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Protection of Get-Up and Character Merchandising Under German Law

I. Definition of "Character Merchandising"

While American terms such as "know-how" and "franchising" found their way into German legal jargon almost simultaneously with the adoption of the legal institutions which they describe, the consumer is daily confronted with the marketing and advertising methods of "character merchandising" in practically all sectors of the economy, although this term, which was also coined in the U. S.A., has as yet not generally been acknowledged in Germany except by a small number of specialists. 1) As far as can be seen, it has also not yet been employed in a single German decision, although over the past 20 years cases of unlawful use of famous characters have constituted the subject matter of various decisions.

Consumers may be conscious of sales successes ranging from Mickey Mouse oranges, Asterix chocolate, "007" perfume, E.T. T-shirts, and Superman anoraks to Playboy Bunny earrings and Cardin Champagne, without necessarily being aware of the legal and financial ties between film and cartoon stars and the products sold under their "sponsorship."

In fact, the underlying motive and actual association can be totally different on the part of the vendor as well as the addressed consumer, according to the right holder's business operations and the advertising character chosen. In practice, one can distinguish between two basic models in the use of advertising symbols. 2)

a) Popular and famous characters derived from mass media (cinema, television and literature, including comic books), such as Mickey Mouse, Asterix, Superman, James Bond, Playboy, E.T., Bee Maja, Smurfs.

Here sales appeal is due to identification with the character used in the advertising, or its global image, and partially the general attraction of the media event behind it, of which one is reminded at the point of purchase (Star Wars). In an individual case the concrete motive to purchase appears to be that one likes to be reminded of the character or event, as well as the consideration that because the works behind them were "well done," the products marketed under the respective names must also be or are of good quality.

b) At first glance, the second group of "product patronage" appears to be of a more objective nature, because the person used in the advertising or his name conjures up a particular image of quality. The names of great fashion designers, actors, etc., belong in this category, under whose names a variety of luxury products are marketed, whereby the qualitative prominence of the fashion creation or cinematic flair is supposed to be or is transferred to the product designated as such. But a certain (subjective) "snob appeal" may also play a role here. 3)

However, a strict distinction between one group and the other does not exist, since even with the purchase motive of the second group, subjective considerations, e.g. a notion of status, are determinative for the decision to purchase ("Les must de Cartier"). On the other hand, for the first group also, thoroughly desirable conceptions of quality in the sponsored products may

play a role for the retailer, e. g. in the cases of "007" perfume, the masculinity and irresistibility of James Bond. In part, conjuring up a certain solidarity in lifestyle and a way of looking at life is also common to both categories, whereby Cartier is exemplary for one group and the Playboy Bunny for the other.

These examples also illustrate the quite different origins of the promotional value of names and characters on the one hand, and their concrete economic use on the other. While film characters or titles, the rights to which are generally held by film producers or distributors, are exploited mostly by licensing since film companies are neither in the habit of manufacturing perfume nor toys or textiles, the marketing of comic figures or the names of fashion designers shows a great variety of production and licensing forms. Thus, in addition to the manufacturing of comic books, the production of playing cards, dolls, films and video games can also be a part of the business operations of the original owner of the right, whereas licenses are often granted to third parties for marketing sweets, drinks or textiles. Self-exploitation of promotional value in the fashion/perfume sector partly goes even further, where although the manufacture of diversified products is conferred on third parties, not only the product development (particularly design) but also quality control and even marketing remains with the originator.

What all these forms of sales suggestion or promotion support have in common is the creation of consumer demand by associating the relevant product with a word, name, book or film title, character, celebrity, drawing, or a combination of the above, 4) while exploiting the goodwill of the chosen designs already existing in the mind of the consumer. 5)

Statistics from the U. S.A. show what commercial significance character merchandising has already achieved. Thus, the range of products marketed under the Mickey Mouse mark already includes 50,000 items with approximately 200 licensees at any given time. Published figures for 1978 show that Walt Disney earns \$ 21 million per year in license fees on a turnover for the licensed products of \$ 427 million. According to these statistics, turnover for articles under the film title "Star Wars" also reached a total of \$ 400 million. Merely on the basis of the announcement of the Superman film, license agreements were concluded with 100 licensees even before the film was shown. 6) In 1982, turnover for character merchandising was estimated at \$ 14 billion in the U.S.A. alone. 7)

A connection to get-up protection may be drawn from the above considerations in two aspects. First, the starting point for marketing such characters appears to be their popularity with consumers, i. e. they have apparently achieved a certain promotional value through their familiarity. Second, the characters are often used in a manner similar to a trademark, i. e. similar to a word or picture mark. Accordingly, by affixing and using the characters on goods, get-up protection can be acquired pursuant to Sec. 25, German Trademark Act. However, the following will show that, as a rule, legal protection is not sought in get-up law, since because of the particular type of use of the characters - granting licenses to numerous manufacturers - the requirements for protection by means of get-up law seldom exist, especially the requirement that the get-up has acquired some function in indicating source in the strict trademark law sense.

Thus, the following will first make a comparative survey of case law on character merchandising protection, in order to illustrate the various requirements for protection.

II. The Treatment of "Character Merchandising" Reflected in International Case Law

1. Copyright Law Protection

Due to the significance of the names and characters (film/book/cartoon) borrowed from copyrighted works, recourse was often first made to copyright law if an unauthorized use of names and characters was established. 8) However, copyright only protects the concrete form of the work, whereby the appropriation must still exhibit the characteristic features of the original work. This presents no problems for the use of cartoon figures or in the (unusual) case of the appropriation of a protectable title. The limit of copyright law is already reached, however, when the mere written name of the character or film star is used, 9) or when a short excerpt of music and/or lyrics from a well-known hit, which as such does not exhibit sufficient independent creative character, is used for advertising purposes. 10)

Nancy Sinatra's suit against a tire company was thus dismissed in which a television advertising spot included the first words of her hit "These Boots Are Made for Walking" sung by another singer, and also showed the miniskirt and boots typical of her performing style. The U.S. court denied a violation of copyright. 11) Therefore, copyright law does not afford protection against the "imitation" of publicly known episodes or characters for advertising purposes, so that even the "continuation" of James Bond stories, for example, could not readily be prohibited under copyright law. 12) Protection of film, television or literary "characters" in the strict sense is only affirmed if they are sufficiently "developed" and their particular features are exactly appropriated. 13)

The courts generally allow more comprehensive protection for cartoon characters, as expressed in numerous decisions concerning Mickey Mouse, Superman, Asterix, or Peanuts. 14) Under German law, judgments of the Federal Supreme Court in the Bambi and Micky Maus-Orangen cases show that although copyright law protection of a cartoon or film character has a type of secondary effect on the name of the character, an independent protection for the name cannot be derived therefrom. 15)

2. Trademark Law Protection

At first glance, formal trademark protection appears to be an adequate form of protection for a field such as character merchandising which serves the marketing of goods. However, a problem presents itself for countries in which the existence of a business operation for the relevant goods is a prerequisite for the validity of a trademark. Ignoring film companies, which probably never plan to manufacture or market T-shirts, toy figures, etc., 16) themselves, difficulties arise even in cases where, for example, a magazine publisher (Playboy) or a fashion designer (Cardin) begins to build up a business operation for a range of products, but leaves other types of goods to be manufactured under license. 17)

This is true despite the fact that, overruling the *Biene Maja* decision of the lower court, the German Federal Supreme Court affirmed that the eye-catching use of the word "Maja" was used as a trademark. The Court reasoned that a large percentage of consumers would regard this as a company designation of source. 18)

The House of Lords clearly rejected the application of trademark law for character merchandising in the *Holly Hobbie* case. It affirmed the refusal of registration by the British Patent Office, since unlawful "trafficking" was concerned if the trademark registration was

intended for the indiscriminate licensing to an unlimited number of licensees. 19) The Court's reasoning shows that the source function of the trademark would suffer thereby if the source of goods to which a uniform trademark was affixed could not be traced to a single trademark proprietor but to numerous independent manufacturers. German courts also adhere to the requirement of a business operation, although there have been no Supreme Court decisions on this in the past 20 years and, not least in respect of European development, opinions have been voiced to limit 20) or even delete this requirement.

Registration of marks by the licensee would of course be a solution, since he does possess a relevant business operation. However, this would already cause problems for practical reasons, as numerous registrations would be necessary on the one hand, which would have to be filed for each licensee and his goods. On the other hand, the lengthiness of registration procedure would stand in the way of this possibility, which might often not be completed before the license agreements had already expired. 21)

This possibility must also be ruled out due to fundamental considerations, since numerous trademark proprietors would achieve exactly the opposite of what is desired by character merchandising: Instead of a connection to a single source of advertising power represented by the licensed character or its name, as well as its special image, numerous trademark proprietors would create a number of totally different impressions of source, each individually cut to suit the trademark proprietor, but whose link to the actual source would be scarcely recognizable. Consumer impressions, which undoubtedly exist and, as will later be shown, have also been affirmed by German case law, that use by licensees can in some manner be traced to the actual right holder would thereby be swiftly destroyed. However, since character merchandising owes its very existence to the connection with the so-called "primary exploitation," 22) i. e. to the maintenance of interest in the licensed character, for example by continuous publication of further cartoon stories and films, or the success of the named person as a fashion designer, actor or singer, the rights of use need to be visibly derived from this origin and not split among numerous right holders. 23)

Trademark law proves to be unsuitable as a legal basis to oppose unauthorized use of merchandising characters, however, for yet another reason. This is because of the requirement of similarity of goods, which must be present for a finding of infringement. Since the holder of the rights in a cartoon character, a film title, etc., in theory has an interest in licensing his rights for all goods, but in practice watertight protection for all goods and services in all countries on earth is not feasible, infringers still have enough room to exploit loopholes in protection.

For this reason, in a standard case of character merchandising, problems also arise for the enforcement of get-up rights. Pursuant to Sec. 25, German Trademark Act, secondary meaning must be proven for the same or similar goods. That the character in question has achieved a secondary meaning in connection with particular products and also indicates a specific source, can certainly be affirmed in the field on the right holder's own - often very limited - production. Since, in the case of licensing characters to third parties, however, as a rule, goods are concerned which are not similar to those of the right holder (e.g. cartoons as opposed to chocolate), at least for the licensor the establishment of get-up protection for such goods is precluded. As a result, the question of similarity of goods is decided for non-registered marks (get-up) according to the same criteria as for registered trademarks.

But even the second condition, namely achieving secondary meaning (for other than the right holder's own goods), cannot be fulfilled in practice. On the one hand, character merchandising contracts often have a relatively short term (between two and five years), so that a degree of familiarity in the sense of secondary meaning can only be reached with

considerable promotional effort. On the other hand, it would be doubtful whether the association as to source could actually be proved for the benefit of the right holder if the goods concerned were produced and marketed by a totally different enterprise. Furthermore, in the case of licensing several licensees for different goods, the creation of association as to origin in respect of any single source would be made additionally difficult.

Comprehensive protection reaching beyond the relevant goods bearing the trade' designation and/or the goods actually used is only afforded by the courts for famous marks. Section 823, Civil Code, provides a tort claim to prevent dilution, which can be enforced against use for non-similar goods. However, even if a high level of familiarity can be expected of the designations, names and characters suitable for character merchandising - otherwise manufacturers would scarcely be interested in availing themselves of such designations for goods - the degree of notoriety to reach the requirements of a famous mark would only be met in rare cases. 24)

3. Unfair Competition

In most countries in which character merchandising has been the subject of court decisions, the claims were based on unfair competition law provisions, whereby the legal principles are very different according to the relevant national legal systems.

In the U.S.A., Sec. 43 a of the Lanham Act provides a basis for suit, which prohibits false designations of source on goods. The fact that consumers associate the relevant product with the familiarity of the right holder leads to claims for injunctions and damages due to "misappropriation of merchandising properties. " 25) It is thereby emphasized that the provisions against unfair competition constitute a type of catch-all whenever trademark and copyright law are not available under the given circumstances, 26) e.g. because family names are not registrable as trademarks in the U.S.A., or because a film title is not protectable under copyright law and its use for the sale of goods by unauthorized third parties cannot be enjoined on the basis thereof. 27) This right also described as a "right of publicity" 28) in other decisions, constitutes a legal principle corresponding to commercial relationships and interests, which in most cases embraces unauthorized infringement of advertising symbols.

It is significant that a current competitive relationship between the licensor and infringer in the sense of a common field of activity is not required. 29) The rather considerable number of suits brought (mostly successful) in this field in the U. S.A. and the importance of character merchandising in commercial life certify that sufficient legal protection goes hand in hand with increased use of the guaranteed rights.

English law countries have the remedy of the passing off action at their disposal, if a third party attempts to appropriate the value of an advertising symbol. However, considerable problems arise for the right holder from the courts' requirement that exploitation of the source function or the commercial reputation only constitute unfair competition if the plaintiff and defendant are engaged in a "common field of activity," i. e. the plaintiff's goodwill covers also the particular goods of the defendant. 30)

This condition led to dismissal of a claim by the well-known pop group "ABBA", who sought to prevent the use of pictures of their group on T-shirts, buttons and cushion covers. The court held that there was no discernible relationship between the different commercial activities of the defendant and the plaintiff. 31) The holders of the film rights for "Kojak" met the same fate. In this case a lollipop manufacturer had marketed its lollipops with great success under the designation "Kojakpops", without authorization by the film company. A subsequent

licensee of the film company had to bow to his unlicensed competitor, since the court reasoned that the film company had no familiarity or goodwill whatsoever in the market for these goods and, due to the lack of a competitive relationship (common field of activity), it could not enjoin the unauthorized manufacturer from using the name "Kojak. " On the contrary, the licensee was enjoined when the unlicensed manufacturer brought suit based on its priority on the market. 32) Thus, recognition of character merchandising as a protectable commercial activity is still essentially lacking in the United Kingdom. 33)

Case law has developed less strictly in other Commonwealth countries, e. g. in Australia where it was recognized as sufficient if both parties are engaged in business at all, even if not in the same field. Thus, two professional dancers who were represented on a record cover without their authorization, were entitled to claim for an injunction and damages. 34) In another case the right holder's licensing activity and the infringer's sales activity were viewed as a "common field of activity. " 35) Nevertheless, even in these countries, watertight protection is not guaranteed, since a claim of passing off requires not only public reputation on the market, but the courts also examine whether precisely those particular products of the infringer could be viewed as originating from the right holder. Although this was affirmed for dolls from the television series "Sesame Street" because the right holder's licensee also marketed the same dolls, it is not precluded that a claim would have been dismissed if the right holder had previously only licensed painting books, for instance, or had not been engaged in licensing at all.

In Germany two decisions in particular have become well known, in which Sec. 1 of the Act Against Unfair Competition was invoked as the basis for an injunctive claim, in order to protect exploitation under license of cartoon characters. In the Bambi and Micky Maus-Orangen decisions, the respective defendants had not used the characters themselves for advertising purposes, but merely the names of the characters. The Federal Supreme Court left open the question of copyrightability of the names, but assumed that, because of the familiarity of the copyrighted cartoon characters, the unauthorized use of their designations would constitute a hindrance to licensing by the copyright owner if he wanted to conclude license agreements for his characters. 36)

4. Other Causes of Action

In other countries purely civil claims arising from personality rights have been affirmed, if a famous name was used for advertising purposes without authorization by the owner of the name. This was grounded in the U. S.A. and Canada, for example, on the right holder's own advertising rights, 37) or, in Germany, on a violation of personality rights. The most common claimants in such cases are in particular actors, singers and athletes: the courts also regularly confirm their cash value in the form of more or less high royalty awards. 38) Only for products for which the person concerned in the particular case would scarcely have consented to promote, e.g. a singer in the case of adhesive for false teeth, compensation is not normally calculated on a reasonable royalty basis, but an amount is awarded which takes into account the immaterial personality right violation which the plaintiff has suffered. 39) This will not be further examined here.

5. Intermediate Conclusions

From this short comparison of laws, it follows that a need for a general regulation of protection for advertising symbols and their licensing exists, but that the rigid adoption of traditional legal institutions does not always do justice to the new form of advertising by character merchandising.

In particular, the requirement of a competitive relationship between infringer and right holder within the meaning of the English case law on passing off creates the possibility of a "free ride" for the infringer to exploit the degree of familiarity of persons, characters and other advertising symbols. 40) The reasoning behind this view also does not correspond to the commercial reality of the marketplace if, as in the ABBA case, the Court argues that nobody would make a connection between the picture of a pop group on pillows and the group's records.

It may be correct that the majority of consumers have no clear idea, or - with regard to legal aspects - even false impressions, of the connection between the Mickey Mouse character and a Mickey Mouse T-shirt. However, it may be presumed that the majority of consumers supposes that some connection exists between the well-known right holder and the manufacturer of these so-called secondary products. 41) It is thereby unimportant whether it is assumed that Walt Disney itself manufactures T-shirts or owns orange groves. The presumption that no connection at all is made with the original product is certainly incorrect, as will be shown below.

III. Proposed Regulation for the Legal Protection of Character Merchandising and Its Distinction to Get-Up Protection in Germany

The choice of pertinent rules of law upon which the protection of character merchandising in Germany could be based and in fact has already been partly based requires a definition of the interests to be protected, which are typically the subject matter of such contractual agreements. The protection of a valuable asset (merchandising property) created by the primary product and thus the familiarity of the character (Asterix), appropriation of which by third parties need not be tolerated by the right holder, is the major point of attention. 42) Therefore, the object of protection is simultaneously to guarantee the designatory function between primary and secondary products, 43) or between the (original) right holder of the advertising symbol and a third party exploiting the symbol. Those cases which already enjoy special protection need not thereby be regulated, i. e. cases in which the licensed advertising symbol is effectively protected under trademark law, copyright law, etc. Thus, the following cases are examples which are not covered by special property rights and must be considered here:

- the name of a cartoon character which is not itself copyrightable,
- the likewise uncopyrightable title of a publicly known film or television series,
- the (fictional) name of a film or television star,
- a well-known company symbol, which does not yet enjoy protection as a famous mark,
- coats-of-arms and names of sport clubs, universities, etc.,

- voices, gestures, characteristic dress and costumes of well-known entertainers,
- within the framework of trademark law, all designations and characters for the classes of goods for which the applicant does not have his own business operation.

If and how protection can be granted in the above examples and which prerequisites must be met in each case, will be examined below. The starting point for examination under German law are the already cited Bambi and Micky Maus-Orangen cases decided by the Federal Supreme Court.

1. The "Micky Maus-Orangen" and "Bambi" Decisions

The two decisions are based on largely identical facts, to the extent that this is decisive for legal assessment: The designations in question were the names of cartoon characters which had achieved a high degree of familiarity in films and in the form of books. Both names were classified by the court as fantasy names, which were directly connected with the cartoon characters by which they had become well known. In both cases the characters and character designations were the subject matter of numerous license agreements of the character merchandising type. Whether individual copyright protection could exist for the names was not examined in the Bambi decision, and was expressly left open in the Micky Maus-Orangen decision. The existence of outstanding notoriety for the designations, and thus protection under Sec. 823 (1) of the Civil Code from the aspect of a risk of dilution, was equally left open or, with regard to the book title in the Bambi case, even expressly rejected.

In the Micky Maus-Orangen decision the existence of get-up protection (for the relevant licensee) was similarly rejected (by the appellate court), despite considerable efforts expended by the licensee for over three years, because pursuant to the license agreement he was legally obligated to inform the companies he supplied of the existence of a licensing relationship. It was thus irrelevant whether a possible violation of this obligation fulfilled the factual requirements for the creation of an indication of source.

In both decisions the claims for an injunction or damages were based on a violation of Sec. 1, Act Against Unfair Competition, within the meaning of parasitic exploitation of another's success. On the basis of the right of the creator of the character to consent to reproduction and imitation by third parties, the Federal Supreme Court held that use as a designation for goods or as a distinguishing designation also belongs to that right.

It is interesting that both Federal Supreme Court decisions were not (only) based on exploitation of the familiarity of the characters, but emphasized that hindrance of exploitation of the characters by means of licensing was the main ground for the finding of unfair competition. In the Bambi case, the defendant had registered the name for himself as a word mark and warned an authorized licensee of the copyright holder against using the same. In the Micky Maus-Orangen case, the former licensee had indicated in advertisements after termination of the contractual relationship that the new designation chosen by him concerned the "former Mickey Mouse oranges." 44) The Federal Supreme Court emphasized that even a merely temporary reference was incompatible with the intent and purpose of the limitation in time of such a license agreement. It would lead to unacceptable market confusion if the new licensee had to tolerate a second user of the mark; this would then lead to a considerable hindrance of the licensee's exploitation.

Finally, in the *Bambi* decision, the way in which the question of the competitive relationship was dealt with was significant. One of the plaintiffs concerned was the holder of the film rights, which indirectly granted merchandising licenses through an affiliate company located in the Federal Republic in which it had a 75% interest. Standing to sue according to Sec. 13 (1), Act Against Unfair Competition, exists if goods or commercial performance are opposed to each other which in the eyes of the public could hinder each other's sales, but also if commercial exploitation of a copyright by licensing is hindered by the marketing of goods which are the subject of these licenses. Therefore, it does not even matter whether the plaintiff grants the licenses itself or through another company, since in any event the holder of the rights in the character is also hindered in the exploitation thereof and thus, having his rights directly infringed, is also entitled to file suit according to Sec. 1, Act Against Unfair Competition. 45)

2. Examination of Possible Requirements for Protection

a) Public Recognition

In the Federal Supreme Court decisions examined, the question whether the designations which were the subject of dispute could also be used to invoke protection against the risk of dilution of a famous mark was expressly left open or not examined at all. 46) However, it was apparent in both cases that the relevant characters and their designations enjoyed a relatively high degree of familiarity.

It has already been described in the comparative law analysis that notoriety on the market with regard to certain goods, due to the peculiarities of character merchandising, can only be found in rare cases. From the consumer's point of view an unambiguous conception of source with regard to a certain business operation does not develop, such as is required by Sec. 25, Trademark Act, since the mark concerned is used by diverse manufacturers and dealers. In particular, in the greater number of cases the degree of recognition on the market will not be reached for specific goods, which is required by case law for the application of get-up protection. This means that such marks would be unprotected at the beginning of exploitation through licensing, since to invoke get-up protection rights, the necessary requirements must already be present when a third party's infringing get-up is to be enjoined. Therefore, in the U.S.A., where case law on character merchandising is furthest developed, proof of a minimum degree of recognition on the market, e.g. by ordering a consumer survey, has never been requested by the courts as a condition for granting protection, although consumer conceptions in respect of the right holder are correctly referred to. 47)

b) Similarity of Goods or Competitive Relationship

In the two Federal Supreme Court decisions referred to before *Bambi* and *Micky Maus-Orangen*, the defendant's goods and the licensed goods were identical - at least similarity of goods existed. The question arises whether similarity of goods according to trademark law principles, or at least a competitive relationship, must generally be demanded.

In the clear majority of legal systems examined here, the result is that the requirement of a competitive relationship or a related branch of business, within the meaning of common commercial activity aimed at the manufacture or marketing of similar or identical goods, is held to be superfluous. With the exception of the cited English case law, either any

commercial activity of the parties is recognized as sufficient to affirm a legally protectable interest, or the competitive relationship is so defined, as under German law, that also licensing and not only marketing of goods falls thereunder. 48)

Whether such conflicting interests are only to be affirmed if the current licensed goods on the one hand, and the products marketed by the infringer on the other, are the same or at least similar did not have to be decided in the Federal Supreme Court cases. However, for dogmatic as well as practical considerations, such a similarity of goods should not be required. 49)

In the Bambi decision, the Federal Supreme Court had already defined a very broad concept of the competitive relationship by resting the case on the concrete exploitation of the advertising symbol by the non-licensed chocolate manufacturer, and on the (also future) interest of the right holder in exploiting the same product. 50) In the most recent Dimple decision, 51) the Federal Supreme Court reaffirmed this view and recognized it as sufficient for affirming a competitive relationship if the infringer associates himself with the reputation and goodwill of another's goods and exploits this for the sale of his own goods. Infringement will be affirmed if commercial exploitation of this reputation were also possible on the part of the right holder.

In the Rolls-Royce decision, 52) the Federal Supreme Court regarded the use of the illustration of a product as an inadmissible vehicle for advertising one's own goods, within the meaning of Sec. 1, Act Against Unfair Competition, although a competitive relationship did not exist between the products (whisky and motor vehicles). The supporting reasoning for the Federal Supreme Court's decision was that, by licensing the use of illustrations of its vehicles, the Rolls Royce company approaches the advertising industry with the same offer as the defendant advertising agency. The Court indicated that, although a property right does not exist for illustration of Rolls Royce vehicles, the plaintiff does however possess a property right having the nature of a monopoly, the violation of which can be prevented as unfair business practice. If the defendant offers the same illustrations for advertising purposes, he thus impairs the licensing operations of the right holder. 53)

The second point which is generally to be examined in respect of the existence of a competitive relationship, namely whether the parties are competitors on the domestic market, was also clarified by the Court with a broad interpretation of "being affected." Even in the case where the actual right holder has transferred the concrete licensing exploitation to a domestic company in which he holds a majority share, the Court holds the requirements of Sec. 13 (1), Act Against Unfair Competition, to be met, because the impairment (also) affects those entitled to the rights in the character. What is important is the fact that the competing goods or commercial achievements are capable of adversely affecting one another's turnover. In the case of character merchandising, the commercial exploitation of a copyright by way of licensing would be hindered by the marketing of goods with the same designation by somebody else.

c) Already Existing Contractual Relationships

Since, in the abovementioned Federal Supreme Court cases, it was decisive that the non-licensed third party caused a hindrance to licensing exploitation by the right holder through the unauthorized use of the advertising symbol, it is necessary to ask whether protection for character merchandising should only be provided if the licensed exploitation has already

begun. It must then be further questioned whether license agreements must already be concluded for the relevant products for which the third party is using the advertising symbol without authorization.

The fact that a claim to an injunction must also be allowable, even if exploitation by granting licenses cannot (yet) be substantiated, is shown by the example of a well-known fashion designer who never planned, other than for haute couture, to also exploit his name for products such as perfume, jewelry or champagne; or a film company which produces a film or television series of high literary and artistic value and which does not intend - or only for a very limited product range - to grant licenses. In such a case, to deny the right holder a right to control the manner of using the mark, the quality of the products to which the mark is affixed, and the individual licensees or to prevent any commercial exploitation, would put legal protection as a whole into question. Such a control right is therefore expressly granted under various legal systems. 54)

This means that the right holder need not tolerate commercial exploitation if he is not interested in granting a license at all or the concrete type of exploitation. Thus, some character licensors refuse to grant licenses for food or beverages because their quality cannot be continuously controlled and loss of prestige must be feared in the case of spoiled goods. Some famous cartoon ' stars are not to be found in advertising for tobacco products or spirits. It would contradict the purpose of protection in such cases if, because of a stated disinterest in licensing, unauthorized third parties could use the advertising symbols with the argument that for factual reasons there could be no question of hindering the right holder's licensing operations. The right holder's right to enjoin must therefore also embrace such a constellation of facts. Character merchandising is not licensing planned or to be planned on aspects of classes of goods or similarity of goods. It may be that certain characters and symbols are the focal point of interest of certain branches (007 men's perfume on the one hand, and Asterix sweets for children on the other). However, licensing generally results without plan and also totally differently from country to country. Since moreover license agreements are temporally limited, it would mean a total undermining of protection if, for example, after the expiry of a license agreement a follow-up agreement was not immediately concluded, and non-licensed competitors could take advantage of the gap on the market with the argument that there was a current absence of a competitive relationship due to the lack of similarity of goods, because for a certain group of products a license agreement did not exist or was not in sight. This would lead to a situation where a total blockage of licensing possibilities would very soon take place. The reasoning in the Micky Maus-Orangen decision also appears to indicate that the Federal Supreme Court in principle wished to reserve to the copyright owner free exploitation of his characters for every type of goods, so that unfair impairment of licensing must also be presumed even if there is no present exploitation of the particular goods.

d) Existence of Copyright Law Protection

Even if in practice numerous merchandising rights are derived from copyright law 55) evidence of existing copyright law protection cannot be demanded as a requirement for protection of character merchandising. 56) Any other interpretation would lead to the fact that wide areas of already practiced character merchandising would be left without protection and third parties could, for example, use the emblems of football clubs and universities, titles of television series and film stars without restriction.

An example is the Wyatt Earp case. The name, which dates back to a historic person, became generally well known through a television series. The Court determined that, although it is not a fictional name, in connection with goods the name had become well known for the first time by the holder of the television rights. 57)

This indication by the Court clearly refutes possible objections that by means of legal protection of advertising symbols the public domain will be partially monopolized for the benefit of individuals in cases where copyright or trademark protection is not available. It is true that, before the (successful) film exploitation, the designation "Wyatt Earp" could have been used or registered as a trademark by anyone. However, consumer interest and thus potential licensee interest would have been practically nonexistent without the image of the name and its familiarity created by the television series. It therefore corresponds to the intent of protection provided by the legal system if, after creating an interest in exploitation, the fruits of labor are bestowed upon the one who earned them. What is protected thereby is not a source or quality function (of the manufacturer or distributor) according to trademark law, but rather the approval given by the "sponsor" in the sense of a personal recommendation of the product directed to the public. 58)

e) Quality Control

Under U. S. law, the opinion is sometimes voiced that character merchandising agreements must provide for effective quality control, which, if lacking, could even lead to invalidity of the license agreements. 59)

Also under German trademark law and thus also for trademark-law related get-up protection, in case of licensing, the requirement of a quality control by the trademark proprietor must be adhered to in order to prevent confusion of the consumer. Where the consumer relates the mark to certain conceptions of origin, such are simultaneously connected to certain (positive or negative) conceptions of quality. If a certain product, which has already been marketed for some time under a mark or get-up, is then (also) manufactured and marketed by another manufacturer under license, the consumer may expect that consistent quality will be guaranteed by the mark which is well known to him, without his having to compare the manufacturer or bottler each time in the small print on the label or package.

In the opinion of this author, this legal consideration does not apply analogously in the field of character merchandising. Of course, the licensor of advertising symbols will also make a careful choice of his licensees, so as not to jeopardize the value of his licensing right. However, careful product supervision, as must be required if the quality control is not to be merely empty words, will often not be possible due to lack of knowledge in the field. Contrary to trademark law, however, this cannot lead to consumer deception because only one single quality of goods is on the market and so a comparison between "original goods" of the licensor and those of the licensee cannot be drawn.

Although the concept of quality control is also applied under Australian and Japanese law in connection with merchandising agreements, this occurs rather in the sense of a ground for legal protection of the licensor under the Act Against Unfair Competition, since his control right and protection of his freedom in respect of choice of licensees is based thereon. 60) The licensor should have the right to control quality and therefore be able to prevent unlicensed exploitation; however, the validity of executed license agreements should not depend upon whether this right is enforced in individual cases.

3. Conclusions

Application of the provisions of get-up protection only come into question in exceptional cases for effective and equitable legal protection of character merchandising. On the one hand, in practice, only few advertising symbols meet the requirement of secondary meaning and, on the other, the provisions on similarity of goods derived from trademark law prevent flexible treatment of character merchandising practice even in cases where the "character" had achieved sufficient public familiarity for individual goods. This also concerns the fact that get-up protection can only be claimed after a considerably long period of exploitation. The right holder would thus be without protection for a particular class of goods if an infringer starts an unauthorized use at the beginning of a licensed exploitation by the right holder.

It follows therefrom that legal protection may only be derived from Sec. 1, German Act Against Unfair Competition, whereby the elements constituting an infringement can be otherwise described as a tortious interference with the right holder's freedom to grant licenses, in connection with exploitation of the reputation of the character concerned.

The "special circumstances" of bad faith required for application of Sec. 1, Act Against Unfair Competition, arise from exploitation of the advertising symbol's popularity created by the right holder at considerable cost and effort, use of which is, as a rule, only allowed on the basis of a license.

The fact that the right holder has already begun domestic licensing to a certain degree must be assessed as evidence for the possession of a legally protectable position, which must already be presumed on the basis of beginning public familiarity. 61) Even without commencement of licensing operations, the need for protection must be affirmed if a distinctive designation or character was already the subject of so-called primary exploitation, e. g. by means of film, literature, etc. 62) In such cases, use of this designation or character by a third party is evidence of beginning popularity on the market. The attempt to save license fees and slip into a position, which has been reached with effort and financial investment, directly satisfies the elements of Sec. 1, Act Against Unfair Competition. 63) Contrary to get-up protection and also contrary to the case law of English-law countries concerning passing off, evidence of a certain degree of market reputation is however not required. 64) Of course, evidence of such reputation can serve as an additional ground for a claim either for get-up protection pursuant to Sec. 25, Trademark Act, or pursuant to Sec. 3, Act Against Unfair Competition, 65) from the aspect of consumer confusion about existing ties between the right holder and the exploiter. On this point, the Federal Supreme Court determined in its *Biene Maja* decision 66) that a decisive percentage of the public rightly assumes that only certain companies possess the right to use the well-known designation and that this must therefore be derived from the right holder of the television series.

The prerequisite for protection is not the existence of a particular license agreement which has already been concluded or will be immediately concluded, since the purpose and reason why protection is warranted is to prevent an interference with the freedom of contract or possible self-exploitation. 67) In such cases the infringer also exploits the market position achieved by the efforts and costs of another, gains for himself an advertising advantage, deceives the consumer about existing business ties, and hinders the future marketing of rights which the right holder would otherwise be able to commence at any time.

In France such an interference will be prohibited from the aspect of general malice, even if use of an advertising symbol by a third party occurs for goods other than those exploited so far by the right holder. 68) Under Japanese law protection is provided under the Act Against Unfair Competition "as an absolute exclusive property right," 69) without evidence of protectability of the advertising symbol under trademark law or copyright law. The so-called Whitford Committee has also advocated legal protection under English law by virtue of the provisions of unfair competition law. 70)

The degree of distinctiveness of the mark or symbol can be decisive in individual cases for whether the right holder's interests are impaired and whether his claim to an injunction will lie. For example, as a matter of course, illustrations or designations of animals do not enjoy absolute protection. Not every "duck" or "mouse" indicates Walt Disney and not every "bunny" indicates Playboy. On the other hand, if an unauthorized third party uses the graphic peculiarities of Donald Duck or if he equips the rabbit with a collar and bowtie in the Playboy manner, then a violation of another's legal sphere must be affirmed. 71)

Also the argument - generally in connection with the rejection of trademark law protection - to the effect that, for example, the use of the "Coca Cola" mark on a T-shirt recognizably serves advertising purposes and thus cannot be viewed as a use of the mark protected for drinks, cannot lead to a rejection of the legitimate trademark proprietor's right of prohibition. As the Austrian Supreme Court correctly held, use of a mark on advertising items which are not similar to the trademark proprietor's goods are also associated to him. 72) The trademark proprietor must therefore be entitled to a right of control over the manner of the advertisement even if it is a case of advertising for free, when the third party is solely interested in the sale of T-shirts. The legal concept of protection of the right holder's exploitation through licensing was most recently invoked in a decision of the Court of Appeals of Frankfurt as a ground for affirming a claim for an injunction. The defendant had marked stickers with the BMW company's trademark and added a line below "B (ums) M (al) W (ieder " make love again). The Court rejected claims pursuant to Secs. 16, 24 and 25 of the Trademark Act, but affirmed a claim pursuant to Sec. 823 (1) of the Civil Code within the meaning of the general personality right, without additionally examining Sec. 1, Act Against Unfair Competition, at all. The Court of Appeals found that the trademark owner could himself determine the manner and scope of use of an exclusive right, and that he need not tolerate the appropriation by a third party. 73) The Court held that it was not decisive whether the particular use of the mark would damage its reputation; this could at best be an additional ground for an injunctive claim.

It is surprising that the Court did not examine Sec. 1, Act Against Unfair Competition, insofar as it expressly cited the Rolls-Royce decision of the Federal Supreme Court. One could have expected that the Court of Appeals would likewise base the injunction on Sec. 1, Act Against Unfair Competition, by virtue of the broad definition of a competitive relationship. 74)

Still more confusing with respect to the present legal situation in Germany is the fact that the same Karlsruhe Court of Appeals which in the second instance had decided in favor of BMW, i. e. granted an injunction, denied such a claim in another case with very similar circumstances.

There the defendant had marketed stickers in the blue and yellow Lufthansa colors, on which, instead of the well-known Lufthansa crane, two cranes were visible which, according to the Court's statement of facts "although in flight - are shown in a mating position." The company name on the sticker was altered to "Lusthansa". The Court dismissed Lufthansa's claim for an injunction on the ground that the defendant had neither used the plaintiff's company symbol as a designation for goods nor as a company designation. The Court also held that the defendant

did not contest Lufthansa's name and an infringement of a juristic person's personality right could not be affirmed for the impairment of purely non-financial interests. 75)

In the BMW case, a conflict with the Lufthansa judgement was denied by the Karlsruhe Court of Appeals with the argument that in the case of the stickers with the two cranes and the designation "Lusthansa," the original company symbol with the original get-up was not involved, but rather an independent "distortion" which merely parodied the plaintiff's name; thus, it did not constitute an infringement of an exclusive right of the plaintiff.

If the Court on one hand applies personality rights as the basis for a claim, but on the other hand does not regard a transformation of the company designation which is liable to expose the company to ridicule as being capable of prohibition, this proves that the right of personality as the basis for a claim is obviously not suitable to cover all circumstances where the unauthorized use of trade symbols is an issue. This view is confirmed by the outcome of the BMW case on the Supreme Court level as mentioned before. 76) The best suitable legal basis is therefore Sec. 1 of the Act Against Unfair Competition. Even if trademark law aspects of the risk of confusion are not directly pertinent, at the very least a somewhat broader scope of business activity should be protectable under unfair competition law, which also embraces more or less slight modifications of the protected company designation, get-up or company symbol. Considering that, in respect of the Lufthansa logo the original illustrated crane was merely doubled and one single letter was changed in the name, denial of an injunction in one case and affirmation in another can no longer convincingly be explained.

In the opinion of this author, the Court of Appeals in the Lufthansa case and the Supreme Court in the BMW case overlooked the fact that control over who and in what manner the - indisputedly recognisable - company symbol is exploited for commercial purposes must solely lie with the right holder. The facts involved in both cases may perhaps also have been "amusing;" but the reaction of the right holders show that this view is not necessarily shared by all parties concerned, and the courts did not set a standard to determine where impairment begins.

The Commercial Court of Berne correctly determined in a similar case that the right holder is entitled not to be associated with something against its wishes. 77)

One should have expected that the courts would affirm the right of the trademark owner to determine the concrete manner of use and the individual users. Why should Lufthansa and BMW not be entitled to an injunction, for the sole reason that it would itself like to exploit the commercial attractiveness which its symbol obviously possesses? The 1st Chamber of the Federal Supreme Court, in any event, afforded this right to Rolls Royce with a similar legal theory, when a whisky producer attempted to exploit the motor vehicle mark's reputation as an eye-catcher for whisky advertisements. 78) The Court held that the plaintiff was at liberty to determine who was entitled to exploit its company name and reputation for its own commercial purposes. The concept that Rolls Royce would itself be entitled to permit commercial advertising in return for payment must also be valid for a modified, but still recognizable, use of a well-known company symbol. In that case an impairment of the mark was not to be feared.

Pursuant to the Carrera judgment of the Federal Supreme Court, 79) unauthorized advertising using another person's name is ipso jure to be assessed as an unlawful infringement of personality rights. It cannot be in doubt that at least similar interests are involved in the case of company names and their designations. 80)

In this context it should be emphasized that - although this author would prefer the unfair competition approach - the courts' opinion that juristic persons are not entitled to personality

rights cannot be considered undisputed. Swiss case law expressly affirms, for example, a company's right to guard its originality and its public "image." 81) Schricker correctly indicated, for instance, that universities can file suit to enjoin the commercialization of their names. 82) In blatant cases, e.g. "NYU Sex Shop", the claim for an injunction could certainly be founded on personality rights. A university's interests could, however, also be affected by the fact that someone offers "Harvard tea" for sale and thereby suggest consent by Harvard University. The argument that a designation of goods is not present in such a case is already unconvincing since, for example, stickers with the famous "Playboy Bunny" have been found to possess a trademark function in respect of the marketing enterprise. 83) Particularly from this aspect, it is also astonishing 18 that the courts ignored the point of view that at least a percentage of the public would assume that Lufthansa and BMW had consented to the use of their symbols, or even believe it to be a particular advertising gag. 84)

In addition, a further aspect makes a relationship to trademark and get-up protection apparent: If the right holder must tolerate any modified use of a company symbol by any third party, he would have to fear the dilution of his valuable mark, which would also obstruct his own future exploitation.

Another cause of action in both the Lufthansa and BMW cases should have been trademark law. This at least was the view of both the U.S. District Court for the District of Nebraska and the Eighth Circuit in a case where the defendant had modified the plaintiff's mark "Mutual of Omaha" into "Mutant of Omaha - Nuclear Holocaust Insurance," which was used on T-shirts. Both courts granted preliminary injunctions based on trademark infringement which the District Court later affirmed by way of a permanent injunction. 85) But in the German cases another peculiar view, which can only add to the general confusion in this field, influenced the result. A number of trial courts in Germany have held that if a trademark is reproduced on a sticker and thus represents the very product, it can no longer be regarded as a trademark which by definition must be affixed to a product and cannot be the product itself. Also, the sale of a third party's trademark on a sticker, according to these views, lacks the function of the trademark as an indication of source, since the unauthorized user - allegedly - does not want to indicate the right holder as the source of the product. Therefore, according to this theory, which has never been confirmed by the Federal Supreme Court, neither the Lufthansa nor the BMW sticker would fulfil the requirements of trademark infringement.

Not only is the practical result of this "theory" far from satisfactory, but its legal basis is also not convincing. It may well be that registrability of a product itself is precluded. 86) This does not mean however that the same principles must apply for the question whether the reproduction of a famous trademark in three-dimensional form should be regarded as an infringement. It cannot be doubted that the sale of bunnies with the typical Playboy features, whether in the form of earrings or toys, would be associated with the trademark owner. And should the sale of the well-known Lacoste crocodiles by infringers with the presumed purpose that they will be sewn into non-genuine tennis shirts remain without possibility of prevention by the right holder?

In such a case, the U.S. CCPA affirmed the source function of a bracelet pendant in the form of a "Penthouse" key and allowed a claim for an injunction under trademark law. 87)

It is therefore with some satisfaction that a first success in somewhat similar cases can be reported here without, however, disclosing the concrete facts since both cases are still pending: a third party had filed the trade symbol of a rather well-known company in three-dimensional form as a model (Geschmacksmuster). The Court left the question open whether this constituted "use as a trademark" but found that a claim based on Sec. 1 of the Act Against Unfair Competition was given. And in another recent case an injunction was granted against a

cigarette manufacturer which had filed a well-known, but not yet famous sport trademark for tobacco products. The injunction was supported by Sec. 1, Act Against Unfair Competition, based on the afore-cited *Dimple* doctrine of the Supreme Court.

One must therefore come to the conclusion that under German law, which however cannot be regarded as being settled in this respect, the proprietor of a valuable advertising symbol or character possesses the right to control the "whether" and "how" to exploit it. The legal basis for the protection of character merchandising is Sec. 1, Act Against Unfair Competition, which gives the possibility for an injunction and damages. This does not exclude that in individual cases claims can also be based on the Trademark Act or the Copyright Act. In a recently decided case of the Court of Appeals of Karlsruhe, the University of Freiburg was granted the right to enjoin the use of its coat-of-arms on T-shirts where the Court used Sec. 12, Civil Code, the right to one's own name, as a basis, as well as general personality rights. 88) However, the legal requirements of those special provisions need not be present in each case where a character merchandising type situation is present. The contrary opinion that legal protection for character merchandising should only be granted within the framework of trademark or copyright law 89) is by no means convincing.

According to the opinion voiced here, Sec. 1, Act Against Unfair Competition, presents a useful instrument to embrace elements which, similar to a violation of rights to a name, constitute exploitation of publicly existing goodwill to promote one's own commercial interests. 90)

The "special circumstances of bad faith" required by case law for the application of Sec. 1, Act Against Unfair Competition, are present in most cases of licensing impairment.

- Should any lollipop manufacturer really be allowed to turn out "Kojak-Pops", after the relevant television series has become a success? 91)
- Even if "Holly Hobbie" cannot be registered as a trademark, should any third party nevertheless be at liberty to use this designation without a license, although it indicates a quite distinct licensor?
- Should any third party be able to use the "JPS" logo, which has also become popular through motor car racing and other advertising, because the right holder lacks business operations, e. g. for the sale of T-shirts?
- And, finally, should an exact copy of the Playboy bunny in the form of earrings not be enjoined, because the right holder does not qualify for trademark protection owing to lack of business activity in this field and does not (yet) enjoy sufficient market recognition order to fulfil the requirements of get-up protection?

These examples show that the competitor concerned is not at all using property in the public domain as some voices hostile to the protection of character merchandising allege. The exploitation on of an advertising advantage and the free ride on a market reputation, for which the competitor himself has expended no effort and cost at all, is the reason for the unauthorized use of a mark or character. As a result, protection is therefore rightly derived from Sec. 1, Act Against Unfair Competition, namely as a provision for protection against unjustified exploitation of the goodwill of a mark and against an impairment of the right holder on the market contrary to honest practices. 92) J.K.

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- 1) See in detail WALTER, "Die geschäftliche Verwertung von Werbesymbolen durch Lizenzvergabe," (Cologne, etc., 1979).
- 2) See further differentiations in Grimes & BATTERSBY, 69 TMR 431 (1979); similarly also BROWN, 2 Intellectual Property Journal 93 (1985).
- 3) GRIMES & BATTERSBY, 69 TMR 431 (1979); see for similar concepts in Italian case law in connection with the definition of the scope of protection for a famous mark the decision of the Court of Appeals of Milan, GRUR Int. 1985 337 . 17 IIC 276 (1986) - John Player Special 11; see also VÖLP, GRUR 1985 843 , 846 .
- 4) Cf. GRIMES & BATTERSBY, 69 TMR 431 (1979); HEFTER & BESHA, 1978 Annual of Industrial Property Law (AIPL) 579.
- 5) DOI, 1978 AIPL 283; GRIMES & BATTERSBY, 69 TMR 431 (1979); HEFTER & BESHA, 1978 AIPL 579, 585.
- 6) See further references in GRIMES & BATTERSBY, 69 TMR 431, 436, et seq. (1979).
- 7) "Newsweek," April 5, 1982, p. 56.
- 8) WALTER, loc. cit. at 118 et seq., 136 et seq.; SCHAEFFER, 1978 AIPL 226 et seq.; CORNISH, 1978 AIPL 492; HOBBS, 1980 EIPR 47; HEFTER & BESHA, 1978 AIPL 579; see also two unreported decisions of the Court of Appeals of the Cantons of Zurich and Lucerne, dated January 6 and January 12, 1983 concerning the infringement of "E.T."; Italian Supreme Court, 1978 Giust. Civ. I, 1108 - Walt Disney.
- 9) See COLEMAN, 1982 EIPR 189; HEFTER & BESHA, 1978 AIPL 583; FIRTH, Speech delivered before the European Studies Conference "Character Merchandising" on March 8, 1985, in London (hereinafter "ESC Conference").
- 10) The "Fifth Dimension" case: Davis v. TWA, 297 F. Supp. 1145 (C.D. Cal. 1969).
- 11) Sinatra v. Goodyear Tyre and Rubber Co., 435 F2 d 711 (9th Cir. 1970).
- 12) See CORNISH, 1978 AIPL 492; affirmation of protection, however, e.g. under passing off law. On the other hand, the Court of Appeals of Karlsruhe granted copyright law protection to prevent a sequel to a theater play, GRUR 1957 395 ; see further on this problem, ULMER, "Urheber- und Verlagsrecht" 121 (3rd ed.).
- 13) HEFTER & BESHA, 1978 AIPL 579 with further references; see also for English law, COLEMAN, 1984 J.B.C. 70, 73. See also 26 BGHZ 52, and the Swiss Supreme Court, GRUR Int. 1960 510 , with Comment by SCHRICKER, on protection of the Sherlock Holmes character.
- 14) For the U.S. law see HER & BESHA, loc. cit., at 590 et seq.; COLEMAN, loc. cit. at 189; D. C. Comics, Inc. v. Unlimited Monkey Business, Inc, (N.D. CA 1984) PCTJ of December 13, 1984, at p. 133; Detective Comics, Inc. v. Bruns Publication Inc., 111F. 2 d 432 (2 d Cir. 1980).
- 15) German Federal Supreme Court, GRUR 1960 144 Bambi; German Federal (Supreme Court, GRUR 1963 485 Micky Maus-Orangen; these decisions will be examined more closely below at 466, 469 et seq.)
- 16) Protection under trademark law therefore only if use for the particular goods is planned, but not for the purpose of holding the symbol ready for licensing, cf. Pussy Galore, CORNISH, 1978 AIPL 495; WALTER, supra note 1, at 87 et seq.;, ESC Conference 1985.
- 17) Cf. the practice in the U.S.A., where, at least between related companies, the presence of a business operation will be affirmed for the company which exercises quality control by agreement, WALTER, supra note 1, at 85; in the U.S.A. a trademark registration is also permissible even for typical merchandising goods without proof of secondary meaning if the applicant can prove that the mark is registered for so-called "primary goods," see GRIMES & BATTERSBY, 69 TMR 443 (1979); however, proof of secondary meaning where a trademark

registration is lacking, in the decision of the District Court of New York, GRUR Int. 1981 256 , 257 Peter Rabbit.

18) German Federal Supreme Court, GRUR 1981 277 Biene Maja.

19) GRUR Int. 1984 445 ; even one of the judges involved in the case described the relevant provision of English law as an anachronism, see citation of Lord Bridge of Harwich, in SHEARS, 1985 Patent and Trademark Review 3J3; cf. also COLEMAN, 1984 J.B.C. 70 et seq.; see also Lyngstad v. Anabas Products ("ABBA"), cited by COLEMAN, 1982 EIPR 189; but see Swiss Supreme Court, 1984 Schw. Mitt 299 - JPS; in German case law, Federal Supreme Court, GRUR 1965 86 Schwarzer Kater; see also VÖLP, GRUR 1985 843 , 846 .

20) See in detail, BEIER, in "Die Warenzeichenlizenz" 568 et seq., 631. et seq., who, however, carefully distinguishes between the requirement of a business operation and the attribution of use of a mark by conglomerate affiliates or licensees; id., GRUR Int. 1968 8 , 16 ; also RAUSCHER AUF WEEG, in "Die Warenzeichenlizenz" 507, who describes the business operation as "a not absolutely necessary requirement of the structure of German trademark law;" however, until now, an express abandonment of the requirement of the business operation cannot be found in case law; similarly in Italian practice, cf. most recently, Court of Appeals of Milan, 17 IIC 276 (1986) - John Player Special II.

21) Cf. IRELAND, 1978 AIPL 111 112.

22) Cf. on this term, GRIMES & BATTERSBY, 69 TMR 435 (1979).

23) Reference to the limited number of licensees to substantiate the establishment of conceptions of source was emphasized, for example, in the decision of the Federal Supreme Court (Biene Maja), GRUR 1981 277 .

24) Cf. for the requirements for protection under German law, SCHRICKER, 11 IIC 166 (1980), with comprehensive references to case law; see also VÖLP, GRUR 1985 843 ; WALTER, supra note 1, at 148; LEHMANN, 17 IIC 746 (1986).

On the other hand, under English law, registration of the name of a cartoon character was refused precisely because of its fame. since it would then no longer be viewed as a fantasy word, but as a name, cf. FIRTH, ESC Conference 1985; on the requirements under Italian law, cf. most recently Court of Appeals of Milan decision, 17 IIC 276 (1986) - John Player Special II, with reference to a judgment handed down by the Supreme Court in the Cartier case with similar subject matter.

25) Cf. GRIMES & BATTERSBY, 69 TMR 431, 450 (1979); HEFTER & BESHA, 1978 AIPL 579. 592 et seq.; on U.S. law, see also SACK, 1985 WRP 459, 462 et seq.

26) HEFTER & BESHA, 1978 AIPL 579,.

27) Cf. for the film title "Jaws," Universal City Studios, Inc. v. Montgomery Ward & Co., N.D. Ill. (1980), in 482 PTCJ A-7.

28) See the comprehensive analysis of case law in Carson v. Here's Jonny Portable Toilets, Inc., 218 USPQ 1 (6th Cir. 1983); see also Grimes & BATTERSBY, 69 TMR 431, 454, et seq.

Unauthorized use of names and company names for advertising purposes is also regarded as a violation of Sec. 1, Act Against Unfair Competition. under German law, with similar reasoning, cf. already 74 RGZ 308 - Graf Zeppelin; 20 BGHZ 345 - Paul Dahlke; Federal Supreme Court, 14 IIC 288 (1983) - Carrera.

29) Patten v. Superior Talking Pictures Inc., 8 F. Supp. 196 (1934). Cf. most recently, The Dukes of Hazzard, cited by SHEARS, 1985 Patent and Trademark Review 307, 309.

30) Cf. support provided by COLEMAN, 1982 EIPR 189; VAVER, 9 IIC 541 (1978).

31) See also HOBBS, 1980 EIPR 47 et seq.

32) COLEMAN, 1982 EIPR 189; HOBBS, 1980 EIPR 47. But cf. the Court's retreat from the Kojak case in *Stringfellow v. McCain Foods*, 1984 F.S.R. 195. 196.

33) COLEMAN, 1984, J.B.C. 70, 73. Cf. the unanimous demand for legal protection at the ESC Conference "Character Merchandising," London, on March 8, 1985, in the contributions by FIRTH and PRICE, with reference to the opinion of Lord Bridge of Harwich in the *Holly Hobbie* case, who advocated an amendment of British trademark law; the Whitford Committee had already advocated protection of character merchandising by means of unfair competition law provisions, cf. FIRTH, loc., cit.

34) *Henderson v. Radio Corp. Pty. Ltd.*, (1986) R.P.C. 218.

35) The "Muppet case:" *Children's TV Work Shop Inc. v. Woolworth Ltd.*, cited by DURIE, 1981 EIPR 24.

36) German Federal Supreme Court, GRUR 1960 144 and GRUR 1963 485 *Micky Maus-Orangen and Bambi*.

37) *Krouse v. Chrysler Canada Ltd.*, Ontario High Court, 1 C.P.R. (2 d), vacated by Ontario Court of Appeals, 13 C.P.R. (2 d); for the U.S.A. see references by grimes & BATTERSBY, 69 TMR 431, 454 et seq.; COLEMAN, 1982 EIPR 189; for private persons, the legal basis is the "right of privacy," for well-known persons, the "right of publicity;" for Japanese law, cf. DOI, 1978 AIPL 303; for French law, see SAINT GAL, 1978 AIPL 182.

38) Even the heirs are allowed such a claim; e.g. for the imitation of poses, singing style and voice of Elvis Presley, including imitation of his show. Reference by COLEMAN, 1982 EIPR 189; et seq.; CIFEELLI & MCMURRAY, 66 JPOS 455 (1984).

39) 30 BGHZ 7 - *Caterina Valente*; contra, a U.S. court which did not enjoin the sale of busts of Martin Luther King, because the minister, in the Court's opinion, would never have consented thereto and, therefore, he could not have suffered commercial damage, see COLEMAN, 1982 EIPR 189; CIFEELLI & MCMURRAY, 66 JPOS 455, 465 (1984).

40) WINNER, 71 TMR 193 (1981).

41) See, expressly, *Universal City Studios, Inc. v. Montgomery Ward & Co.*, N.D. 10. (1980), in 482 PTCJ A-7; see also LANE, 1985 EIPR 6; see also Supreme Court of N.S.W., Australia, in *Children's TV Work Shop Inc. v. Woolworth's Ltd.*, cited by DURIE, 1981 EIPR 24; see also under Austrian law, Supreme Court, 16 IIC 780 (1985) - *John Player*. Protection for "wellknown" but not yet "famous" marks under German law is also advocated by LEHMANN, 17 IIC 746 (1986); and SACK, 1985 WRP 459, 462 et seq.

42) For Japanese law, see DOI, 1978 AIPL 299 et seq.

43) *Universal City Studios, Inc. v. Montgomery Ward & Co.*, N.D. Ill. (1980), in 482 PTCJ A-7.

44) GRUR 1963 485 .

45) GRUR 1960 144 .

46) Familiarity on the market was also left open by the Austrian Supreme Court, 16 IIC 780 (1985) - *John Player*: a certain recognition on the market; cf. also Court of Appeals Munich. 6 W 983/184 - *Obelix* (unreported), where in connection with the *Bambi* judgment of the Federal Supreme Court, "general familiarity" was presumed to exist.

47) HEFTER & BESHA, 1978 AIPL 583. Thus, use of the title of the newspaper "Daily Planet" from the Superman stories by a U.S. newspaper was enjoined merely on the ground of misleading the public, cf. GRIMES & BATTERSBY, 69 TMR 451 (1979). See also, for German law with convincing reasoning, SACK, 1985 WRP 459, 461 et seq.

48) See the Federal Supreme Court decisions *Bambi* and *Micky Maus-Orangen*; Austrian Supreme Court, 16 IIC 780 (1985) - *John Player*. Commercial Court Berne, 1981 Schw. Mitt. 67 - *Coca Cola*: a competitive

relationship was affirmed between the beverage manufacturer and a clothing manufacturer; see also the Japanese Supreme Court. GRUR Int. 1985 588 American Football - Symbolzeichen.

49) See expressly under U.S. law, HEFTER & BESHA, 1978 AIPL 585; cf. numerous references to U.S. law by SHEARS, 1985 Patent and Trademark Review 312; see also Austrian Supreme Court, 16 IIC 780 (1985) - John Player. Italian case law reaches the same conclusion on protection of famous marks, indicating that, even with dissimilar goods, in the case of a so-called "dynamic" use of a mark, the public assumes connections between the original proprietor of the mark and the second user on a production or sales level, Court of Appeals of Milan, 17 IIC 276 (1986) - John Player Special II. Under Swiss law, for example, in the case of company designations, the requirement of a closely related branch of business is dispensed with if the risk of confusion is otherwise to be affirmed, cf. P. TROLLER, loc. cit" at 78 et seq.

50) U.S. case law reaches a similar conclusion in rejecting the necessity of a competitive relationship and thus protecting "dissimilar" goods, cf. CORNISH, 1978 AIPL 492, 493; HEFTER & BESHA, 1978 AIPL 585.

51) German Federal Supreme Court, 17 IIC 271 (1986) - Dimple; see also VÖLP, GRUR 1985 843 , 847 .

52) German Federal Supreme Court, 15 IIC 240 (1984) - Rolls-Royce.

53) German Federal Supreme Court, 15 IIC 240 (1984) - Rolls-Royce; but see SAMBUC, GRUR 1983 533-536 .

54) See references in LANE 1985 EIPR 6 et seq.

55) CORNISH, 1978 AIPL 492; see also the German Federal Supreme Court decisions Bambi and Micky Maus-Orangen, GRUR 1960 144 , 1963 GRUR 485, respectively.

56) Contra WALTER, loc. cit., at 136; cf. also the relevant interpretation of the Bambi case by the German Federal Supreme Court, GRUR 1983 247 , 248 , right-hand column, J5 IIC 240 (1984) - Rolls-Royce.

57) HEFTER & BESHA, 1978 AIPL 584.

58) HEFTER & BESHA, 1978 AIPL 585.

In the U.S.A., most judgments are founded on confusion with regard to this "sponsorship," see SHEARS, 1985 Patent and Trademark Review 310; MOSTERT, 17 IIC 80 (1986).

59) See GRIMES & BATTERSBY, 69 TMR 438, 450 (1979); see also COLEMAN, 1984 J.B.C. 70, 73. Under English law, quality control is not even regarded as sufficient to attribute the business operation of the licensee to the licensor, cf. references by FIRTH, ESC Conference 1985. For trademark license agreements under German law, cf. BEIER, in: "Die Warenzeichenlizenz" 631 et seq.; with reservations in the case of a mark not used for the relevant goods, RAUSCHER AUF WEEG, in "Die Warenzeichenlizenz" 513

60) See DOI, 1978 AIPL 283 et seq.; DURIE, 1981 EIPR 24; CIFELLI & MCMURRAY, 66 JPOS 455, 466 (1984).

61) In the Dimple case, the Federal Supreme Court seemed to require that for the application of Sec. 1, Act Against Unfair Competition, the reputation must be outstanding, but accepted a market awareness of 30%. In the case of character merchandising, however, such a quantitative requirement would not do justice to practical needs, which often show that interest in licensing exploitation is already present at an earlier point in time, i.e. before outstanding familiarity is achieved; less demanding (mere distinctiveness and public familiarity), Federal Supreme Court, 17 IIC 419 (1986) - Amazonas; "general familiarity" recognized as sufficient by the Munich Court of Appeals, 6 W 983/84 - Obelix. Cf. also LEHMANN, 17 IIC 746 (1986), with comprehensive references to case law and literature; see also SACK, 1985 WRP 459, 461.

62) Distinctiveness can be acquired from either the fantasy name or illustration. or by success on the market. Protection only comes into effect if a distinctive designation or character is used. Thus, space figures as such. without use of the term "Star Wars," may not be monopolized (cf. GRIMES & BATTERSBY, 69 TMR 458

(1979)); protection was affirmed in the case of mere distinctiveness through the name, in *Stringfellow v. MacCain Foods Ltd.*, High Court of Justice (Chancery Division), 1984 F.S.R. 175. 194; protectability of "prestige value" was also affirmed in the *Rolex* case, Federal Supreme Court, GRUR 1985 876. The Federal Supreme Court affirmed, for instance, protectability of a distinctive color designation, 17 IIC 419 (1986) - *Amazonas*, where secondary meaning, within the meaning of Sec. 25 Trademark Act, was expressly not required, but a certain familiarity on the market was regarded as sufficient.

63) *WINNER*, 71 TMR 193 (1981); *CIFELLI & MCMURRAY*, 66 JPOS 455, 470: advertising symbols even need continual further investments to maintain their popularity; on taking the "advertising power" of famous marks into consideration, cf. *BEIER*, GRUR 1966 627.

64) Cf. e.g. for Australian law, *DURIE*, 1981 EIPR 24. Contra, for protection of university names and emblems (only after licensing activity has commenced, since only this creates gainful commercial activity and thus property protectable under unfair competition law). *SCHRICKER*, "Patent- und Urheberrecht, Arbeitnehmererfindungs- und Veröffentlichungsrecht," Fortbildungsprogramm für die Wissenschaftsverwaltung, No. 21, at 75 et seq. published by Arbeitsgruppe Fortbildung im Sprecherkreis der Hochschulkanzler (Essen, 1985). See also *SACK*, 1985 WRP 459. 561, with further references.

65) *IRELAND* also emphasizes this aspect for Australian law, 1978 AIPL 117; see also *LANE*, 1985 EIPR 9. To this extent protection for advertising symbols corresponds to case law on Sec. 12 Civil Code, which is also intended to prevent "confusing association;" cf. also *SACK*, 1984 WRP 521, 531, with further references; *SCHRICKER*, loc. cit. at 5 et seq., 8; going even further, Court of Appeals of Karlsruhe, 17 IIC 804 (1986) (final) on use of a university coat-of-arms for T-shirts.

66) Federal Supreme Court, GRUR 1981 277 *Biene Maja*.

67) The "Superman" film, for which approximately 100 licenses were already granted before the film premiere, illustrates at what an early stage exploitation under licenses begins in practice, cf. *GRIMES & BATTERSBY*, 69 TMR 431, 437 (1979); in the above-cited *Kojak* case, the unauthorized third party had also already commenced marketing before the film company's licensees reached the market

Under U.S. law, in such a case the claim for an injunction would be affirmed regardless of whether a single article had yet been sold; therefore, goodwill for the particular product is not required, cf. *HEFTER & BESHA*, 1978 AIPL 585. Cf. similar legal reasoning in the Swiss Supreme Court judgment, GRUR Int. 1985 484, 17 IIC 421 (1986) - *Computerland*, which found the impairment of franchise agreements in Switzerland to be unfair competition, and therefore held proof of secondary meaning not to be necessary.

68) *SAINT GAL*, 1978 AIPL 187. The aspect of commercial depreciation of a designation by unauthorized exploitation by a third party is also emphasized in the Federal Supreme Court judgment *Micky Maus-Orangen*, GRUR 1963 485; for the aspect of impairment, cf. also *VÖLP*, GRUR 1985 843, 847.

69) Cf. *DOI*, 1978 AIPL 300 et seq., with the indication by the Court that requirements for protection pursuant to copyright law, trademark law or design law need not be present.

70) Cf. the relevant references in *FIRTH*, ESC Conference 1985.

71) Cf. *MCMURRAY*, 66 JPOS 455, 470; contra Court of Appeals of Hamm, February 12, 1985, Case No. 4 U 364/84 (unreported).

72) Austrian Supreme Court, GRUR 1985 132, 16 IIC 780 (1985) - *John Player*, which refers to the fact that a not inconsiderable percentage of the addressed trade circles would either assume connections between the user and the right holder or at least consent of the latter; *VÖLP*, GRUR 1985 850, also advocates trademark law claims arising from infringement of the advertising right of the trademark proprietor; see also *HELM*, GRUR 1981 630, 633.

73) Court of Appeals of Frankfurt, 1985 NJW 1649, 1650.

74) This omission proved to be unfortunate for the final outcome of the case, since the legal ground used by the Court of Appeals determined which Chamber of the Supreme Court had to decide the case in the last instance. If the Court of Appeals had applied unfair competition law, the appeal on the law filed by the defendant would have been judged by the 1st Chamber (I. Senat) which decided the Dimple and Rolls-Royce cases. A case involving a right of personality, however, lies in the competence of the 6th Chamber which simply denied the claim for an injunction on the formal ground that juristic persons do not enjoy a right of personality.

75) Court of Appeals of Frankfurt, GRUR 1982 319 Luthansa. The Commercial Court of Berne reached a different conclusion, 1981 Schw. Mitt. 67 - Coca Cola.

76) See supra note 74.

77) Commercial Court of Berne, 1981 Schw. Mitt. 67, 70; with the same result, the - albeit rather extreme - case of the use of a Coca Cola bottle in a film, Alicia - 11 IIC 673 (1980), where the injunction was even based on trademark law, although one could certainly not speak of a "use as a trademark" of the Coca Cola bottle; similarly under U.S. law: "confusion of sponsorship," cf. MOSTERT, 17 IIC 80 (1986), with further references. A non-commercial, e.g. artistic citation, also in the form of satire. would be judged otherwise.

78) Federal Supreme Court, GRUR 1983 247, 15 IIC 240 (1984) - Rolls-Royce.

79) 81 BGHZ 75 et seq., 14 IIC 288 (1983) - Carrera.

80) Cf. also in detail, SACK, 1984 WRP 521, 524.

81) Cf. Commercial Court of Berne, 1981 Schw. Mitt. 67, 69, with further references.

82) SCHRICKER, loc. cit. at 2; accord now, Court of Appeals of Karlsruhe, cf. citation, supra note 65.

83) District Court, Munich I, March 16, 1983, Case No. 1HKO 95/83; District Court, Munich I, October 5, 1983, Case No. 70 17495/83; District Court, Munich I, October 5, 1983, Case No. 2100 17494/83; District Court, Munich I, March 20, 1984, Case No. 2100 21975/83 (all final); it is another question whether claims for injunctions may also be derived from the Trademark Act or, as advocated here, may be derived from Sec. 1, Act Against Unfair Competition.

84) This is overlooked by the Court of Appeals of Karlsruhe, Case No. 6 U 168/84, December 12, 1984 (unpublished), which denied the plaintiff protection against a piece of jewelry in the form of the Playboy bunny, because until then the Playboy bunny was unknown for items of jewelry; for use of a university coat-of-arms, the 13th Chamber of the same Court correctly relied on the fact that the right holder is entitled to a right to decide on the use of names and coats-of-arms, and can also oppose the impression being given that he has permitted the use; cf. supra note 65.

85) Mutual of Omaha Insurance Co. v. Novak, 227 USPO 801 (CA 8 1985), D. Nebraska, November 26, 1986, 33 PTCJ 136 (1986).

86) See however the Federal Supreme Court's pro-registration tendency in the BMW Kidneys case, 17 IIC 133 (1986), but cf. also, for different reasons, 18 IIC 117 (1987) - Coca Cola.

87) In re Penthouse Int'l. Ltd., 195 USPQ 698 (CCPA 1977).

88) See supra note 65. Accord, Japanese Supreme Court. GRUR Int. 1985 588 American Football-Symbolzeichen,

89) See WALTER, loc. cit. at 136 et seq.

90) See SACK, 1984 WRP 521, 523; see Federal Supreme Court, GRUR 1959 182 . 186 Quick, where protection against impairment of the acquired legal position is referred to.

91) Thus apparently WALTER, loc. cit., with regard to the first example on p. 136.



92) VÖLP, GRUR 1985 847 , also derives this from the Dimple judgment of the Federal Supreme Court, as well as from the Bambi judgment. BAUMBACH & HEEERMEHL, "Warenzeichengesetz," Intro., marginal note 24, also advocate, for instance, application of Sec. 1, Act Against Unfair Competition, in the case of an infringement of marks which have not yet reached market recognition; see also, with convincing reasoning. LEHMANN, GRUR Int. 1985 6 et seq.; SACK, 1985 WRP 459 et seq.; HELM, GRUR 1981 630 et seq.