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RELEVANCE OF PASSING OFF AS AN ECONOMIC TORT

AS IT RELATES TO 21ST CENTURY NIGERIA

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**Introduction**

The 21st century has seen lots of new developments, technologies and revolutionary ideas that aid businesses in their operations. However, it has also made it easier for certain unfair business practices like counterfeit and copycat as there are now quick access to information and easy sharing of data. These unfair practices coupled with the use of 21st century technology have posed a huge problem to business whose good will and reputation is being capitalised on by others.

**Definition**

The tort of passing-off is the false representation of one's goods or products to imitate another's good so as to mislead the public into buying the goods. Passing-off essentially, is deceiving the public, there by convincing them to buy your goods based on another's goodwill or reputation.

In the case of ***N.R. Dongre v Whirlpool Corporation[[1]](#footnote-1)***, it was held that "a man may not sell his own goods under the pretence that they are the goods of another man". Also, in the case of ***Leather Cloth Co. v. Leather*** ***Cloth Co***.[[2]](#footnote-2), Lord Kingsdown started that "... the fundamental rule is that one man has no right to put off his goods as the goods of a rival trader". This was restated by the court in the case of ***De facto works ltd v Odumotun Trading Co[[3]](#footnote-3)***.

**Purpose or aim of the tort of passing off.**

Passing-off is a common law tort which protects:

* The goodwill and business name of a trader from misrepresentation.
* The sellers from unfair competition and unfair trade practices.

**Ingredients of the tort of passing off.**

In the case of ***Reckitt and Coleman Products v. Borden***[[4]](#footnote-4) , the House of Lords adopted the 'trinity test' which states that the plaintiff must prove that:

1. The goodwill or reputation attached to the goods or service which he supplies,
2. There has been a misrepresentation by the defendant which has caused or has the potential of causing the members of the public to believe that the goods or service emanate from the plaintiff,
3. He has or is likely to suffer loss by reason of the defendant’s misrepresentation.

It should be stated however that the earlier ***Dutch Advocaat[[5]](#footnote-5)*** case laid down certain elements (five in all). It was later cut down to 3 in ***Reckitt*** stated above.

* Goodwill and Reputation

The establishment of goodwill is a key element in succeeding in an action for passing off. The claimant must show that there is some sort of value attached to his goods which make them appealing to he public. In the case of ***IRC v. Muller*** ***Margarine***[[6]](#footnote-6), the House of Lords described goodwill as 'the benefit and advantage of the good name, reputation and connection of a business’.

* Misrepresentation:

The plaintiff must demonstrate that the defendant (whether intentional or not) deceitfully sold his (the defendant’s) goods or services to look like that of the plaintiff’s. In the case of ***Niger Chemist v. Nigeria Chemist***[[7]](#footnote-7), the court held that the defendant’s use of the name Nigeria was intended to device the public.

* Damage

The plaintiff must prove that the actions of the defendant in misrepresenting his goods or services caused damage or is likely to cause damage to the goodwill or reputation of the plaintiff. In case of ***Niger Chemist*** above, the actions of the defendant were likely to cause damage, prompting the court to grant an injunction. It should be stated that if the misrepresentation was not intentional, the plaintiff will need to prove that the members of the public were deceived.

**Forms of Passing off**

Passing forms can take various forms which include but are not limited to:

* Trading with a name resembling that of the plaintiff,
* Marketing a fake product as that of the plaintiff by using the plaintiff’s label or design,
* Marketing a product with a name resembling that of the plaintiff’s goods,
* Marketing products with the plaintiff’s trademark or its imitation,
* Imitating the appearance of the plaintiff’s product, etc.

This writer will briefly discuss some of these various forms.

1. Trading with a name resembling that of the plaintiff:

Here, the defendant is involved in the same kind of business with the plaintiff and uses the plaintiff’s name or a name closely related to the that of the plaintiff which confuses the public into thinking that both businesses are the same or at least, have the same owners thereby, making then patronise the defendant’s business. Innocence as to the use of the name is not a defence. In the case of ***Niger Chemist v. Nigeria Chemist***[[8]](#footnote-8), Palmer J stated that '...when two firms trade in the same town,.. and in the same line of business, one calling itself Niger Chemist and the other Nigeria Chemist, there must be a grave risk of confusion and deception'. [[9]](#footnote-9)

1. Marketing a product as that of the plaintiff (falsely, making use of his design or label):

Here, the defendant produces his goods and sells them off with a design or label associated with the plaintiff. This deception is done without the notice of the plaintiff or a licence sanctioning such conduct. This form of passing of is very detrimental to the plaintiff as the defendant's goods may be inferior thereby reducing the estimation of the plaintiff’s goods in the eyes of the consumers. The case of ***Bryon v. Johnston***[[10]](#footnote-10) gives a clear illustration, where the defendant falsely misrepresented the plaintiff.

1. Imitating the appearance of the plaintiff's product:

Here, the defendant manufactures his products so that it looks like that of the plaintiff. Copying can include; the general appearance, package, label or design of the product. In ***U.K. Tobacco Co. Ltd v. Carreras***[[11]](#footnote-11), The defendants were making cigarettes called 'barrister’ imitating the appearance of the plaintiff’s cigarettes which the court held to be passing off. The case of ***De*** ***Facto Works v. Odumotun Trading***[[12]](#footnote-12) was decided in similar fashion. It should be noted that the plaintiff will not have a cause of action if the appearance of the goods is the standard form.

**Relevance of Passing Off as an Economic Tort in 21st Century Nigeria**

An Economic Tort is one which protects a person and his financial interests (trade or business) from economic loss. There has been no argument as to the importance of economic torts, but in regards to passing off, there have been certain reservations as other newer economic torts (such as breach of IP rights) are more specialised in dealing with issues that passing off would normally do.

In dealing with the relevance of a law, one first has to grasp the reason for the creation of the law, then, the issues facing the law and why the law is still in existence. Passing off evolved from what the courts considered to be deceit or defamation[[13]](#footnote-13), into an economic tort which protects the reputation of one’s business and the intellectual property rights one has in that business. It was widely considered as an IP rights protection mechanism and also a common law remedy to businesses with unregistered trademarks who allege breach.

Shedding light on issues facing the law (particularly Nigeria), it can be seen that the world has come a long way from the creation of the tort and along the way, there has been the development of other torts which are more equipped and offer more claims for the plaintiff. For example, the Trademark Act[[14]](#footnote-14) covers the areas passing off normally covers and more. Another issue is that it has not really evolved to deal with modern day problems which has primarily led to the questions as to its relevance.

Touching on why the law is still in existence, it can be seen that its only lifeline is its protection of unregistered trademarks. **Section 3 of the Trademark Act**[[15]](#footnote-15) provides that; *'…nothing in this Act shall be taken to affect rights of action against any person for passing off goods as the goods of another person or the remedies in respect thereof’*. From this provision, it can be deduced that passing off has been given the green light to operate by a statute, and that unregistered trademarks which is at its core has been sanctioned.

Drawing from the above provision, and coupled with 21st century cases like ***Ayman Enterprises Ltd v. Akuma Industries Ltd***[[16]](#footnote-16)and ***Omnia Nigeria ltd v. Dyke Trade ltd***[[17]](#footnote-17),one might assume that there has been a renaissance in the tort of passing off, and that a case can be made for the relevance of the tort.

The rebirth and relevance of passing off as an economic tort can be attributed to the crucial need for the protection of unregistered trademarks (among other things). In a nutshell, the protection of unregistered trademarks gives relevance to the tort of passing off as an economic tort. The protection of unregistered trademarks is very crucial as various businesses in Nigeria, both start-ups and already established businesses do not have their trademarks registered which can mainly be attributed to the cost of registering. Failure to register a trademark means that an action cannot be brought under the Trademark Act[[18]](#footnote-18) for trademark infringement in the event of a breach.

Undoubtedly, passing off as an economic tort is still relevant in 21st century Nigeria as it plays a very crucial role in protecting inter alia; unregistered trademarks;

* Entrepreneurs and start-ups who do not have the required funds or resources to register a trademark against copycat or counterfeits,
* The market name and reputation of business, especially in a vastly informed market,
* Business against unfair trade practices which is due to the growing lack of ethics in the business sector, etc.

**Remedies to the tort of passing off**

There are various remedies available for a claimant if successful in his action. They include inter alia;

* Damages, Injunction, An order for the destruction of the counterfeit goods, etc.

**Defences**

There are various defences however that are available to the defendant. Some of these defences are absolute, while others are not. These defences include:

* Consent: This is an absolute defence in that if the defendant can prove that the plaintiff gave him consent to ‘pass off', he will be completely exonerated of all liability.
* Licence (statutory authorisation): This is mostly given by the state. If the defendant can prove that the state authorised him to ‘pass off’, he will be completely exonerated of liability as this is a complete defence.
* Other defences include; functional design, generic names, etc.

**Conclusion**

In conclusion, the tort of passing off is a common law tort which grants remedy for the infringement of unregistered trademark. It protects the reputation and goodwill of businesses as well as the IP rights of those businesses. A close scrutiny of this tort may reveal certain redundancies which might leave some to question the relevance of the tort. However, the sanctioning and approval of the tort by the Trademark Act[[19]](#footnote-19), coupled with recent cases, together with the protection of unregistered trademarks show that the tort of passing off is very much relevant as an economic tort.

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1. (1996) 5 SCC 714. [↑](#footnote-ref-1)
2. (1865) 11 H.L. Cas. 523 at p. 538. [↑](#footnote-ref-2)
3. (1959) L.L.R. 33 at p.39. [↑](#footnote-ref-3)
4. (1990) 1 AER 873. [↑](#footnote-ref-4)
5. Also known as ***Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd***. (1979) AC 731, (1980) R.P.C. 31. [↑](#footnote-ref-5)
6. (1901) AC 217, 213 et seq. [↑](#footnote-ref-6)
7. (1961) ANLR 180. [↑](#footnote-ref-7)
8. Supra. [↑](#footnote-ref-8)
9. This case was fashioned after the case of ***Hendriks v. Montague*** (1881) 50 LJ Ch. 456. [↑](#footnote-ref-9)
10. (1816) 35 ER 851. [↑](#footnote-ref-10)
11. (1931) 16 NLR 1. [↑](#footnote-ref-11)
12. (1959) LLR 33. [↑](#footnote-ref-12)
13. The case of ***Southern v. How*** Popham’s Reports 143 (1618) is considered to be the first case in the tort of passing off. [↑](#footnote-ref-13)
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