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**QUESTION; DISCUSS THE RELEVANCE OF PASSING OFF AS A FORM OF
ECONOMIC TORTS IN THE 21ST CENTURY**

PASSING OFF AS A FORM OF ECONOMIC TORT

Economic tort¹ which is also called business tort, are torts which provide the common law rules on liability which arises out of business contract such as interference with economic or business relationships and are likely to involve pure economic loss. They are tortious interference actions designed to protect trade or business. Economic tort is an unlawful interference.

Economic tort offer protection for a person's trade or business from acts which the law considers to be unacceptable. Although it is a fundamental element of business that businesses compete with one another and therefore to this extent, one business may succeed to the disadvantage of another; the economic torts seek to ensure that businesses are protected from acts of unacceptable interference. Economic tort includes;

- a. Passing off;
- b. Breach of intellectual property rights; such as breach of copyright, patents, trademarks and other merchandise marks;
- c. Injurious falsehood/Malicious falsehood
- d. Interference with contracts
- e. Conspiracy to interfere, that, civil conspiracy and so forth.

The tort of passing off

Passing off is an IP right that stands alone. It offers you protection and acts as an actionable legal proceeding against an infringer.²

The **Duhaime's Legal Dictionary**³, defines passing off as making some false representation likely to induce a person to the goods and services are those of another

Passing off is a false representation of one's product or business as that of another person in order to deceive buyers to patronize it. It is the selling of one's product or the carrying on of

¹ Ese Malemi, *The Law of Torts* (Princeton publishing 2013)

² The tort of passing off, <<http://ifleximize.com/articles/000947>> accessed 28 April 2020

³ Legal Dictionary <<http://www.duhaime.org/legal-dictionary/>> accessed 28 April 2020

one's business as if it were that of another person whose reputation and goodwill one thereby enjoys. It is an unfair and unconscionable competition.

Passing off can also be said to be "a pretense by one person that his goods or business are those of another person in order to capture the patronage of the customers of a rival trader and enjoy his good will. An action however, lies in passing off for damages, an account, for profit, and seizure of the products and an injunction to restrain the defendant from continuing to do so in the future.

In addition to the straight passing off, there can also be:

- a. Extended passing off - One of the instances where passing off is actionable is the extended form of passing off, where a misrepresentation as to the particular quality of a product or service causes harm to another's goodwill. An example of this is *Erven Warnink v. Townsend & Sons Ltd.*,⁴ in which the makers of advocaat sued a manufacturer of a drink similar but not identical to advocaat, but which was successfully marketed as being advocaat. The extended form of passing off is used by celebrities as a means of enforcing their personality rights in common law jurisdictions.
- b. Reverse passing off - Another variety, somewhat rarer is so-called 'reverse passing off'. This occurs where a trader markets another's product or service as being his own. *See John Roberts Powers School v Tessensohn [1995] FSR*⁵. It is usually covered by the same court rulings as straight passing off.

The purpose of the tort of passing off

The tort of passing off is common in a competitive business community or economy. People resort to every strategy to market their products and services, to survive and to expand their businesses. The tort of passing off is designed to protect a person's business interests from the unfair trade practices and sharp practices of other people. Its object is to protect the reputation and goodwill a business has built up for itself. It protects the benefits and advantages of the good name, quality, reputation, patronage and customers of the business. It protects that attractive force of the business which brings customers to it. The tort of passing off protects a business

⁴ [1979] AC 731, [1980] R.P.C 31

⁵ [1995] FSR 947

against misrepresentation of the business, directed at its customers and calculated to damage the reputation and goodwill of the business.

SIR JOHN SALMOND, in his book **Law of Torts**, stated that the reason for the tort of passing off is

*“The law of tort or passing off is designed to protect traders against unfair competition which consist in acquiring for oneself, by means of false or misleading devices, the benefit of the reputation already achieved by rival traders ”*⁶

LORD LANGDALE MR explaining the law in *Perry v. Truefitt* stated that;

*“A man is not to sell his own goods under the pretence that they are the goods of another person; he cannot be permitted to practice such a deception, or to use the means which contribute to that end.”*⁷

Passing off is actionable per se

This tort is actionable per se on its occurrence as a plaintiff does not have to prove damage in order to succeed. The right of action however lies even though no damage has been suffered or proved. The probability of damage occurring is enough for a plaintiff to succeed. Therefore once the tort of passing off has been committed, the plaintiff is entitled to remedy.

However, the basis of the legal action is that the passing off by the defendant of his goods and of his business as that of the plaintiff is injuring the right of the property, product, services and businesses of the plaintiff.

When coming to Court, there are three elements, often referred to as the Classic Trinity, in the tort which must be fulfilled. In **Reckitt & Colman Products Ltd v Borden Inc**⁸, [2][3] **Lord Oliver** reduced the five guidelines laid out by **Lord Diplock in Erven Warnink v. Townend & Sons Ltd**, [4]⁹ (the "Advocaat Case") to three elements.

⁶ Salmond op cit. para 149

⁷ [1842] 49 ER 749 at 725.

⁸ [1990] 1 All E.R. 873

⁹ [1979] All ER 927 at 932 [1979] AC 731 at 472

ELEMENTS:

- a. Goodwill owned by a trader- The plaintiff has the burden of proving goodwill in its goods or services, get-up of goods, brand, mark or the thing standing for itself. Furthermore, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or a trade description, or the individual features of labeling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognized by the public as distinctive specifically of the plaintiff's goods or services.
- b. Misrepresentation- The plaintiff also has the burden of proof to show false representation (intentional or otherwise) to the public to have them believe that goods/services of the defendant are that of the Plaintiff. In the words of **PALMER J** in the case of **Niger chemist ltd v. Nigeria chemist**¹⁰,

"It is not necessary to prove that there was an intention to deceive; this has been held in a long series of cases and has not been disputed."

There must be some connection between the plaintiff's and defendant's goods, services or trade. They must show likelihood or actual deception or confusion by the public.

Deception or confusion, however, does not consider a "moron in a hurry". It is the Court's duty to decide similarity or identity of the marks, goods or services. The criteria are often: aural, visual and conceptual similarity (often applied in trademark infringement cases).

- c. Damage to goodwill- For the element of damage to goodwill, there may be a loss or diversion of trade or dilution of goodwill. The plaintiff need not prove actual or special damage; real and tangible probability of damage is sufficient. This damage should however be reasonably foreseeable. It is not enough just to show likelihood or actual deception or confusion. The tortfeasor must demonstrate that he suffers or, in a quick time action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or service is the same as the source of those offered by the plaintiff..."

¹⁰ [1961] ANLR 180.

Ultimately, the Court must use common sense in determining the case, based on evidence and judicial discretion, and not witnesses. Disclaimers may not be enough to avoid passing off or cause of action.

DEFENCES¹¹

- a. Use of a Registered Trade mark -If the alleged passing off relates to the defendant's use of a registered trade mark in association with the wares or services of the registration, the existence of the registration will be a defence to a claim for passing off. This is because the defendant has the exclusive statutory right to use the mark in association with the wares or services for which it is registered. If the plaintiff has a claim that it is entitled to the mark in priority to the registrant consideration should be given to bringing proceedings to expunge the registration.
- b. Use of an Individual's Own Name-An individual defendant has a right to use his or her own name and the fact that confusion may occur does not constitute passing off by itself. However, if confusion occurs, which is brought to the attention of that defendant, the defendant is under an obligation to take reasonable care to qualify the representation implied in his or her conduct in order to avoid confusion.
- c. Plaintiff's Own Goods-It is not passing off to use the plaintiff's name or mark in connection with wares that are the plaintiff's original wares. But a trader cannot represent that wares, which are the plaintiff's wares, are of a particular class or quality if they are not. For example, it is actionable to offer wares of inferior or deteriorated quality as the plaintiff's original goods or the plaintiff's wares in an materially altered form as the original. The fact that notice of the difference is given to consumers at the time of sale may avoid a finding of passing off.
- d. Functionality-Like trademarks any combination of elements which are primarily designed to perform a function cannot be protected through a claim for passing off. The fact that the party seeking protection obtained a patent relating to the article in question is evidence of functionality. For example, the manufacturer of LEGO brand toy building blocks, after the patents relating to its product expired was not able to protect the elements that make up its product through an action for passing off.

¹¹ <<http://www.gsnh.com>> accessed 28 April 2020

REMEDIES:

The claimant in a passing off action may claim any of the following remedies:

- a. An injunction to restrain further dealings by the defendant on an interim or final basis. An interim injunction may continue until the full trial of the claim and its purpose is to prevent further damage to the claimant's goodwill during the intervening period
- b. A search and seizure order to compel the defendant to allow the claimant's representatives to take possession of infringing articles which the defendant is expected to have concealed, or to obtain evidence and documents which the defendant is expected to suppress
- c. Damages for any loss encountered by the plaintiff as a result of the unlawful interference by the defendant or an account of the defendant's profits
- d. An order for the delivery up or destruction of the infringing article.

THE RELEVANCE OF THIS TORT IN THIS 21ST CENTURY

As said earlier, the tort of passing off was originally intended to protect traders by allowing them to bring action against a trader attempting to ride off the back of their established reputation (goodwill) by using a similar mark or get-up as their own. Although it is a fundamental element of business that businesses compete with one another and therefore to this extent, one business may succeed to the disadvantage of another; the economic torts seek to ensure that businesses are protected from acts of unacceptable interference and also **prevent unfair competition.**

“No man can have any right to present his goods as the goods of someone else”¹²

Is the underlying philosophy of the tort of passing off. **The legal aim is to protect traders from this form of unfair competition and the principle is that no man is entitled to represent his goods or his business as that of another.**

The relevance of this tort in this 21st century however, is to prevent an intruder from unlawfully taking credit and making profit from another person's goodwill or reputation and putting the other person out of business which will lead to economic loss.¹³

¹² <http://blog.ipleaders.in/the-tort-of-passing-off/> accessed 28 April 2020

Conclusion

In a country where a considerable percentage of the population lives in rural areas, it is very easy to pass off goods. Thousands of instances of passing off can be found out in the world. The purpose of an action for passing off is to prevent one's trade from damaging or exploiting the goodwill and reputation built up by another. The principle is that no man is entitled to represent his goods or his business as that of another. Although it is a fundamental element of business that businesses compete with one another and therefore to this extent, one business may succeed to the disadvantage of another, it shouldn't be achieved by unlawfully interfering with the goodwill and reputation of another's business. The tort of passing off is very relevant in this 21st century because it protects a person's business; ideas etc. and prevent unnecessary unlawful interference. Unfortunately, a legal solution has evaded most of these. But with the Trademarks Act, 1999 providing protection against passing off, the situation has improved.

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