character merchandising does not provide complete protection in all senses. Whether a cause of action arises in a case where a character belonging to a well-known sports agency is used by a barber shop without authority? The answer is no, as they are not in related areas. Even though the reputation of the celebrity is damaged in these cases, there is no action against it. In addition to this, another main issue faced due to the growth of e-commerce platforms is the trade of counterfeit goods. When a counterfeit product is found to be sold, then the immediate recourse is to the Indian Penal Code or the Intellectual property law. However, there is no immediate response or recourse to specific legislation regarding character merchandising.

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²⁹³ Andrew McGee, Sarah Gale & Gary Scanlan, *Character Merchandising: Aspects of Legal Protection*, 21 LEGAL STUD., 226 (2001).

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