

Is the Beer Really Better, Drunk by Your Idol? The *Duff Beer* case

1. Introduction

As marketing techniques and the means of communication expand in anticipation of the next millennium, the law struggles to keep rein of commercial practices. In Australia, the tort of passing off has evolved at a great pace, to deal with the practice of exploiting the reputation and goodwill of both real and fictional characters. In *Twentieth Century Fox Film Corporation & Anor v South Australian Brewing Co Ltd & Anor*,¹ Tamberlin J considered the applicability of character merchandising principles to the more remote, though related, auspices of fictional products. The decision is indicative of the increasing scope of the tort of passing off, and is also a shining example of a successful claim under section 52 of the *Trade Practices Act 1974* (Cth). As the protection afforded by the tort of passing off in character merchandising cases becomes increasingly broad, the need to re-assess the purpose of that protection becomes imminent. Both this issue, and the appropriateness of developing a general tort of misappropriating valuable intangibles, will be considered in the light of Tamberlin J's judgment.

2. The Facts and Legal Context

The first applicant in this case ("Fox") was the maker and producer of the animated television series, "The Simpsons", and the second applicant ("Groening") was the creator of the characters, stories and titles of that series. Since February 1991, "The Simpsons" has been regularly broadcast across Australia during prime time, and has thereby "achieved wide coverage, deep market penetration, and broad recognition."² "Homer Simpson", one of the leading characters in the series, is the "inept and bumbling but good natured"³ father of the Simpson family, and a drinker of "Duff Beer". Homer's fondness of this beverage is quite a distinct feature of his fictional personality, with "Duff Beer" appearing to varying degrees in almost all the episodes of the series broadcast in Australia up to April 1996.⁴

In late 1995 to January 1996, the respondent breweries promoted and launched for sale, a product called "Duff Beer", in various Australian States. At the time of judgment in the case, the respondents intended to continue selling Duff Beer for a limited period.⁵ The promotion did not make any overt reference to any Simpsons characters, but the can itself was almost identical to that of the fictional product, with a slight adjustment to the font used in the prominent lettering of the "Duff" label, and yellow colouring being substituted for red. The applicants sought injunctive relief to restrain the breweries from

1 (1996) ATPR 41-483 ("*Duff Beer*").

2 *Id* at 42,009 per Tamberlin J.

3 *Ibid*.

4 *Ibid*.

5 *Id* at 42,010.

promoting, or dealing with, any product clothed with the wording, get-up and name of the respondents' "Duff Beer" can. The applicants based their claim on two heads: that the respondents' conduct gave rise to an action for passing off; and that by the same conduct, section 52 of the *Trade Practices Act 1974* (Cth) had been breached.

The case was heard before Tamberlin J in the Federal Court of Australia, and the decision made there has not been appealed. The decision therefore, stands as good law, despite its relatively subordinate status in the hierarchy of judicial authority. It is in this context, that the case, and its possible implications will be examined.

3. *The Decision With Respect to Passing Off*

The majority of Tamberlin J's judgment was occupied with making a determination on the applicants' claim in passing off. The elements of the tort of passing off may be summarised by reference to the judgment of Gummow J in *ConAgra Inc v McCain Foods (Australia) Pty Ltd*.⁶ In that case, the following 'classical trinity' of requirements was adopted:

- (i) *Reputation*: the plaintiff must have a distinct reputation or goodwill, attached to a certain product or service;
- (ii) *Misrepresentation*: there must be a misrepresentation by the defendant that his or her product or service is connected with the plaintiff's product or service; and
- (iii) *Damage*: the defendant's misrepresentation must cause damage or a likelihood of damage to the reputation or goodwill of the plaintiff.⁷

Each of these elements, and their application in the *Duff Beer* case, will be discussed below.

A. *Reputation or Goodwill*

(i) *Does "Duff Beer" Have Its Own Reputation?*

Tamberlin J found, that the reputation which "The Simpsons" had established, was of sufficient scope to ground an action in passing off. That is, the series satisfied the test that, "there are within the jurisdiction in which the defendant is carrying on business a substantial number of persons who are aware of the plaintiff's product".⁸ However, the respondents argued that the applicants' fictional product, "Duff Beer", was not sufficiently prominent in the series to meet this standard of reputation or goodwill in its own right.⁹ Two complete episodes of "The Simpsons" featured references to "Duff Beer", but only 6 minutes 40 seconds of the remaining total of 2904 minutes over 132 episodes contained such references.¹⁰

6 (1992) 23 IPR 193.

7 *Id* at 247, per Gummow J.

8 *Id* at 237 per Lockhart J.

9 *Duff Beer*, above n1 at 42,017.

10 It is possible to establish a sufficient reputation for the purposes of passing off in a matter of hours. See *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd* [1981] 1 NSWLR 196, where 6-7 hours of intense publicity and advertising was enough to obtain the requisite recognition among a significant number of consumers in the relevant market.

Despite the attempts of the respondents to persuade him otherwise, Tamberlin J concluded, that to be the subject of this proportion of “national broadcasts at peak times, results in a very significant exposure”.¹¹ The reputation accorded to the fictional “Duff Beer”, was thereby held to be more than sufficient to ground an action in passing off.

(ii) *Is “Duff” Just an Ordinary Word?*

In general, when a term used to describe a plaintiff’s product or service is descriptive, the tort of passing off will not protect the goodwill and reputation of the plaintiff, to prevent another trader from employing that term.¹² Essentially, policy directs that there can be no monopoly in ordinary words. This basic rule is displaced if it is established that the term has acquired a secondary meaning, by which it has become distinctly associated with the plaintiff’s product.¹³

“Duff” is an ordinary word, with a (little known) dictionary meaning,¹⁴ over which, the respondents argued, it was not possible to obtain a monopoly. By analogy to the view expressed by Templeman LJ in *McCain International Ltd v Country Fair Foods Ltd*¹⁵, nobody would dream of connecting ‘duff’ with ‘beer’ in normal speech. As such, it may be argued that “Duff Beer” is a “fancy name”,¹⁶ and it is “impossible ... for a defendant to appropriate the same fancy name without committing the tort of passing off.”¹⁷ However, Tamberlin J did not refer to this passage, nor to the principle contained therein. He chose to follow the more precautionary avenue, of deciding whether in the minds of consumers, “Duff” had a peculiarly “Simpsons” meaning.

After reviewing the detailed market research conducted by the respondents, Tamberlin J found that in isolation, the word “Duff” does not conjure up the notions of “‘fun’, ‘cool’ or ‘trendy’”,¹⁸ but that these connotations are conveyed by the word to consumers as a result of the word’s association with “The Simpsons”.¹⁹ When used in the term “Duff Beer”, the word “Duff” had acquired a secondary meaning, which was distinctive of “The Simpsons”, and separate from its dictionary meaning.²⁰ Hence, the notion that the applicants could not rely on the tort of passing off, in order to gain a monopoly over an ‘ordinary’ word, was canvassed and dismissed. The consumer studies which were undertaken by the respondents were pivotal in this

11 *Duff Beer*, above n1 at 42,018.

12 *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216; *McCain International Ltd v Country Fair Foods Ltd* [1981] RPC 69.

13 *BM Auto Sales Pty Ltd v Budget Rent A Car System Pty Ltd* (1976) 51 ALJR 254; *Pepsico Australia Pty Ltd v The Kettle Chip Co Pty Ltd* (1996) AIPC 91-213, per Sheppard J at 37,158.

14 Tamberlin J stated that “[t]he word is used in relation to golf to refer to striking a ball clumsily or failing to play a shot”: *Duff Beer*, above n1 at 42,017. The Macquarie Dictionary cites “duff” as meaning “to steal” or “change the appearance of”.

15 Above n12 at 73.

16 *Ibid.*

17 *Ibid.*

18 *Duff Beer*, above n1 at 42,017.

19 *Ibid.*

20 *Ibid.*

context, and their potency also prepared the way for the finding that the element of misrepresentation had been satisfied.

B. *Misrepresentation and Character Merchandising*

(i) *Character Merchandising in Australia*

The phenomenon of character merchandising is primarily connected with the element of misrepresentation. It also embodies a most forthright area of development in the Australian law of passing off. The case of *Henderson v Radio Corp Pty Ltd*²¹ represents the point of departure between Australian and English jurisprudence, in the court's resistance to the "common field of activity" requirement. That case was the catalyst for the development of a new frontier of the tort of passing off, in protecting the goodwill and reputation arising from the Hendersons' professional personalities as famous ballroom dancers. From this beginning, the scope of character merchandising principles has expanded in step with the ever widening means of communication and marketing techniques.

Henderson is an example of what may be called direct character merchandising, as it involved the use of the plaintiffs' photographs on the cover of the defendant's dance record.²² Marketing strategies which entail an indirect form of character merchandising now have the potential to give rise to a good cause of action. As stated by Burchett J in *Pacific Dunlop Ltd v Hogan*:

[i]t would be unfortunate if the law merely prevented a trader using the primitive club of direct misrepresentation, while leaving him [sic] free to employ the more sophisticated rapier of suggestion, which may deceive more completely.²³

Successful cases, in which the goodwill and reputation of both real and fictional characters have been protected from the more subliminal forms of character merchandising, are now accepted as good authority.²⁴ Tamberlin J took the application of these authorities to a new level of existence, in asserting that "the principles which apply to character image or title association are equally applicable to the name of a product which features in the program".²⁵

(ii) *Misrepresentation*

The traditional concept of an actionable misrepresentation in passing off, is that the defendant has represented his or her goods or services as the goods or

21 [1960] SR (NSW) 576. "Henderson".

22 There have been other similar cases, that were unsuccessful for various reasons: *Honey v Australian Airlines Ltd* (1990) 18 IPR 185 (the Gary Honey case); *Talmax Pty Ltd v Telstra Corporation Ltd* (1996) ATPR 41,484 (the Kieran Perkins case); and *Wikham v Association of Pool Builders Pty Ltd* (1988) ATPR 40-910 (the Tracy Wikham case).

23 (1989) 87 ALR 14 at 47.

24 For example, *Hutchence v South Seas Bubble Co Pty Ltd* (1986) 64 ALR 330 (the "INXS" case); *Children's Television Workshop Inc v Woolworths Ltd* [1981] RPC 187 (the "Muppets"); *Fido Dido Inc v Venture Stores (Retailers) Pty Ltd* (1988) 16 IPR 365; *Hogan v Koala Dundee Pty Ltd* (1988) 83 ALR 187; and *Pacific Dunlop Ltd v Hogan*, *ibid.*

25 *Duff Beer*, above n1 at 42,017.

services of the plaintiff.²⁶ However, since recognising that the tort of passing off protects the property attaching to the business goodwill of a product, its name or get up,²⁷ a less overt form of misrepresentation has sufficed. The marketing strategy which may be commercially attractive, but in certain circumstances, legally proscribed, is where “the defendant moves to annex to itself the benefit of [the plaintiff’s] reputation by attracting custom under false colours”.²⁸ The mere fact of a trader taking such action will not amount to passing off, unless it has the requisite effect of confusing the consuming public.

Tamberlin J’s judgment resonates with the terminology of “wrongful appropriation of a reputation or ... wrongful association of goods with an image properly belonging to an applicant.”²⁹ He states, however, that “[t]he precise nature and content of the association is difficult to define.”³⁰ In *Hogan v Koala Dundee Pty Ltd*,³¹ Pincus J endorsed the sufficiency of an implied “association”, and distinguished this concept from the overt misrepresentation of the existence of an agreement between the plaintiff and defendant. This rejection of the need to show a representation of a factual connection between the plaintiff’s character and the defendant’s product, has been supported in other decisions of the Full Federal Court.³² Tamberlin J seems to be moving with, and furthering the tide by which the emphasis on a wrongful association, or misappropriation, is substituted for the traditional concept of a misrepresentation.

The common thread through the decided cases is that to amount to an actionable misrepresentation, the defendant’s conduct must create a false belief in the minds of the consuming public that the parties have a “commercial arrangement”. In the same vein, Tamberlin J found that “a large and substantial section of the consuming public” would be misled into believing that there is a commercial association between the parties, by which the applicants “sanctioned” or “permitted” the production and marketing of the beer for sale.³³

(iii) *The Evidence*

In every case the court will look to see whether the relevant class of consumers would be deceived or confused by the defendant’s representation.³⁴ On the respondents’ evidence, the consumer group at which their product was targeted was the 18 to 25 year old age group. In particular, the respondents had con-

26 *Reddaway v Banham* [1896] AC 199 at 204, per Halsbury LC.

27 This was confirmed by Lord Parker in *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 284. See Crennan, S, “The Commercial Exploitation of Personality” (1995) 8 *IPLB* 129 at 129–30.

28 *ConAgra Inc v McCain Foods (Australia) Pty Ltd*, above n6 at 263 per Gummow J.

29 *Hogan v Koala Dundee Pty Ltd*, above n24 at 198, per Pincus J. Cf *Duff Beer*, above n1 at 42,018–42,019.

30 *Ibid.*

31 Above n24 at 198.

32 *Pacific Dunlop Ltd v Hogan*, above n23; *Honey v Australian Airlines Ltd*, above n22.

33 *Duff Beer*, above n1 at 42,019.

34 *Australian Telecommunications Corp v Hutchinson Telecom (Aust) Ltd* (1990) 17 IPR 615 — the ‘relevant consumer group’ in this case was that of the professional person (who was most likely to own a mobile telephone).

ducted exploratory research upon two focus groups of males, 18–25 years old, “fashionable, trendy, Eastern and Northern suburbs skew, working, up-market, and affluent”.³⁵ This is perhaps a narrower sample than that to which the court would have given consideration, had it been left to its own devices. However, it was clearly convenient for Tamberlin J to rely on this relatively detailed and thorough research in order to arrive at his ultimate finding of fact.

The irony of the case from an evidentiary viewpoint was that the respondents virtually dug their own grave. They had undertaken extensive market research before deciding on the name, “Duff Beer”, its get-up and packaging. The applicants did not pursue any market research of their own, for the simple reason that the respondents’ results were sufficiently damning to support their case. It is well established that “[e]vidence that some person has been confused or misled is admissible and may persuade, but is not conclusive”.³⁶ Here, the consumer research studies made it quite plain that the beer would be a success, and that this success would be due to the association made with “The Simpsons”. It showed categorically and repeatedly that “the word ‘Duff’ is impressed in the consciousness of a large number of potential consumers of the product as ‘The Simpsons’ beer”.³⁷ Hence, that the respondents’ actions had the effect of confusing or misleading the relevant consumer group could be readily imputed.

Tamberlin J placed particular emphasis on the fact that the applicants had licensed a considerable amount of merchandising in Australia, with a number of clothing products bearing the image of “Duff Beer”. This would reinforce the incorrect assumption of consumers that there was a commercial connection between the respondents’ beer and “The Simpsons”. Tamberlin J felt that “Duff Beer” would be viewed as just another part of the applicants’ licensed merchandising scheme.³⁸

(iv) *The Role of Disclaimers and Intention*

The respondents’ in this case, did not make any direct disclaimer to consumers, of a connection with “The Simpsons”. In this respect, Tamberlin J distinguished the facts at hand from the *Maybelline case*.³⁹ Merely omitting to make an overt connection between the “Duff Beer” product and “The Simpsons”, was held to be insufficient to vitiate the finding of an actionable misrepresentation. Further, the alleged attempts to distinguish their can from the applicants’ can by a change of colouring and font, was equally unhelpful to the respondents’ cause.

35 *Duff Beer*, above n1 at 42,013.

36 Crennan, above n27 at 136, referring to *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177.

37 *Duff Beer*, above n1 at 42,018.

38 A cynical response to the weight given to this factor is that the law specifically rewards those who already make (presumably) enormous profits from merchandising programs. This line of argument may be used to oppose the development of a tort of misappropriating valuable intangibles. That is, it may be said that ‘creators’ of promotional goodwill do not deserve to have that goodwill protected, as they are rewarded in other ways. See Spence, M, “Passing Off and the Misappropriation of Valuable Intangibles” (1996) 112 *LQR* 472 at 488.

39 *Newton-John v Scholl-Plough (Aust) Ltd* (1986) 11 FCR 233.

An intention to take advantage of the goodwill of another is not a necessary element of the tort of passing off. However, the respondents' evidence had, on several occasions, made reference to their awareness that the mere use of the name "Duff Beer", would create a strong association between their product and "The Simpsons". "Their intention was to 'sail as close as possible to the wind' in order to 'cash in' on the reputation of 'The Simpsons' without stepping over the line of passing off or deceit".⁴⁰ This hope was not realised, as the respondents were held liable in both the tort of passing off, and for breaching the statutory provision against misleading or deceptive conduct.

C. *Damage to Goodwill or Reputation*

The final element to be satisfied in a successful action in passing off, is that the misrepresentation established has caused, or is likely to cause, damage to the plaintiff's business goodwill or reputation. In this respect, Tamberlin J considered that the respondents' misrepresentation was likely to adversely affect the applicants' business goodwill, and their licensing and merchandising rights.⁴¹ It was of particular significance that the applicants had an active policy of not licensing parties to use "The Simpsons", and specifically "Duff", in connection with alcohol "or other substances considered detrimental to children."⁴² From this perspective, the damage likely to be suffered by the applicants was not only a loss of licensing fees, but also an interference with the integrity of their licensing and merchandising schemes.⁴³

4. *The Claim of Misleading or Deceptive Conduct*

The alternate head of the applicants' claim, was that of misleading or deceptive conduct under section 52 of the *Trade Practices Act 1974* (Cth). While the tort of passing off is concerned with the protection of a plaintiff's property in his/her reputation or goodwill, section 52 is aimed at protecting consumers from misleading or deceptive conduct by traders.⁴⁴ Despite their differing emphases, the issues involved in these actions are strongly interconnected.⁴⁵ As such, "the remedy to prevent deception of the public often has the incidental effect of protecting a competing trader's goodwill".⁴⁶ In character merchandising cases, section 52 is often pleaded as an alternative to passing off.⁴⁷

Having established the existence of a misrepresentation with respect to passing off, the foundations were laid for Tamberlin J to also conclude that section 52 had been breached. The brevity with which Tamberlin J disposed

40 *Duff Beer*, above n1 at 42,018.

41 *Id* at 42,022.

42 *Id* at 42,010, 42,011.

43 *Id* at 42,023.

44 Corones, S, "Basking in Reflected Glory: Recent Character Merchandising Cases" (1990) 18 *Australian Business Law Review* 5 at 17.

45 For a discussion of their overlap, see Terry, A, "Exploiting Celebrity: Character Merchandising and Unfair Trading" (1989) 12 *UNSWLJ* 204 at 211-2.

46 *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 202 per Mason J.

47 Terry, above n45 at 211.

of the section 52 claim did not compromise the strength of his findings in that regard. He stated that the creation of a false association between the respondents' product and "The Simpsons" amounted to misleading and deceptive conduct.⁴⁸ Tamberlin J stressed that in order to find a breach of section 52, it is unnecessary for a consumer to specifically assume that the respondents have obtained a licence or permission from the applicants. "The intentional use of the name 'Duff Beer' which produces the false association is sufficient".⁴⁹

The *Duff Beer* decision, is an example of the courts' willingness to employ "the paradigm of passing off"⁵⁰ in determining the success of section 52 claims. "If no misrepresentation is involved, the conventional wisdom is that neither misleading or deceptive conduct nor passing off can be established."⁵¹ In most circumstances, the converse will also hold true. Hence, the factual finding (made in the context of passing off) that consumers would assume that "Duff Beer" had been sanctioned by the applicants, provided support for the conclusion that the respondents had engaged in misleading and deceptive conduct.⁵²

There may be dangers associated with treating section 52 actions and passing off as interdependent, or coextensive. A contravention of section 52 requires that conduct is misleading, as distinct from confusing. On the other hand, in passing off, it is sufficient that the conduct create confusion, rather than actual deception.⁵³ In the realm of character merchandising, the content of an actionable misrepresentation is increasingly focused on the wrongful appropriation of promotional goodwill. This steady undercurrent renders ever more remote the connection between passing off and the more stringent terminology of section 52.⁵⁴ The courts should be aware that success under the relatively fluid tort action may lead to a qualitatively different result to that intended by an application of section 52. It is therefore advisable that the two actions not be equated, as a matter of course.

5. *D'oh! What is Being Protected Here? An Analysis of the Duff Beer Decision*

The decision in *Duff Beer* protects the distinctive reputation attaching to a fictional product from being misrepresented as somehow connected with the respondents. Tamberlin J's conferral of protection, in favour of the applicants in this case, presumes two things. Firstly, that the intangible reputation and goodwill attaching to a fictional product is valuable; and secondly, that the interest in this valuable intangible is vested in the producer and creator of the series, of which the fictional product is a part. Each of these presumptions may seem instinctively correct, but their rational bases are less easily defined.

48 *Duff Beer*, above n1 at 42,021.

49 *Ibid.*

50 Ricketson, S, "Character Merchandising in Australia: Its Benefits and Burdens" (1990) 1 *IPJ* 191 at 197.

51 Terry, above n44 at 212.

52 *Duff Beer*, above n1 at 42,021.

53 *Pacific Dunlop v Hogan*, above n23.

54 *Corones*, above n44 at 23.

A. *Is the Reputation and Goodwill of "Duff Beer" Valuable?*

"Duff Beer" is not merely a fictional product with a recognisable physical appearance. It is a symbol of the irreverence, fun and anti-marketing for which "The Simpsons" is well known. The breweries' market research is highly indicative of this fact. By adopting a vaguely modified "Duff" can design, the respondents undoubtedly aimed to capture the essence of this popular television series. It was a means of tapping into the emotions of potential consumers on a sublime level; riding the wave by which the applicants had managed, as the media so often do, to create opinion, dictate taste and condition "consumers to recognise indicia of trade through repetition and saturation".⁵⁵ To paraphrase from a well known quote, to the relevant consumer group, the beer is better, drunk by their idol.⁵⁶ Clearly, this is a valuable resource for commercial marketing, as it simultaneously acts as a guarantee of the product's worth, and attracts custom on a purely emotive basis.

B. *Who Owns the Reputation and Goodwill of "Duff Beer"?*

Having established that the reputation and goodwill attaching to "Duff Beer" is an economically valuable commodity, the issue of determining whose right it is to exploit, and protect, is raised. The most obvious answer to the question thus posed, is that the creators of "Duff Beer" own its reputation and goodwill because they have done all the hard work. It seems instinctively unfair that the respondents should reap the value of "The Simpsons" reputation and goodwill, through the use of one of its symbols, without doing any of the sowing. However, the problem is not that simple. The applicants may have created and produced the series, including "Duff Beer", and secured its extensive broadcast throughout Australia, but is it really accurate to assert that they have created the reputation and goodwill attaching to the series, and the beer?

In discussing this issue with respect to the intangible value of the goodwill attaching to the character "Mick Dundee",⁵⁷ Spence suggests that assuming that one individual can be identified as the "creator" is "an enormous assumption to make."⁵⁸ That character "stood on the shoulders of a whole tradition of bushman stereotypes that had been developing in Australian culture since at least the 1890's"⁵⁹ and his value "was at least in part 'created' by the many thousands of people who saw and enjoyed the film."⁶⁰ Hence, the credit for having "created" the intangible value of "Mick Dundee" could go (in unknown proportions) to "the makers of the film and all those who had contributed to the bushman tradition and the public at large".⁶¹

By analogy, it is arguable that the intangible value of "Duff Beer" and "The Simpsons" has been created, at least in part, by the predisposition of a large section of the public to the humour and irreverence of the program. Had

55 Crennan, above n27 at 130.

56 *Hogan v Pacific Dunlop*, above n23 at 45, per Burchett J.

57 The object of the protection given by the tort of passing off in the *Hogan* cases, above n24.

58 Spence, above n38 at 479.

59 *Ibid.*

60 *Id* at 480.

61 *Ibid.*

the public rejected the series, the extent of its broadcast at prime time would not have created the "product endorsement value" anywhere near to that which it currently possesses. It is therefore difficult to substantiate the claim that the applicants were entitled to win this case on the basis that they created the intangible value of "Duff Beer" 's reputation and goodwill. If it was not necessarily the applicants' creation or property rights which were infringed, on what grounds can it be said that the respondents' actions were unjustified?

C. *On What Policy Basis Can the Decision be Justified?*

In this case, it was of particular significance that the applicants had an active policy of not licensing parties to use "The Simpsons", and specifically "Duff", in connection with alcohol "or other substances considered detrimental to children."⁶² The basis of this policy was that a significant proportion of the series' audience were children, whom it was thought may be swayed by the apparent endorsement of such substances by "The Simpsons". Although Tamberlin J did not cite the public benefit to be obtained by upholding the applicants' policy as influencing his decision, in effect this public benefit is obtained. Hence, on its facts, the decision can be justified on the broader policy ground of not encouraging children to consume alcohol. More generally though, the choice of which products to endorse, and which to deny a license, may be seen as properly vested in those on whom the manifestation of such choices reflect.

If the promotion and sale of "Duff Beer" is perceived to be connected with "The Simpsons" (as the market research strongly illustrates), determining the desirability of this promotion and sale should be a function of those with whom the series has its closest and most real connection - the creators and producers of the series. This approach is akin to a "moral rights" argument in that integrity is protected by ensuring "that the product licensed is an 'appropriate' one ...".⁶³ Given that "The Simpsons" has achieved pseudo-cult status, the integrity of the endorsement given to a product is equally important to the licensor and the final consumer.⁶⁴ It is on this basis that I believe the decision may best be justified. Such an approach is problematic, in the sense that it significantly de-emphasises the misrepresentation element of the tort of passing off. In prioritising concepts such as integrity and fairness, the potential development of a tort, based on preventing the misappropriation of valuable intangibles, must be contemplated.

6. *Beyond Duff: A Tort of Misappropriating Valuable Intangibles?*

Maintaining the integrity of the applicants' merchandising schemes, and the over-riding concern that the respondents acted 'unfairly', have strong intuitive appeal. A tort which goes beyond the seemingly elastic boundaries of passing off, may

62 *Duff Beer*, above n1 at 42,010, 42,011.

63 Ricketson, above n49 at 206. Tamberlin J actually referred to the "integrity of the licensing and merchandising programs" of the applicants: *Duff Beer*, above n1 at 42,022.

64 Ricketson, *ibid*.

provide the means for venting these concerns, in preference to the issue of misrepresentation.

Tamberlin J's judgment was indicative of the increasing emphasis on the concept of misappropriation, or wrongful association, in contrast to the more strict requirement of a factual misrepresentation. The possibility of creating a general tort of misappropriation or unfair trading has been long debated in Australia,⁶⁵ but the idea has been expressly rejected by the High Court.⁶⁶ Nevertheless, decisions like *Duff Beer* create the foundations upon which a superior court may rely, in order to pursue such developments.⁶⁷ It is from this perspective, that the possibility of a new tort action will be reviewed.

The problem of ascertaining who has created a valuable intangible,⁶⁸ such as promotional goodwill, underpins most policy arguments favouring the creation of a tort of misappropriation. Rather than leaving the game at this point of apparent defeat, further issues may be canvassed by assuming that a single creator can be identified. The question then becomes, on what grounds should a creator of goodwill have the right to prevent that goodwill from being appropriated by another?

One possible justification, is that such an appropriation by another would harm the creator, who has invested substantial labour, skill and effort.⁶⁹ Such harm may be manifested in the loss of competitive advantage. For instance, where the appropriator can sell a product or service, to which the creator's goodwill attaches, at a cheaper price than the creator. Spence argues that this form of damage must be balanced against the competitive disadvantage suffered by prospective competitors, if the creator has the exclusive right to use the valuable intangible. It seems counterintuitive to equate the claim of the passive, would-be competitor, with that of the enterprising creator. However, an argument in favour of a tort of misappropriation, based purely on the principle of averting economic harm to a creator, would need to address Spence's contention.

Secondly, Spence discusses the possible emotional harm which a creator may suffer, if the valuable intangible for which s/he feels responsible, is used in a way that s/he finds "fundamentally objectionable."⁷⁰ In this context, Spence uses the example of a character, developed by a group to promote affirmative action with respect to race, being appropriated by a neo-Nazi group.⁷¹ The *Duff Beer* situation may be seen as providing a much less extreme, but analogous example of emotional harm. The applicants' active policy against merchandising alcoholic products, is indicative of the likelihood of emotional harm being caused

65 See for example, Ricketson, above n50, and Pendleton, M, "Character Merchandising and the Proper Scope of Intellectual Property", (1990) 1 *IPJ* 242.

66 Most recently in *Moorgate Tobacco Co Ltd v Philip Morris (No 2)* (1984) 156 CLR 414 per Deane J at 439-46.

67 Pendleton, above n65 at 249-54; Spence, above n38 at 474.

68 See text accompanying notes 56-60.

69 Spence, above n38 at 484. Pendleton uses this justification as a basis for his arguments: above n65 at 249-54.

70 *Id* at 485. This argument is very similar to the moral rights-style of policy which was discussed earlier with respect to the justification of the decision in *Duff Beer*: see text accompanying notes 61-3.

71 *Ibid*.

by the appropriation of a Simpsons' symbol, for the marketing of a beer. A general tort of misappropriation could perhaps be justified on this basis.

Spence's counter argument is that a would-be competition may also suffer emotional harm, in the knowledge that s/he cannot use the creator's valuable intangible.⁷² I would argue though, that the harm to the creator is much more significant. S/he has much more to lose, in having established a reputation from using the intangible resource in a particular manner. The only possible emotional loss to the respondents in *Duff Beer*, would be in their realisation that developing a replacement to the "Duff Beer" line would take much more promotional effort. As the respondents' research report states, "[a] beer which is based on The Simpsons will need little, if any, promotional support."⁷³ Can would-be appropriators really be justified in opposing a tort of misappropriation, on the basis that it grieves them to have to undertake a standard amount of promotional work? Why should they be entitled to rely on the foundations laid by the valuable intangible's creator? The cultural aspect of Spence's discussion provides one way of dealing with this question.

Spence makes the important observation, that valuable intangibles change with every use.⁷⁴ Referring to his earlier example, he states that once the neo-Nazi group use the affirmative action symbol, the symbol may no longer be of value to the affirmative action group in its relationship with the wider community.⁷⁵ This type of "cultural harm" may have been suffered to some extent, by the applicants in *Duff Beer*. Arguably, one cultural link established between "The Simpsons" and the wider community, was that those associated with the program recognised, and treated responsibly, its influence on children, by not endorsing the sale of alcoholic products. One can only speculate as to whether this link was damaged during the short life of the respondents' product, but presumably, some damage of this kind would have eventually resulted. These considerations strongly resemble the concerns expressed by Tamberlin J, with respect to the likely damage caused by the respondents' conduct. In this sense, the perceived need to develop a general tort of misappropriation is diminished, as "cultural harm" may be, and has been, encompassed by the tort of passing off.

Perhaps the strongest argument against the development of a tort of misappropriating valuable intangibles, is that valuable intangibles attach to commodities, such as fictional characters, which "constitute a fundamental resource of our culture. As symbols they represent a whole set of values that they operate powerfully to re-enforce."⁷⁶ In regard to "The Simpsons", this argument is particularly applicable. This again raises the question of who owns the goodwill attaching to "The Simpsons" and its constituent parts.

As discussed above, the success of the series must, at least in part, be credited to the predisposition of a significant section of the television audience, to its satiric content and irreverent style. The series may be seen as the medium

72 Id at 484.

73 *Duff Beer*, above n1 at 42,013.

74 Spence, above n37 at 485.

75 Ibid.

76 Id at 486.

by which a slice of our shared social life is reflected back to us. The symbolic power of "Duff Beer" is a continuation of this phenomenon. If only for the good of their alleged 'creator', restricting the use of symbols which form a part of "the public domain of our culture and society"⁷⁷ is particularly draconian. A tort of misappropriation, which in no way depends on a misrepresentation, would introduce the imposition of such restrictions. This is a short step from the creation of a monopoly over a particular marketing style, by which to elicit a certain emotional response from consumers. It is difficult to conjure up a sound policy basis for investing in one person, such a vital element of the human condition.⁷⁸

On the other hand, Spence concludes that the tort of passing off, with its central focus on the element of misrepresentation, is very easily justified. He states that:

The misrepresentation that the law of passing off seeks to restrain is a particularly pernicious one, because it strikes at the heart of an individual's autonomy in society. When an individual misrepresents his products to be those of another, or misrepresents himself as having that other's endorsement ... he is more fundamentally assuming that other's identity.⁷⁹

On this basis, and given the difficulty of establishing a sound justification for a tort of misappropriating valuable intangibles, there is no reason at present to suggest that the tort of passing off should be abandoned.

7. Concluding Remarks

As a character merchandising case, *Duff Beer* may be seen as both unusual, and progressive. "Duff Beer" is not a "character", which has been endowed with particular personality traits by the intricate design of script writers, directors or producers. The personified reputation of the fictional product as "fun" or "trendy" is ascribed to it by the perception of the audience. In this sense, the case is not concerned with the exploitation of the goodwill of a "character" as such, but is one step removed from the usual focus of character merchandising cases. On the other hand, the respondents' exploitation of "Duff Beer" as a product in its own right, fitted squarely within the current boundaries of the tort of passing off. The case is also an example of a great victory as a successful claim under section 52 of the *Trade Practices Act*, and raises questions of how completely this statutory action can be equated with the expansive tort of passing off.

Tamberlin J's judgment is indicative of the increasing influence of the concept of misappropriation in the tort of passing off. However, the central importance of the consumers' belief that there was some commercial arrangement between the respondents' product and "The Simpsons", was not lost. In this sense, the essential, though broadening, constitution of an actionable misrepresentation was maintained.

77 Ricketson, above n50 at 207.

78 Ricketson notes the possible impact this could have on stifling freedom of expression: *ibid.*

79 Spence, above n38 at 497.

The most favourable arguments for the creation of a tort of misappropriating valuable intangibles, are based on preventing what Spence has referred to as emotional and cultural harm. However, the *Duff Beer* decision illustrates the capacity for these types of concerns to be encompassed by the tort of passing off. The gradual expansion of the tort may offend adherents to tradition, and ignite thoughts of its abandonment in the minds of others. Both of these extreme positions tend to overlook the fact that the flexibility of the tort of passing off, may also be one of its greatest features.

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