Legal Backgrounder

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WEATHERING THE PERFECT STORM: PRODUCT PLACEMENT AND INTELLECTUAL PROPERTY

By

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The practice of one party using another party's trademarks and copyrights in movies, books, television shows, video games, and other media has become a subject of some interest recently from an intellectual property perspective. Sometimes the intellectual property is used with the owner's consent and increasingly, the owner of the affected intellectual property pays in cash or provides free products and services to the producer of the media for the placement in the media. In other cases, the producer or artist uses the intellectual property without the consent of the owner. The intentional usage of a third party's intellectual property rights is known as "product placement."[1] What are the intellectual property implications of this practice for the owner of the intellectual property and the producer of the media?

It is important to first consider why product placement has become such a force in the marketing and promotion of products. The cost of movie and television production has risen to such expensive levels that the producers of such media are looking for every possible source of additional revenue. Today, it is not unusual for a movie to cost anywhere from $80-100 million. In addition, the advent of video recording devices that enable consumers to speed past commercials while reviewing recorded programs has forced advertisers to seek other venues to promote their client's products. The rise of the Internet, video games and other non-traditional entertainment vehicles do not readily lend themselves to the standard commercial. Finally, the cost of product placement is relatively inexpensive in relation to the cost of the typical promotional vehicles, but can have an impact of enormous proportions. For example, sales of a heretofore-unknown product, REESE'S PIECES, skyrocketed after E.T. consumed them in the movie "E.T.: The Extraterrestrial." There is also the desire of some artists to present media with more realism. Since we all live in an extremely commercial environment, the visible use of intellectual property is a natural setting. It is estimated that the overall value of product placement has increased to $3.5 billion in 2004.[2]

What we have is a convergence of factors to form the "Perfect Storm" for product placement.

[1] *See* http://en.wikipedia.org/wiki/product_placement.

[2] "Product Placement Spending in Media 2005", PQ Media LLC, Mar. 2005.

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Nevertheless, the owners of various intellectual properties have objected to the inclusion of their rights in media without their consent. Furthermore, there are issues for the intellectual property owner to consider before he agrees to a product placement.

Copyrights

The initial case that revolutionized the rights clearance process for media occurred in 1997, *Ringhold* vs. *BET*.[3] Prior to this case, the entertainment industry relied on a string of decisions beginning with *Mura* vs. *CBS*[4] which stood for the proposition that use of another's copyrighted material is not actionable if the use is an incidental aspect of the program. A copyright, of course, is the exclusive right granted to the author of original or artistic works fixed in a tangible form. 17 U.S.C §§ 102(a), 302(a). In the *Ringhold* case, the television show "Roc" made an unauthorized use of an original artwork entitled "Church Picnic Story Quilt". The artwork in question appeared as the background in a couple of scenes in the show. The defendants argued that their use of the artwork constituted a fair use of the work under 17 U.S.C. § 107 of the Copyright Act. Among the factors considered for fair use are: 1) the purpose and character of the use; 2) the nature of the copyrighted work; 3) the amount of the work used; and 4) the effect of the use on the value of the copyrighted work. The ownership of a copyright includes the right to preclude others from copying the work protected by copyright. The case was on appeal from the grant of a summary judgment in favor of the defendants at the district court level. The U.S. Court of Appeals for the Second Circuit reversed and remanded to the district court on the grounds that the issue of fair use could not be decided on the basis of a summary judgment proceeding.

While the plaintiff in *Ringhold* ultimately lost, her case sent alarms through the entertainment industry since such claims were no longer going to be summarily dismissed. It is clear that any use of a copyrighted work in media should be carefully considered in the light of this decision.

Trademarks

A trademark is any word, combinations of words, symbols, sounds, designs and combinations thereof that serve to identify and distinguish the goods and services of one party from those of others. Lanham Act, 15 U.S.C. § 1127. 15 U.S.C. §§ 1114 and 1125 (a) make the use of the trademarks of other parties that is likely to cause confusion, mistake or to deceive as to the origin or sponsorship or approval of his or her goods by another, an act of infringement of the trademarks in question.

In *Caterpillar* vs. *Walt Disney*,[5] Caterpillar objected to the use of its branded equipment in a villainous fashion in the "George of the Jungle 2" movie on the theory that such use infringed, tarnished or diluted its trademark rights. The court rejected these arguments saying that consumers who view the movie are not likely to attribute any sponsorship or approval by Caterpillar of the movie. Moreover, consumers will not form any negative opinions of the Caterpillar Company or its products due to the use of the Caterpillar equipment. The court reasoned that it is clear to the viewer that it is the men working

[3] *Ringhold* v. *Black Entertainment Television, Inc.*, 126 F. 3d 70 (2d Cir. 1997).

[4] *Michael R. Mura* v. *Columbia Broadcasting System, Inc.*147 U.S. P.Q. (BNA) 38, (SD 1965).

[5] *Caterpillar, Inc. v. The Walt Disney Company*, 68 U.S. P.Q. 2d (BNA) 1461 (C.D. Ill 2003).

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the machines who are the villains, and not the machinery.

Similarly, in *Wham-O, Inc. v. Paramount Pictures Corporation*,[6] where Wham-O objected to the use of and reference to its SLIP 'N SLIDE YELLOW product in the movie "Dickie Roberts: Former Child Star" without its permission. The court rejected Wham-O's claims on the grounds that the use was merely nominative and that consumers are not likely to assume any approval or sponsorship by Wham-O as a result of the use. The court also believed that the scene in which the slide was portrayed was so exaggerated that such usage would neither tarnish nor dilute the trademark at issue.

Right of Publicity

The right of publicity is defined as "the inherent right of every human being to control the commercial use of his or her identity."[7] The practice of product placement implicates the actor's ability to control his or her right of publicity. As an actor consumes or uses a particular brand of a product, the inference is that the actor himself also endorses the product. At the very least, the actor has associated himself with the product. With the cost of celebrity endorsements reaching stratospheric heights, the product placement is a relatively cheap way to obtain the same effect. Further, some product placements occur after the movie is made via digital insertions of such products.[8] Thus, the actor should consider contractual provisions providing for the right to approve product placements as well as limitations on the ability to add digital placements later.

Brand Image

In the early days of product placement, intellectual property owners were often sufficiently happy with any exposure provided by the placement that they did not review or restrict the use of their property in any way. This is simply a very bad idea. The custodians of a brand are not just responsible for protecting the brand from infringement, but the image of the brand as well. Therefore, brand owners should make sure that they understand the context in which their brands or other intellectual property are going to appear. The intellectual property owner should retain the right to review and approve the final version of the use of the intellectual property as well as the use in advertising. He or she should treat the product placement as he would a more traditional advertisement by establishing internal procedures and policies to make sure that no consent or placement occurs that would damage the image of the brand.

While courts in the United States have looked at the issue of product placement, particularly the use without the consent of the intellectual property owner, the law outside of the United States is not so clear. Thus, care must be taken that films distributed internationally do not violate local laws.

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[6] *Wham-O, Inc.* v. *Paramount Pictures Corporation*, 101 Fed. Appx 248((9th Cir. 2004).

[7] J. Thomas McCarthy, MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY, (2d Ed. 1996).

[8] *See* "Understanding the Market for Celebrity: An Economic Analysis of the Right of Publicity"; Vincent M. de Granpre, 12 FORDHAM INTELLECTUAL PROPERTY MEDIA AND ENTERTAINMENT LAW JOURNAL 73 (2001).

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Summary

Product placement is a fast growing practice. The use of another party's intellectual property without the owner's consent is "Risky Business" and may lead to litigation. The producer of media must weigh the likelihood of a positive response against the risks of litigation. The question is: "Do you feel lucky?" In the ideal scenario for the producer, the owner not only consents to the use of the intellectual property, but also pays the producer for the privilege. Even where the owner of the intellectual property consents, the owner still needs to be concerned about the impact of the proposed use on the image of the brand. The right of publicity of the actors and actresses involved in the media may also be affected by the product placement occurring during the creation of the media or later with digital placements. The actor should protect his right of publicity contractually. Finally, the law regarding product placement in other countries is not developed. Consequently, one should be careful about the use of such media outside of the United States.

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