



**LICENSING ONE'S PERSONA: ANALYSING
THE PRACTICE OF PERSONALITY
MERCHANDISING**

*Raman Mittal**

I Introduction

FILMS, MUSIC, media, sports and business are generally the sources where real persons who have achieved the status of 'celebrity' take up a secondary role as merchandisers of their personalities. In many cases such celebrities earn more from the practise of merchandising than from their primary activity. Undoubtedly, personality merchandising has become an industry in its own right. This article, on the one hand, seeks to dissect the practice of personality merchandising so as to find out its true meaning and scope and, on the other hand, it analyses the practice from various angles of laws implicated, licensing of intellectual property rights, waivers of potential claims together with its commercial potential and associated legal risks. The 'right of publicity' which forms the basis of licensing personality rights has been explored on a worldwide basis. The meaning of this law is best illustrated by principal cases on the subject—therefore the article looks into various interesting controversies and leading cases that this practice has generated.

**II Personality merchandising — Licensing of
one's persona**

Personality merchandising has been defined as the generalised cashing in of the persona (asset) to promote and sell almost anything with the

* Associate Professor, Faculty of Law, University of Delhi. This paper is part of author's post doctoral work on Licensing of Intellectual Property which he undertook at the Max Planck Institute for Intellectual Property, Competition and Tax Laws. The author wishes to express gratitude to the Max Planck Institute for extending facilities for conducting the research.



name or features of the personality put on them in a decorative manner, subject to approval by the personality.¹

The practice of identifying various goods and services with a famous personality so as to increase their marketability is what personality merchandising is all about. In personality merchandising the celebrity licenses² his persona to be used in connection with certain goods or services so as to enhance their image in the estimation of the consuming public. The term persona refers to those elements or characteristics which make up a person's outward being and by which third parties identify an individual and it may include a person's name, abbreviated name, nickname, pseudonym, signature, image, voice, likeness, look-alike, caricature, physical attributes, performing style, mannerism, gestures, distinctive appearance, characteristic phrases, characteristic dress, etc.

In *Waits v. Frito-Lay Inc.*³ the imitation of the voice of well-known American singer Tom Waits was used in an advertisement without the singer's permission. The court held that the right of publicity can be infringed by the imitation of a distinctive performing persona associated with the plaintiff.

However, persona cannot be exhaustive in its definition. In an American case,⁴ the plaintiff, Motschenbacher, a racing driver, was known to drive a very distinctive racing car. The defendant used a picture of his car in advertisement without his consent. Motschenbacher was successful in his claim even though he himself was not featured in the advertisement. In another case⁵ relief was granted to the famous comedian film maker when a look alike was used to advertise a chain of video rental stores. In the court's view there was a real likelihood of consumer confusion. The

1 Hayley Stallard (ed.), *Bagebot on Sponsorship, Merchandising and Endorsement* 109 (1998).

2 'License' is a permission to use certain property given by the owner of that property to other person. Black's Law Dictionary defines a 'license' as a "revocable permission to commit some act that would otherwise be unlawful." *Black's Law Dictionary* 743 (1999).

3 978 F.2d 1093, 9th Cir. (1992). The American jury awarded damages of \$2.6 million to the plaintiff in this case.

4 *Lothar Motschenbacher v. Reynolds Tobacco Co.* No. 72-1419 (1974) US App. LEXIS 8275. See also *Young & Rubicam Inc. v. Miller* (1992) 112 S CT 1513, 115 L Ed 2d 650.

5 *Woody Allen v. National Video Inc & Ron Smith Celebrity Look Alikes* (1985) 610 F Supp 612.



court stated:⁶

A celebrity has a similar commercial investment in the ‘drawing power’ of his or her name and face in endorsing products and in marketing a career. The celebrity’s investment depends upon the goodwill of the public, and infringement of the celebrity’s rights also implicates the public’s interest in being free from deception when it relies on a public figure’s endorsement in an advertisement.

One’s persona is a valuable property that a person might wish his successors to protect and commercially exploit just like any other intellectual property. In *Price v. Haloach Studios Inc.*⁷ the court held that the right of publicity survived the death of the celebrities who created the right. The court categorised the right as an inheritable item of property after the death of the individual. The court said: “There appears to be no logical reason to terminate the right upon the death of the person protected”.

In this form of merchandising, the celebrity is lending his reputation to be used in connection with products or services, therefore, this is sometimes referred to as ‘reputation merchandising’ or ‘celebrity merchandising’.

Sponsorship versus endorsement versus merchandising

Sponsorship is seen as corporate support of an event for the mutual benefit of the sponsor and the sponsored party. This helps to boost the image of the products of the sponsor and helps the sponsored party financially. Sponsorship has to be contrasted with merchandising. There is no licensing activity involved in sponsorship whereas the basis of merchandising is licensing of intellectual property rights and waiver of certain potential claims.

Endorsement is the promotion of the company’s products/services by means of the personal recommendation of an individual who is sufficiently well known and respected that he can influence the purchasing pattern of the public.⁸ The personality hired is sponsoring the products

6 *Id.* at 625. Per Motley CJ.

7 400 F. Supp 836 (SDNY 1975).

8 *Supra* note 1.



or services for which he is paid. In this manner the personality also gets promoted and his earning capacity increases. For that reason also he has to choose carefully what he endorses. Endorsement can also be perceived as a form of specialised advertising. Endorsement is just one form of merchandising.

Personality merchandising versus character merchandising

Character merchandising involves the use in the marketing or advertising of goods or services of a fictional personality or situation. While personality merchandising involves the use of true identity of an individual in the marketing or advertising of goods and services.

While from a commercial point of view, personality merchandising has much in common with character merchandising, yet there are crucial differences in the application of laws. Character merchandising is confined only to intellectual property laws, but personality merchandising definitely involves issues of privacy and defamation apart from relevant intellectual property rights.

III Laws implicated in personality merchandising — Right of publicity

The term 'merchandising' is quite often used in the business world but there is no *sui generis* system of laws particularly created for the practice of merchandising either at the national or international level in the form of a specific legislation or an international treaty. Therefore, reliance has to be based on different forms of legal protection contained at various places in different legal texts.

The right to use a celebrity's persona has become a valuable commodity in the marketplace. The right of a person to control this valuable commodity, i.e. his right over his persona is sometimes referred to as the 'right of publicity'. Melville Nimmer, the celebrated author and intellectual property commentator, strongly advocated for the publicity right when he wrote a paper on "The Right of Publicity". To quote:⁹

The right of publicity must be recognised as a property
(not a personal) right, and as such capable of assignment

9 Melville Nimmer, "The Right of Publicity" 19 *Law & Contemporary Problems* 203 at 216 (1954); see Howard Johnson, "Legal Aspects of Character Merchandising" 34 *Managerial Law* 6 (1992).



and subsequent enforcement by the assignee. Furthermore, appropriation of publicity values should be actionable regardless of whether the defendant has used the publicity in a manner offensive to the sensibilities of the plaintiff. Usually the use will be non-offensive since such a use is more valuable to the defendant as well as to the plaintiff. Likewise, the measure of damages should be computed in terms of the value of the publicity appropriated by the defendant rather than, as in privacy, in terms of the injury sustained by the plaintiff. There must be no waiver of the right by reason of the plaintiff being a well known personality. Indeed, the right usually becomes important only when the plaintiff (or potential plaintiff) has achieved in some degree a celebrated status. Moreover, since animals, inanimate objects, and business and other institutions all may be endowed with publicity values, the human owners of these non-human entities should have the right of publicity (although not a right of privacy) in such property, and this right should exist (unlike fair competition) regardless of whether the defendant is in competition with plaintiff and regardless of whether he is passing off his own products as those of the plaintiff.

Internationally, a person's ability to license or transfer the commercial value of one's persona is rooted in case law that has treated the right of publicity as a property right.¹⁰ In various jurisdictions the right to publicity is emerging as an immensely powerful right divorced from any of the limitations of traditional trade mark and unfair competition actions such as the likelihood of consumer confusion or any requirement that the disputing parties be operating in the same areas of activity. In *Bi-Rite Enterprise v. Button Master*,¹¹ the right of publicity was held to grant a person an exclusive right to control the commercial value of his name and likeness and to prevent others from exploiting that value without permission. The right of publicity is available only to human beings and is

10 See *Bela Lugosi v. Universal Pictures Cal.*, 603 P 2d 425 (1979) 172 USPQ 541; *Price v. Hal Roach Studios*, 400 F Supp 836 (1975).

11 555 F. Supp. 1188 [S.D.N.Y.] 1983. See also *Krouse v. Chrysler Canada Ltd.* (1971) 5 C.P.R. (2d) 30.



not available to non-living entities.¹²

In India, the right of publicity is yet to develop as an independent legal right. So, the publicity right is a function of various legal doctrines such as privacy, defamation, trade mark, copyright and unfair competition which are discussed below. In case of unauthorised use of a celebrity's persona, recourse could be made to any of these laws depending on the facts of the case.

Right of privacy

Protection of privacy is frequently seen as a way of drawing the line at how far society can intrude into a person's affairs. The term 'privacy' has been described as "the rightful claim of the individual to determine the extent to which he wishes to share of himself with others. In 1890, American lawyers Samuel Warren and Louis Brandeis wrote a seminal piece on the right to privacy as a tort action, describing privacy as "the right to be left alone."¹³ The concept of privacy gradually picked up as part of the common law and today the following four distinct common law torts are available as remedy for breach of privacy:

- Intrusions upon seclusion to obtain private facts,
- Public disclosure of private facts where such disclosure is highly offensive,
- Publication of false or misleading representation which places the subject in false light that would be highly offensive,
- Appropriation of another's name or likeness for one's own benefit.

If the persona of a celebrity is used in connection with certain goods without his permission, could it be said that his privacy has been invaded? It does not involve intrusion, public disclosure or misuse of confidential information. But it would be covered by the last facet of right to privacy. A tort of invasion of privacy serves to prevent the appropriation of a

12 See *ICC Development (International) Ltd. v. Arvee Enterprises and Anr.*, 2003 (26) PTC 245 (Del). The court reasoned that copyright law, trade-mark law, dilution law and unfair competition law provide full protection against all forms of appropriation of property to such legal entities.

13 Samuel D. Warren and Louis D. Brandeis, "The Right to Privacy" 4 *Harvard Law Review* 193 (1890).



person's name or likeness. The right of privacy is a personal one and, therefore, can be enforced only by an individual and not by a corporation or business entity.¹⁴

The Constitution of India does not expressly recognize the right to privacy. However, back in 1964, in the case of *Kharak Singh v. State of UP*¹⁵ the Supreme Court recognized that there is a right of privacy implicit in article 21 of the Constitution.¹⁶

What exactly is then the relationship between the right to privacy and the right of publicity? The Delhi High Court in *ICC Development (International) Ltd. v. Arvee Enterprises and Anr.*,¹⁷ has commented upon such relationship in the following words:

The right of publicity has evolved from the right of privacy and can inhere only in an individual or in any indicia of an individual's personality like his name, personality trait, signature, voice. etc. An individual may acquire the right of publicity by virtue of his association with an event, sport, movie, etc.... The right of publicity vests in an individual and he alone is entitled to profit from it. For example if any entity, was to use Kapil Dev or Sachin Tendulkar's name persona/indicia in connection with the World Cup without their authorization they would have a valid and enforceable cause of action.

Internationally, it has been stated that appropriation of other's name or likeness for one's own benefit is similar to violation of privacy which might lead to a violation of the right of publicity.¹⁸ In *Pavesich v. New England Life Insurance Co. et al.*,¹⁹ the Supreme Court of Georgia held that the unauthorized use of an artist's photograph in an advertisement for life insurance violated the common law right to privacy. In the American case

14 *Association for Preservation of Freedom of Choice Inc. v. Emergency Civil Liberties Committee* (1962) 37 Misc 2d 599.

15 1 SCR 332 (1964).

16 Art. 21, Constitution of India: No person shall be deprived of his life or personal liberty except according to procedure established by law.

17 2003 (26) PTC 245 (Del).

18 See, *Factors Etc. Inc. v. Pro Arts Inc.*, 579 F.2d 215 (2nd Cir. 1978).

19 1905 Ga. LEXIS 156.



of *Douglas v. Hustler Magazine Inc.*²⁰ a model's business included exposure in a soft porn magazine. She was presented without her consent in a hard porn magazine causing disparagement of her business reputation as well as emotional distress for being associated with the more sexually explicit publication. It was held that this involved an invasion of privacy and publicity rights.

Defamation

Defamation means the taking from one's reputation. The fundamental difference between right to privacy and right to freedom from defamation is that the former directly concerns one's own peace of mind whereas the latter concerns primarily one's reputation.²¹ In certain circumstances it could be defamatory to assert that a person has endorsed a product or service when, in reality, he has not. But it is not always so. The marketing of a product bearing the name of a well known personality without his authority, is not defamatory unless he can show that his professional or personal reputation is damaged.²²

One of the earlier cases involving the use of the persona of a celebrity for the promotion of goods in fact turned on a question of defamation. In this case²³ Fry's, the well known chocolate company, published an advertisement showing a caricature of the plaintiff, a well known amateur golfer, engaged in driving a golf ball. In his pocket he had a bar of Fry's chocolate which was sticking out and he was accompanied by a comic caddy also bearing a cartoon of Fry's chocolate. The caddy in doggerel compared the excellence of the golf drive with the excellence of Fry's chocolate. The plaintiff sued for defamation arguing that the advertisement carried the innuendo that he was compromising his amateur status by consenting to use his likeness for money in an advertisement and this was false. The House of Lords held that the advertisement was capable of bearing that meaning and that he would be defamed i.e. lowered in the thinking of right thinking people.

20 769 F 2d 1128 (7th Cir. 1985).

21 *Themo v. New England Newspaper Pub. Co.*, 306 Mass. 54, 27 N.E.2d. 753, 755.

22 *Clark v. Freeman* (1848) 11 Beav 112. See also *Tolley v. Fry & Sons Ltd.* [1931] AC 333.

23 *Tolley v. J.S. Fry & Sons Ltd.*, *ibid.* See also *Clark v. Freeman* (1848) 11 Beav 112, 50 ER 759; *Docknell v. Dougall* (1899) 80 LT 556; *Dunlop Ltd. v. Dunlop* [1921] 1 AC 367.



Defamation in India has been recognised as a tort as well as a criminal wrong.²⁴ When a person licenses his persona to be exploited in connection with certain goods or services, he will no longer be able to pursue a cause of defamation against the licensee as long as the actions of the licensee are within the terms of the license contract.

Trademark and passing off

The ability to license the commercial value of one's persona is an intellectual property right.²⁵ This is because a celebrity's persona acquires trade mark significance. Subject to the requirements of registration, certain attributes of a person may be subject to trade mark registration. For example, the name, the signature, the appearance, etc. can be registered as trade marks. Stage names of groups such as Beatles, Rolling Stone, etc. can also be registered along with their logos.

The law of trademarks or passing off could be used by a person to restrict others from using his persona in association with any product or service. The celebrity can assert a false affiliation or sponsorship claim that is similar to the right of publicity. This is because a false affiliation or sponsorship may confuse consumers concerning the personality's endorsement of the product or service.²⁶ In *Irvine v Talksport Ltd.*,²⁷ the plaintiff's (a successful Formula I driver) picture was used by the defendant on one of its brochure covers. The right to use the picture had been legally obtained, but the defendant had doctored the picture, removing the mobile phone that the plaintiff was holding and replacing it with a radio with the words 'Talk Radio'. The plaintiff brought an action for passing off. The court stating that it was common for famous people to exploit their names and images by way of endorsement, held that the plaintiff did have a substantial reputation or goodwill and the defendants had created a false message and so were liable. It was held that there was no requirement for the plaintiff and defendant to be engaged in a common field of activity. If the actions of the defendant produced a false message which would be understood by the market to mean that his goods have

24 Ss. 499-503 of the Indian Penal Code, 1860 deals with criminal defamation.

25 *Acme Circus Operating Co. v. Kuperstock*, 711 F.2d 1538 (11th Cir. 1983).

26 See, *Waits v. Frito-Lay Inc.*, 978 F.2d 1093 (9th Cir. 1992). See also *Children's Television Workshop v. Woolworths (NSW) Ltd.* [1981] RPC 187; *Fido Dido Inc. v. Venture Stores (Retailers)* 16 IPR 365.

27 [2003] 2 All ER 881.



been endorsed or recommended by the plaintiff, then the plaintiff can succeed in passing off.²⁸

In *Julia Fiona Roberts v. Russell Boyd*,²⁹ the respondent had a website with the domain name 'www. juliaroberts.com', on which he used to run an online auction. The second level domain name in <juliaroberts.com> was identical to the complainant's name. The respondent had no relationship with or permission from the complainant for the use of her name or mark. The complainant had already been featured in a number of motion pictures and had acquired common law trade mark rights in her name. The complainant claimed that the respondent used her name and fame to promote his auction since the public would be inquisitive to know greater personal details of the celebrity and would visit the website from across the globe for that purpose. The complainant alleged that the respondent's use of the domain name infringes upon the name and trade mark of complainant and clearly causes a likelihood of confusion. The Dispute Resolution Panel of WIPO decided that registration of her name as a registered trade mark or service mark was not necessary and that the name 'Julia Roberts' has sufficient secondary association with the complainant that common law trade mark rights do exist.

In an Australian case, *Radio Corporation Pty Ltd v. Henderson*,³⁰ the respondents were a well-known professional ballroom dancing couple who sought to restrain the appellant record company from selling copies of a gramophone record entitled 'Strictly for Dancing' on the cover of which appeared their photographic representation. It was held by the Supreme Court of New South Wales that the acts of Radio Corporation were likely to lead to the belief that their business was connected with the business of the respondents because, their picture on the record cover would lead buyers of the record to believe that they had recommended the record as

28 This was one of the first UK cases in which a passing off action succeeded in a false endorsement case. Earlier claims had failed due to a lack of a common field of activity or no real possibility of confusion.

29 WIPO Case No. D2000-0210, May 29, 2000 available at <http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0210.html> (visited on May 12, 2010). See also *Jeanette Winterson v. Mark Hogarth*, WIPO Case No. D2000-0235, May 22 available at [2000http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0235.html](http://www.wipo.int/amc/en/domains/decisions/html/2000/d2000-0235.html), (visited on May 12, 2010).

30 (1960) NSW 279.



providing good music for ballroom dancing, especially having regard to the fact that the record was primarily intended for professional dancing teachers. Consequently, a trademark license would allow a producer to use a celebrity's persona in association with his goods or services.

Copyright

Certain aspects of persona of a person are subject to copyright protection as well. Though name of a person is not subject to copyright protection but his signature is protected as an artistic work together with his photograph, image and caricatures. Certain characteristic phrases which go to form the persona of an individual may also be protected as literary works. Finally the performing style of a person is protected under performer's rights³¹ which are covered within the wider concept of copyright. Therefore, a copyright license would be required to exploit these personality features of a celebrity in relation to certain goods or services.

-
- 31 See s. 38, Copyright Act, 1957: Performer's Rights- (1) Where any performer appears or engages in any performance, he shall have a special right to be known as the "performer's right" in relation to such performance.
- (3) During the continuance of a performer's right in relation to any performance, any person who, without the consent of the performer, does any of the following acts in respect of the performance or any substantial part thereof, namely:-
- (a) makes a sound recording or visual recording of the performance; or
 - (b) reproduces a sound recording or visual recording of the performance, which sound recording or visual recording was-
 - (i) made without the performer's consent; or
 - (ii) made for purposes different from those for which the performer gave his consent; or
 - (iii) made for purposes different from those referred to in section 39 from a sound recording or visual recording which was made in accordance with section 39; or
 - (c) broadcasts the performance except where the broadcast is made from a sound recording or visual recording other than one made in accordance with section 39, or is a re-broadcast by the same broadcasting organisation of an earlier broadcast which did not infringe the performer's right; or
 - (d) communicates the performance to the public otherwise than by broadcast, except where such communication to the public is made from a sound recording or a visual recording or a broadcast, shall, subject to the provision of section 39, be deemed to have infringed the performer's right.



IV Rights requiring transfer or waiver in personality merchandising

Anyone who wishes to use the persona of somebody in connection with a product or service has to obtain consent, or license of endorsement from that person. Therefore, the licensee in order to commercially exploit the persona of a personality must obtain a license with respect to the relevant intellectual property rights together with a release and waiver of all claims, such as invasion of the right to privacy and defamation that the licensor could have brought against the licensee but for the license. Whatever right is transferred, should a dispute arise, the basis would be the use of the plaintiff's identity for the defendant's advantage.

Sometimes merchandising licenses are stand alone contracts, i.e. they are entered into only for the purpose of merchandising and sometimes the license is part of a larger contract, such as collective bargaining for athletes or members of a football club. Merchandising contracts often have a relatively short term (generally between two and five years). This is because the period during which a person remains a celebrity is often not very long.

V Need for personality merchandising

"You can buy a T-Ford in any colour you want, as long as it is black" was Henry Ford's famous quote in 1920s which illustrates the role of marketing at that time. It was a seller's market and people would buy whatever industries would produce, such was the demand for new products. But time transformed seller's markets into buyer's markets of today, where competition is global and the battle for markets is influenced more than ever by value addition.³² Soon companies realized the importance of trade marks, copyright and industrial designs in marketing strategy. The whole aspect of merchandising is cashing in on this 'marketing factor' which plays a dominant role in the purchasing process, more than ever before. No doubt we are prepared to pay a premium for a coffee mug which has the picture of our favourite star printed on it.

A brand of a product could achieve enough recognition and respect that simply putting its name or images on a completely unrelated item can

32 See Hans Verhulst, "International Trade in Technology - Licensing of Know-How and Trade Secrets" *available at* http://www.wipo.int/sme/en/documents/trade_technology.htm (visited on April 4, 2010).



sell that item. A common article like a coffee cup or a pencil may be very similar to another of the same quality. But an image of a celebrity embedded on it will increase its beauty and marketability. The main reason for a person to buy a particular low-priced mass consumption product (mugs, scarves, badges, T-shirts, pencils, toys, etc.) may not be because of the product itself but because the name or image of a celebrity appealing to that person is reproduced on the product. Merchandising that way enhances the commercial value of the product by making it more eye-catching, glamorous, or funny. It may also make an implied statement about quality of the product bought.

The endorsement of products and services is presented in the advertising material as the personal recommendation by the personality of those products, with the objective of influencing people into buying them. Do people get influenced by a celebrity endorsing and recommending a product? Yes, otherwise why would the business people spend so much on obtaining a license from the personality. The psychological basis is that people consciously or unconsciously like to follow the personalities who are trend setters. Modern society is indeed 'celebrity-driven', which means that famous personalities can greatly influence the public. When a celebrity endorses an article, consumers instantly connect to it.

This may not have a rational basis to it. For example, a champion athlete endorsing running shoes and influencing people to buy the product can be explained on rational basis but the same athlete endorsing perfume, bikes, soft drinks, watches etc. and is still influencing people to buy them may not be explainable on the same basis. Maybe this is 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 to 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 that is sought to be marketed.³³ A certain 'snob appeal' may also be said to play a role here.

VI Commercial potential of personality merchandising

In recent years, the business of so-called 'merchandising' of names and images of fictional characters and celebrities has become commonplace,

33 See, Jochen Pagenberg, "Protection of Get-Up and Character Merchandising Under German Law" 18 *IIC* 457 (1987).



and is 'probably a multi billion industry in the Western World'.³⁴ Through personality merchandising intellectual property opens up new revenue streams and expands the market span of the business. A successful individual such as a champion athlete, an opera star, an actor, a cricketer, a fashion designer, etc. has a valuable asset in his various personality traits. These personality traits are marketable in connection with products and services. The value of this asset depends on the perception of the personality in a particular segment of the public. Personalities appeal differently to different segments of public. Therefore, a personality is chosen for merchandising keeping in mind the relevance and appeal of that personality to the consuming section of public.

Commenting on the relationship between a sports celebrity and merchandising the Bombay High Court stated:³⁵

Success on the cricket field translates into a potential for commercial gain. Cricket is no longer about milestones and statistics alone - of centuries scored and hatricks achieved. The game has become intensely competitive, be it in the more traditional forms of test cricket or the increasingly popular T20 exercises. The competition on the field is marked by no less a vigorous competitive marketing exercise off the field. To the millions of fans, cricketers are icons - a status which is purveyed on the electronic media in advertising for a whole range of consumer products. The game in its modern form is all about marketing. And marketing is what translates individual success on the field into commercial success off the field.

VII Special clauses in personality merchandising contracts

A few special clauses which are particularly important to merchandising contracts are discussed below.

³⁴ *Tony Blain v. Splain* [1994] FSR 497 (HC (NZ)) per Anderson J.

³⁵ Per D.Y. Chandrachud J, *Percept Talent Management Pvt. Ltd. v. Yuvraj Singh and Anr.*, 2008 (3) Mh L J 94.



Warranty and indemnity clause

There remains a possibility of the merchandising personality being sued for defective products/services endorsed by them. Therefore, the merchandising celebrity should insist the inclusion of a warranty³⁶ and indemnity³⁷ clause in the contract whereby the manufacturer of goods or provider of services warrants that his product/service is lawful and genuine. Further, the celebrity could also insist that he be indemnified should a consumer related claim arise in future in respect of the product/service endorsed.

Morals clause

Unlike other intellectual property licenses, an endorsement contract may also include a 'morals clause', which allows the licensee to terminate the license upon any moral turpitude by or criminal arrest, indictment or conviction of the celebrity. Such clause becomes more important when the royalties are to be paid on an ongoing basis.

The morals clause is necessitated because the licensees of properties featuring real life celebrities risk being associated with any scandal or negative publicity generated by the celebrity.³⁸ As a celebrity gets scandalised, his or her merchandising value could greatly diminish overnight. An apt example here is that of international golf star Tiger Woods. Woods has been called the world's most marketable athlete.³⁹ In 2009, *Forbes* confirmed that Woods was indeed the world's first athlete to earn over a billion dollars in his career.⁴⁰ After his multiple infidelities

36 A warranty is a promise by one party that certain statements are true and shall remain true in future as well—see, *Krys v. Henderson*, 69 S.E. 2nd 635 (Ga. Ct. App. 1952).

37 In contract when one party agrees to indemnify the other, he is actually agreeing to protect the other against certain claims that could be made against the other. The concept of indemnity relates principally to the relationship of the parties to a contract with third parties.

38 See Raugust, *Merchandising Licensing in Television Industry* 4-6 (1996).

39 Brian Berger, "Nike Golf Extends Contract with Tiger Woods" *Sports business radio*, December 11, 2006 available at <http://www.sportsbusinessradio.com/?q=node/616> (visited on May 5, 2010).

40 Kurt Badenhausen, "Woods is Sports' First Billion-Dollar Man" *Yahoo! Sports*, available at <http://sports.yahoo.com/golf/pga/news?slug=ys-forbestiger100109&prov=yhoo&type=lgns> (visited on May 5, 2010).



were revealed by media, several merchandising contracts were rescinded by the licensees which included Gillette, Accenture, Nielsen, TAG Heuer, AT&T, General Motors and Gatorade. The commercial impact of these deal closures was enormous and it was estimated in a study⁴¹ by Christopher R. Knittel and Victor Stango, economics professors at the University of California at Davis that the shareholder loss caused by Woods' extramarital affairs was between \$5 billion and \$12 billion.⁴²

The merchandising contract may also contain that the license terminates on the death or disability⁴³ of the licensor.

Obligation to use licensed persona

A personality merchandising license authorises the licensee to exploit the licensed persona of the celebrity but does not put the licensee under an obligation to necessarily use the licensed persona. The licensee is generally free to discontinue the use of the persona depending on various factors. This issue becomes critical if the royalty payments are predicated on the use. Therefore, it is always better to state it in the merchandising contract about the obligation or lack of it of the licensee in using the persona.

Restrictions on celebrity

A personality merchandising contract would normally contain restrictions on endorsements by the celebrity for competing products or services. Even otherwise a competitor of the merchandisee would not like to engage the same personality for competing products. Still such clauses are meaningful. The celebrity should not be unduly restricted from endorsing general products which do not conflict with already endorsed products. Such restrictions are also a function of time. Every such restriction has to be limited to the time during which the endorsement continues or some reasonable time thereafter.

41 See, Christopher R. Knittel and Victor Stango, "Shareholder Value Destruction following the Tiger Woods Scandal" *available at* <http://faculty.gsm.ucdavis.edu/~vstango/tiger003.pdf> (visited on May 5, 2010).

42 Similar marketing disasters were involved for both Mazda and Adidas when Ben Johnson lost his Olympic 100 metre gold medal in Seoul.

43 Disability, if made a ground for termination, has to be clearly defined in the license contract itself.



Approval of the merchandising material

A merchandising contract usually states that all the material to be used for endorsing has to be finally approved by the merchandiser. For example, which photograph or signatures have to be used, the context of wording, the background of the shot, etc. are usually made subject to the final approval of the celebrity or his agent.

VIII Liability of merchandising personality for defective products/services

Can the public suppose that the personality making the statement has investigated the product/service before making it? Endorsement carries, in the mind of the person thereby influenced to purchase the goods/services, an assurance of quality and success in its use or application. Therefore, celebrities have to be careful in their choice of endorsement, especially if they do not have personal experience of the product or service.

Another relevant question is whether the public believes that the merchandising celebrity is in any way connected with the products or services he is recommending? There is no one answer to this question as it depends on the context, the product or service endorsed, the expertise of the celebrity in that area, the mass appeal of the celebrity and the reliance of individual consumer.

Sometimes the celebrity is considered an expert or specialist in a particular field, e.g. a cricketer for bats, a musician for guitar, etc. So, when they advertise these goods in which they are considered experts, the appeal for the potential consumer is much more than when, for example, a cricketer endorses a motorbike. In cases where the merchandising celebrity is not considered an expert, consumers may not be thought to have believed that the celebrity is in anyway connected with the products, or that they are recommending the products. In such cases, the endorsed products tend to be subject to the impulse purchase trend, such as in the case of casual clothing, shoes, perfumes, etc.

Further, could a merchandising celebrity be held liable for the defects in the products or services that he has endorsed? Yes, such a liability could arise. In most situations the merchandiser of character or personality will not have any direct contractual relationship with the consumer of goods or services. Therefore, the basis of liability have to be found in the law of torts. It is possible that a personality failing to exercise a proper level of professional care in endorsing a product/service which the public is likely to purchase in reliance of the fact that proper professional care has been taken, could incur liability that could extend to the consequent



financial loss suffered by the purchaser.

But what would be the basis of liability in case the product or service endorsed by a personality proves defective? "If the wording of the quoted endorsement is careless, and can be interpreted as positive assurance by the personality as to the safety, structure, quality and benefit of the product/service, and the injured consumer genuinely believed and relied on that representation, it would be worth the consumer joining the personality as a co-defendant to an action against the product manufacturer or service provider for damages. The endorsement would have to be a statement of fact, not opinion, and the claimant would have to show that it was reasonable for him to rely on the statement."⁴⁴ Some US courts have held that merely allowing a licensee to carry on a business under a name or mark associated with another can be sufficient ground for imposing liability on the merchandiser.⁴⁵ On their part the personalities can defend themselves by asserting that the endorsement was made in good faith and was based on facts which he reasonably considered true.

In India there are no clear answers as yet to this issue of the liability of celebrities for having lent their persona. For example, can a celebrity be made liable for endorsing a housing scheme that never picked up; can a celebrity be held liable for having recommended a public issue of shares when on trading it became a total flop? These and related question will certainly be decided by courts in future when they are seized with such matters.

IX Conclusion

The commercial practice of personality merchandising connotes the marketing of one's persona whereby a celebrity is licensing his reputation to be attached with goods or services so as to increase their marketability. Personality merchandising is dependant on the right of publicity, which is closely connected with legal doctrines of privacy, defamation, trademarks, copyright and unfair competition. Personality merchandising has and continues to blossom as an important aspect of marketing in the competitive economy of today. On the one hand, this practice is highly lucrative for the celebrity, but on the other hand, individual who attains the status of a celebrity should not be allowed to hoodwink the gullible masses into buying substandard products or services. Towards this end the law is still evolving to check the unbridled exercise of the rights of celebrities.

44 *Supra* note 1 at 126.

45 See *Slavin v. Francis H Leggett & Co.*, 177 A 120 (1935); *Swift v. Blackwell*, 84 F 2d 130 (1936).