

artistic license

merchandising artwork can be very
lucrative—and riddled with *hazards*.
how does the law protect ideas,
both *business* and *creative*?

By Thomas & Charles Danziger

Some of our clients fly private jets, while others, we fear, may soon be driving yellow cabs. But most share a common goal (in addition to wanting crack legal advice): to profit in some way from the art world.

Roger was no exception. He came to us with questions about his business plan, which involved licensing images created by popular artists to makers of products and apparel. The problem was that Roger didn't know a product license from a driver's license. His previous attempts at licensing artworks had ended in disaster. Most recently, he had sought to reproduce landscape paintings on backpacks. The concept was so clever that the first artist he approached stole the idea and had the merchandise manufactured himself. Roger never saw a penny.

Now he had a new merchandising idea. He had found an artist whose work he wanted to license for a line of sleepwear, and proudly showed us some transparencies of her paintings. Not exactly cutting-edge art, the works featured fluffy kittens playing with yarn and plump babies beaming at their mothers. We surmised that he had left the happy puppy portrait at home.

In spite of our misgivings about the project's artistic merits, Roger was determined to act

as the artist's licensing agent. But before approaching a manufacturer, Roger wanted our advice on how best to protect his idea. We suggested that this time Roger secure an exclusive agreement with the artist (and perhaps the manufacturer). This would ensure that he would be compensated for his efforts if a deal were reached. Alternatively, he could ask the parties involved to sign a confidentiality agreement, or nondisclosure agreement, in which they would promise not to use one another's ideas without written consent.

Next came the question of the artist, who retained the copyright to the works. Had she agreed in principle to the project, which would involve a substantial amount of time and effort for all concerned? Roger said the artist had initially feared that merchandising could tarnish her reputation as a "serious" painter. He tried to reassure her by pointing out that merchandising and fine art are no longer mutually exclusive—noting that any number of high-profile contemporary artists have agreed to allow their works to be used on commercial products.

To back his claim, Roger cited Takashi Murakami, whose original works have skyrocketed in price, fuelled in part by his ambitious licensing efforts. His 1995 painting "Untitled (Gold)" brought an auction record \$623,500 at Christie's in November, and a group of figures including

the giant "Mr. Pointy," recently exhibited at Rockefeller Center in New York, reportedly sold for \$1.5 million to French businessman and Christie's owner François Pinault. During the same period, Murakami has designed extremely popular accessories for Louis Vuitton, exhibited wallpaper at a Chelsea gallery and sold limited-edition watches marketed by Citizen. Murakami's company often creates the products based on his designs, ranging from T-shirts to stuffed animals.

What ultimately sold the artist on the licensing project was Roger's promise to arrange an exhibition of her artwork to coincide with the launch of the licensed products. We thought (but were too polite to say) that a local preschool would be the perfect venue.

Now that Roger had a client, he asked us how best to structure an agreement between the artist and the manufacturer (the licensee). We explained that the artist would typically grant the licensee the exclusive right to create products based on certain works by the artist for a specified period of time and in a clearly defined territory, such as a particular product category and geographical area. The artist might also allow her name and image to be used in connection with the sale of the products. After the agreement ended, the licensee would have the right to sell any remaining products for a limited period, typically a few months.

We also explained that normally the licensee, at its own expense, would submit for the artist's approval products, packaging, sales materials and advertising to ensure that the final product was consistent with her artistic vision. Most licensees would also require that the artist act "reasonably" in

withholding approval for all aspects of the merchandising.

Payment to the artist usually comes in the form of royalties on the net sales of products, often defined as gross sales minus product returns and discounts. Depending on the artist's bargaining position, however, a portion of the payment may be taken up front as a guaranteed minimum. Royalties range from 2 percent to 20 percent, with the standard being somewhere in the middle. Artists often agree to reduced royalties if they are promised higher minimum guarantees, which are typically paid upon the signing of the contract and annually thereafter. To help ensure that they are receiving their fair share, artists usually have the right to inspect the licensees' books.

"But how do I get paid?" asked Roger. He was catching on. We said that there is no standard fee for an agent—it is simply a matter of negotiation. But customarily, he would receive a percentage of the artist's royalties based on net sales, which could theoretically provide a nice future income stream for him.

Next Roger opened his briefcase and pulled out several unauthorized products that were based on his artist's works; surprisingly, our client was apparently not the first person to see something in these images. They had been manufactured without her permission and without payment of any royalties. "These products are diluting our potential market," Roger complained. "Do we have a legal right to stop them from being made?"

We examined two posters, one depicting the artist's masterwork, "Tabby and Me," and the other showing a close-up portion of her groundbreaking "Sleepy Squirrel." We suggested that these appeared to be, respectively, infringements of the artist's

exclusive right to reproduce her original work and her right to make derivative copies of the work. According to the U.S. Copyright Act, "the exclusive right to reproduce a copyrighted pictorial, graphic or sculptural work includes the right to reproduce the work in or on any kind of article, whether useful or otherwise." We left unanswered the question of why someone would bother to copy this particular artist's works.

Roger then showed us another unauthorized product, a series of plastic kitty litter boxes on which the artist's signature cat was reproduced. The French manufacturer had made a few modifications to the original image, such as changing the predominant color of the work from yellow to blue and adding a faintly maniacal glint to the pussy's eyes. We suggested that since the artwork was distorted (and the cat now looked deranged), the products violated the artist's moral right of integrity—meaning the right to protect her work against tampering.

"That sounds serious," said Roger, sounding serious. "Tell me more." We explained that in countries that afford strong moral rights protection to artists—including France, which was the first to recognize the concept of *droit moral*—creating reproductions unfaithful to the original, or reproducing an artist's work on products that are simply inappropriate to the artist, might be legally actionable.

In Roger's case, the last group of unauthorized products posed the thorniest legal problem of all. He showed us a pair of mittens decorated with pictures reminiscent of the popular "Wooing Wabbits" series. Strictly speaking, these products did not reproduce the artist's works; instead they had the same subject and were done in the same distinctive, if saccharine, style. Each

bore a label in fine print saying that that they were "inspired" by the artist's works. Clearly the manufacturer was piggybacking off the artist's reputation without seeking her permission or paying her a royalty.

Roger thought this might be a violation of the artist's copyright, but we explained that U.S. copyright law, though it covers original work, generally does not apply to the appropriation of a visual style to sell products. We then proposed what we thought was a creative alternative legal strategy: a claim under federal trademark and unfair competition laws.

To win this type of case, the artist would have to demonstrate that her work's style, image and overall appearance was distinctive and that the manufacturer was using this style to confuse the public into believing that she was behind the products. Even with the disclaimer on the labels, the company might be liable if the artist could show a substantial likelihood that average consumers would be confused into believing that the items were based on the artist's work. The manufacturer could argue that the labels served as disclaimers, but if the labels were removed once the products were sold, the public might still be misled.

We told Roger about an important case from the early 1990s that could help support his claim against the manufacturer. In *Romm Art Creations Ltd v. Simcha International, Inc.*, the plaintiffs were distributing posters based on the artist Itzhak Tarkay's popular series "Women and Cafes." They successfully sued the defendants for selling unauthorized works that were not actual reproductions of the original but had a style that was "slavishly similar," as the ruling put it.

We suggested that, based on these various legal theories, we could draft a letter to the offending manufacturers demanding that they cease and desist from distributing the unauthorized products. That might help Roger clear the way for his own merchandising project.

We declined Roger's kind offer to send us a sample of the products to be made under the proposed license agreement with his chosen artist. If our own aesthetic judgment proved to be right, he might soon be in need of a cabbie's license instead.