By **Ron N Dreben** and **Brian P O'Donnell**

Making brand-sponsored entertainment the real thing

Brand owners need new ways to promote their products and brands. Entertainment produced by or on behalf of a brand owner is an increasingly popular option, but one that must be handled carefully to avoid certain pitfalls associated with advertising

Digital technologies such as mobile telephones, digital video recorders, MP3 players, games consoles and the Internet are fundamentally changing the way brand owners connect with consumers worldwide. Gone are the days when advertisers had limited broadcast channels through which to promote their products and consumers had little choice but to watch. As consumers employ new technologies to avoid commercial messages, brand owners are dedicating an increasing amount of resources to branded entertainment. As its name suggests, branded entertainment is the combination of entertainment and branded products or services. It takes many forms, including brand sponsorship, product placement and brand integration. The current buzz word in marketing departments, ad agencies and media companies around the world, however, is brand-sponsored entertainment (BSE).

What is BSE?

BSE is entertainment content that is created, controlled, funded, owned and often produced and distributed by or on behalf of a brand owner. In other words, the brand doesn't just sponsor or integrate with the content; the brand creates and owns the content. BSE seeks to communicate a brand's attributes in an entertaining manner for the purpose of strengthening the goodwill in the brand, even indirectly. To achieve this goal, BSE generally refrains from overt references to the brand owner, its products or brands in the content. In this way, BSE differs from product placement and brand integration in that BSE may or may not depict the brand owner's product or services within the entertainment content. In fact, BSE often does not depict at all, or depicts in a limited, seamless fashion, the brand owner's products to avoid a negative consumer reaction. Instead, the focus is often on brand image and the storyline serves that image. BSE endeavours to compete with traditional forms of entertainment and, therefore, writers and producers of BSE seek similar creative freedom. BSE most commonly takes the form of a television show or internet video, but the concept is conducive to almost any medium including feature-length films, documentaries, video games and music videos.

Many of the multinational companies on Interbrand's Best Global Brands have produced BSE. BMW re-invented the concept in 2002 with its production of *The Hire*, a series of short action films that featured the BMW brand personality. BMW asked well-known producers, directors and actors to make the films, which were distributed exclusively over the Internet. Although the performance of BMW cars was showcased in the films, there was no obvious connection between the content and BMW. According to BMW, the films have been viewed over 100 million times. Other examples include:

- a 2005 documentary about snowboarding made by Pepsico's Mountain Dew Films;
- a five-part internet video series entitled *Instant Def* launched in 2006 about a fictional hip-hop crew and starring Mars's Snickers brand candy bars;
- the documentary *InnerState*, which opened in cinemas in early 2007 and portrayed three patients suffering from Crohn's disease, rheumatoid arthritis and psoriasis – conditions treatable with a drug called Remicade (neither Remicade nor its maker Centocor or parent company Johnson & Johnson was mentioned in the film); and
- the internet sitcom *Crescent Heights*, launched in 2007 by Procter & Gamble's Tide brand (www.tide.com/gotv/index.html).

Although a significant amount of BSE is directed to the US market, BSE is an increasingly global phenomenon. For example, in 2006 MTV aired a dating show entitled *Meet or Delete*, in which contestants troll the contents of a prospective date's hard drives to decide whether they want to meet. It was MTV's first show to target a global audience through mtv.com, MTV Wireless and local websites with episodes in Australia, China, Europe, India and Korea. Also in 2006, Unilever's Axe brand co-produced an animated television series called *City Hunters* (www.cityhunters.tv/la/). The show was a hit throughout Latin America on the Fox television network.

Stealth advertising?

BSE has been the subject of scrutiny by entertainment industry trade associations and consumer watchdog groups, which view the concept as stealth advertising. These groups have petitioned the US Congress to focus on "the growing pressure on the television industry to interweave commercial pitches into plots". At least two congressmen have supported these concerns in a letter to the US Federal Communications Commission, expressing the view that BSE

Bottom left to right
Documentary made by Pepsico
A doctored photo of Dustin Hoffman in *Tootsie* was found not to constitute advertising
The decision in *Kasky v Nike Inc* took a broad view on what constitutes commercial speech

is "unfair and deceptive if it occurs without adequate disclosure" and "may also undermine the integrity" of entertainment programming itself.

Other countries have relevant regulations. The European Union's Television without Frontiers Directive (89/522/EEC) seeks to address "surreptitious advertising". Countries such as Austria, Denmark, Ireland and Finland restrict or ban product placement in public broadcasts. Nonetheless, BSE is no stranger to Europe, as Cisco, Oracle, VISA, Nokia and others have created BSE for European television.

In the United States, to the extent that BSE may be treated as a programme-length commercial, it could lose significant free speech protections under the First Amendment of the Constitution and may be subject to regulations issued by the Federal Communications Commission, the Federal Trade Commission, the Food and Drug Administration and other bodies on advertising disclosure and product claim substantiation, among other things. Further, with respect to copyright, one of the four statutory factors in the United States to evaluate a fair use defence is to what extent the use of copyrightable material would be deemed a commercial use. To the extent that BSE may be considered an advertisement, a fair use argument would be harder to make.

Further, most major advertisers in the United States have signed the Screen Actors Guild (SAG) commercials contract, obligating advertisers to comply with SAG rules with respect to talent used in ads. These rules require health and pension benefit payments, minimum scale rates, workplace rules and residuals, among other demands. BSE is often broadcast on cable television and produced in non-union shoots. Accordingly, in addition to First Amendment issues relevant to BSE, it is important to advertisers that are signatories to the SAG commercials contract that BSE not be construed as a commercial if it is a non-union production. In addition, the Writers Guild does not want its members to be required to write what could be viewed as advertising copy in the context of television shows without additional payment; members asked to do so may file a grievance.

For these and other reasons, whether BSE constitutes entertainment or advertising is a critical question, and it is not a stretch to say that the answer resides in a legal twilight zone between commercial and non-commercial speech.

The US tests for commercial speech

The defining boundaries between entertainment and advertising are essentially the same boundaries between non-commercial and commercial speech. Over the past three decades, the US Supreme Court has attempted to define that line in different contexts.

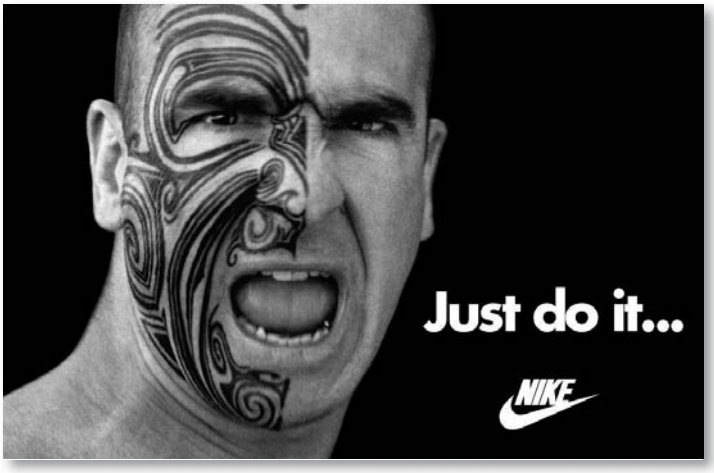
In the seminal case of *Virginia State Bd of Pharmacy v Virginia Citizens Consumer Council Inc* (425 US 748 (1976)), which involved the advertisement of prescription drug prices, the US Supreme Court held that commercial speech "does *no more than* propose a commercial transaction". In *Board of Trustees of State University of New York v Fox* (492 US 469 (1989)), which involved a university's attempt to restrict commercial speech in its campus dormitories, the court reaffirmed the 'no more than' standard as the relevant test. If the 'no more than' test were the correct test to determine whether BSE was commercial or non-commercial speech, then BSE likely would not be characterized as commercial because BSE does more than describe the actual performance or quality of products or where they are available; BSE seeks to entertain in the nature of a movie or television show. Since the *Virginia State Bd of Pharmacy* and *Fox* decisions, however, the court has implied that alternative tests to identify non-commercial speech may also apply.

In *Central Hudson Gas & Elec Co v Pub Serv Comm'n* (447 US 557 (1980)), the speech at issue was the promotional advertising intended to stimulate the purchase of electric utility services. In that case the Supreme Court characterized commercial speech as "expression related solely to the economic interests of the speaker and its audience". Under this test, BSE would also not likely be characterized as commercial speech, because others beyond the brand owner have an economic interest in the content, such as a third-party broadcaster or distributor, and third-party advertisers in the content. Further, with BSE, the interest of the audience is not commercial, but to be entertained.

Yet another test devised by the court in *Bolger v Young Drug Products Corp* (463 US 60 (1983)) concluded that a pamphlet advertising condoms was commercial speech based on a combination of three factors:

- whether the communication is an advertisement;
- whether it refers to a specific product or service; and
- whether the speaker has an economic motivation for the speech.

An advertiser cannot avoid regulations and restrictions on commercial speech merely by wrapping an advertisement in a subject of public debate. Under *Bolger*, it is possible that a court could similarly hold that a brand owner cannot avoid rights of publicity or trademark claims or other restrictions on advertising merely by packaging it as BSE. The *Bolger* analysis, however, is somewhat circular in this context, as the whole question is whether the BSE is an advertisement (which is the first prong of the *Bolger* test). A court in a BSE case is almost certainly likely to look beyond *Bolger*.



Practical considerations for brand owners

The cases mentioned in this article provide many practical lessons for brand owners to consider in order to increase the chances that their BSE may be viewed as entertainment rather than advertising.

Do not propose a commercial transaction: Under the US Supreme Court's *Virginia State Bd of Pharmacy* test, BSE is more likely to be deemed entertainment if it does not explicitly "propose a commercial transaction". Avoid providing consumers with specific information on product quality, price and performance and the means to purchase the product, such as toll-free numbers, commercial websites or store locations.

Look like traditional entertainment: If BSE does not look like traditional advertising (eg, a 30-second television ad or an infomercial), but rather like traditional entertainment (eg, a feature-length film, short film, television show, documentary or music video), the BSE has a greater likelihood of being treated as entertainment.

Limit product placement: BSE should limit the number or impact of product placement. For those products placed into the storyline, the placement should be unobtrusive, seamless and plot driven.

Keep a low profile on brand and brand owner references: To the extent possible, references to the brand and brand owner should be relatively subtle and kept to a minimum. The most conservative approach would be not to advertise the relevant brand in connection with the BSE, in the event FCC regulations for programme-length commercials in children's programming are deemed to apply to BSE. Of course, there is a strong argument that rules designed to protect children should not apply to BSE that is not directed at children.

Change the lexicon: The *Facenda Case* shows that how a brand owner itself characterizes BSE can influence how it is actually characterized by a court. Accordingly, consider instructing employees and agents involved in the creation, production and distribution of BSE to refer to BSE using words such as 'entertainment', 'drama', 'reality show' or 'comedy series'.

Pay attention to insurance: Most brand owners have 'advertising injury' clauses in their commercial general liability policies. Separate production insurance is generally more applicable to BSE. Brand owners should make sure that they, or their production companies for their benefit, have all appropriate insurance, and brand owners should avoid taking inconsistent positions on the entertainment nature of BSE with respect to securing insurance and tendering notice of a claim.

Create or use an entertainment production company: One of the key factors considered by US courts in determining whether speech is commercial focuses on the speaker. Generally, brand marketing personnel will be involved in BSE. If only the marketing department and an advertising agency make the content, it may be more likely to be viewed as an ad. Using a production company with *bona fide* entertainment credentials may help.

Let go of the brand (just a little): One of the factors the *Facenda* court used to determine whether content was commercial speech was whether it included any commentary critical of the product or brand. The court considered the existence of criticism consistent with journalistic works. While few brands are likely to go as far as Applebee's permitted in Will Ferrell's movie *Talladega Nights: The Ballad of Ricky Bobby* (in which Ricky's father rants "Applebee's has rats!"), some tolerance to criticism in BSE may save a First Amendment defence.

No tie-ins: Avoid tying the BSE expressly to the launch of a new product or service.

In *Riley v National Federation of the Blind* (487 US 781 (1988)), which involved speech in the form of solicitations for charitable contributions, the Supreme Court devised yet another test. If commercial speech and non-commercial speech are "inextricably intertwined", then the speech will be afforded full First Amendment protection as if it were non-commercial speech. The 'inextricably intertwined' test does not apply where non-commercial speech is tacked on to commercial speech, but the more seamless the combination, the more likely the result may be viewed as non-commercial. The inextricably intertwined test is more likely to play a role in a BSE analysis, as it did in the *Hoffman Case* discussed below.

In the foregoing cases, the Supreme Court has taken a fairly narrow view on what constitutes commercial speech. By contrast, in *Kasky v Nike Inc* (27 Cal 4th 939 (2002)), a case about Nike's public response to labour-related allegations, the California Supreme Court has taken an exceedingly broad view, holding that speech is commercial if:

- it is made by someone engaged in commerce "or someone acting on behalf of a person so engaged", such as a spokesperson or a trade association;
- it is likely to reach potential customers; and
- it involves descriptions of business operations, employment or manufacturing policies, or other attempts to "enhance…the image" of a company's "product or its manufacturer or seller".

The decision sparked vociferous opposition from corporations and media companies. The US Supreme Court originally agreed to hear the *Kasky Case* but later ruled that the writ of *certiorari* was improvidently granted (*Nike Inc v Kasky* (539 US 654 (2003))). However, in so doing Justice Kennedy for the dissent stated that he would reverse the *Kasky* court and find that Nike's actions were protected non-commercial speech, in part, because the communications at issue were an inextricably intertwined mixture of commercial and non-commercial speech which concerned a matter of "significant public interest and active controversy" to which Nike's contribution was "central", not "peripheral" (*id* at 677-78).

Is BSE a programme-length commercial?

The logic of Federal Communications Commission regulations for programme-length commercials in children's programming could also be used to argue that BSE should be viewed as advertising rather than entertainment. In 1974 the Federal Communications Commission defined 'programme-length commercials' as programmes with a non-commercial segment "so interwoven with" and "auxiliary to" the sponsor's advertising that the "entire programme constitutes a single commercial promotion of the brand owner's products" (see 44 FCC 2d 985 (1974)). An early example was the *Hot Wheels* cartoon that aired in the late 1960s, which was sponsored by Mattel and featured its Hot Wheels line of toy cars. The Federal Communications Commission ruled that the entire cartoon was nothing more than a commercial for Hot Wheels toy cars and not an entertainment programme.

The Federal Communications Commission currently defines a children's programme to be a 'programme-length commercial' when an ad for a product is aired in a programme associated with that product. In such cases, the entire programme is counted as commercial time. An example of this would be a cartoon programme that aired a commercial for the dolls of its characters during the programme broadcast. A television show may also be considered a programme-length ad when a commercial announcement is made primarily for a product otherwise unrelated to the programme, but makes references to, or promotes products related to, the programme. An example of this would be an


BMW

Left
BMW's *The Hire* short films featured famous actors

advertisement for a cereal that has no relation to the programme, but the promotional toy inside the box is related to the programme.

It remains to be seen whether a test devised to protect children, who have a difficult time distinguishing programmes from advertising, would be extended to BSE – a concept often intended to reach older audiences who are capable of distinguishing between commercial and non-commercial messages.

Current status of BSE law

Very few US courts have addressed the commercial or non-commercial implications of branded entertainment, but those that have provide helpful guidance. In *Facenda v NFL Films Inc* (488 F Supp 2d 491 (ED Pa 2007)), the voice of legendary National Football League (NFL) announcer John Facenda was used by NFL Films for a 22-minute film entitled *The Making of Madden* that was broadcast on an NFL cable channel shortly before the release of the NFL licensed video game "Madden NFL 06". The Facenda family objected to the use of Facenda's voice in the film as a violation of the Lanham Act and his right of publicity. NFL Films claimed that the content was a documentary which it was permitted to create under the terms of a release. The release allowed NFL Films to use Facenda's voice "provided, however, such use does not constitute an endorsement of any product or service". Facenda argued that *The Making of Madden* was an ad for the video game and the release, therefore, did not apply. Without citing any legal precedent on commercial speech, the court found the content to be a commercial work for four reasons:

- Internal NFL Films documents showed that even it considered the content promotion for the game;
- NFL Films had a financial interest in the game's success;
- Nothing negative was said about the game in the content; and
- The content contained a countdown clock to the release of the game.

NFL Films has filed an interlocutory appeal of the trial court's ruling and that appeal is pending.

In *Benavidez v Anheuser Busch Inc* (873 F2d 102 (5th Cir 1989)), the famous beer company Anheuser-Busch (AB) produced through Busch Creative Services Corporation a 13-minute documentary concerning Hispanic congressional medal of honour recipients. The documentary, made at the request of a Hispanic trade association and using information supplied by the US Department of Defence, was produced as a public service film and for educational purposes. AB distributed the film to schools, government agencies and Hispanic organizations that requested it and showed it during conventions where AB financed hospitality centres that distributed AB products for free. One of the recipients of the medal filed a suit claiming violation of his right of publicity because AB used his name and likeness in the film without permission. Although AB provided free beer and featured various ads at the hospitality centres showings of the documentary, the only reference to AB itself during the documentary was in a credit for its help with the project. The US Court of Appeals for the Fifth Circuit determined that the documentary was protected under the First Amendment because:

- it did not promote AB;
- it did not undertake to increase the sales of AB's products; and
- it did not sell or take orders for beer at the hospitality centres.

Importantly, the court noted that although AB "undoubtedly ... may enjoy increased goodwill in the Hispanic community as a result of the production [of the film], [t]his incidental benefit ... does not rise to the level of commercial benefit sufficient to support a claim for misappropriation".

Two additional cases in the US Court of Appeals for the Ninth Circuit provide further guidance in determining whether BSE is commercial or non-commercial speech. In *Hoffman v Capital Cities/ABC Inc* (255 F3d 1180 (9th Cir 2001)), *Los Angeles* magazine used digital technology to alter famous film stills to make it appear that actors were wearing Spring 1997 fashions, including a still from *Tootsie* that was altered to change actor Dustin Hoffman's body and dress without permission. Hoffman argued that the article was nothing more than an advertisement for fashion designers and including his photo violated his right of publicity. The line under his photo identified it as a *Tootsie* still and read: "Dustin Hoffman isn't a drag in a butter-coloured silk gown by Richard Tyler and Ralph Lauren heels." Hoffman won a multi-million dollar award at the trial level. The appellate court reversed, saying that the article merited full First Amendment protection. Citing the *Bolger Case*, it said that commercial speech "does no more than propose a commercial transaction". The court found the article, as a whole, to be a combination of fashion photography, humour and comment on classic films and famous actors. "Any commercial aspects were inextricably intertwined with expressive elements, and so they could not be separated out from the fully protected whole."

In *Downing v Abercrombie & Fitch* (265 F3d 994 (9th Cir 2001)), clothing retailer Abercrombie & Fitch used a photograph of famous surfers without their permission in a catalogue in which a one-quarter of the content consisted of stories, news and other editorial pieces. The surfers brought an action for commercial misappropriation and Lanham Act violations, among other claims. Abercrombie defended on First Amendment grounds, arguing that the photograph illustrated an article about surfing. The Ninth Circuit held that Abercrombie's use of the surfers' names and photograph was "essentially ... window-dressing to advance the catalogue's surf theme" because Abercrombie "did not in any way connect [the surfers] with the [surfing] story preceding it". Moreover, because the placement of the photograph was right next to the company's advertisement to buy similar clothing, the court found the use of the photograph to be a commercial use.

Outlook

As an increasingly important way for brand owners to connect with consumers, BSE is the real thing in today's multi-channel media landscape. To the extent that BSE constitutes entertainment rather than commercial speech, brand owners in the United States may have available to them a free speech defence which could substantially increase the chances of prevailing against allegations of trademark infringement, false sponsorship, right of publicity violations and related unfair competition claims. If it's BSE, a joke is more likely to be viewed and treated as a joke, whereas in traditional advertising, any reference to a third-party mark or name without consent presents a substantial risk of non-frivolous challenge, regardless of the entertainment value of the reference. In some cases, it may not be possible to know for sure whether BSE will be treated as entertainment or a commercial unless or until it is challenged. In that event, as in other First Amendment cases, the court will know it when it sees it. WTR

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