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COURSE TITLE: LAW OF TORTS II

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ASSIGNMENT TITLE: ECONOMIC TORTS

QUESTION: Discuss the relevance of Passing Off as a form of Economic Torts in the 21st Century Nigeria.

Use NALT guidelines for footnotes, you should also include a bibliography at the end.

Times New Roman Font size 12, 1.5 spacing, and maximum of 5 pages.

INTRODUCTION

Passing off is a form of economic tort. Economic tort is a tort that impairs some aspect of an economic interest or business relationship, causing economic loss rather than property damage or bodily harm. It offers 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. Passing off is a form of economic tort as well as ;Breach of intellectual property rights; such as breach of copyright, patents, trademarks and other merchandise marks, injurious falsehood/Malicious falsehood, interference with contracts, conspiracy to interfere, that, civil conspiracy and so forth.

PASSING OFF IN ECONOMIC TORT

Passing off in economic tort, is the use of misrepresentation to mislead people into purchasing its product. According to Morison, the term *passing-off* indicates the act of offering goods for sale with an accompanying misrepresentation either by words or by conduct as to the origin of the goods, whereby the purchaser has been misled and business has been diverted from the plaintiff to the defendant. Passing off is a wrong, a common law tort which protects the goodwill of a trader from misrepresentation. Misleading the public into believing falsely, that the brand being projected was the same as a well-known brand is a wrong and is known as the tort of "passing off". It can be known as a strict liability tort; the plaintiff doesn't need to prove that there was damage or any harm.

It was first established in the case of N. R. Dongre Vs. Whirlpool Corporation¹, where the defendant brought an action against the plaintiff so as to stop the plaintiff's use of the trademark (manufacturing, selling, and advertising) which was in any way similar to theirs. The claim of Whirlpool was based on prior user of the mark and a trans-border reputation indicating that any goods marketed with the use of the mark gave the impression of it being a good marketed by it. The Court found that the mark Whirlpool was associated for long with the respondents and that its trans-border reputation extended to India. The injunction was

¹ [1996] 5 SCC 714.

pending then it was discovered that the defendant was bringing an action on the plaintiff's company was established prior to the plaintiff.

There are five elements to the tort of passing off which was established in the nineteenth century and they are:

- i. A misrepresentation.
- ii. Made by a trader in the course of a trade.
- iii. To prospective customers of his or ultimate consumers of goods and services supplied by him.
- iv. It is calculated to harm or injure the trade/business of another trader (this is reasonably foreseeable).
- v. It causes or threatens actual damages to a business or goodwill of the trader by whom the action is brought.

FORMS OF PASSING OFF

- a. Copying or imitating the claimant's registered trademark: In the recent times, Passing off is invoked with the registration of internet domain names as variations around the names of well-known companies and then offering the names to the companies at high prices with the express or implied threat of allowing them to be used for deception to legitimate registration. In the case of *Reckitt & Colman Products Ltd v Borden Inc.*², the claimant sued the defendant because they attempted to sell their lemon juice in the same way the claimant sold it ("squeezy" container). The court granted them the injunction stating that the squeezy container is a registered trademark of the claimant.
- b. Having the same name with the claimant having acquired reputation: The claimant having a particular name and the defendant copying it. In the case *Niger Chemists Limited v. Nigeria Chemists*³, the plaintiff sold drugs as Chemists in Onitsha, Eastern Nigeria and the defendant opened shop on the same street and started the same line of business of dispensing drugs. The court granted an injunction against the defendant on the basis that their use of the name Nigeria Chemists was intended to deceive the

² [1990] 1 ALL ER 873.

³ 7 (1961) ANLR 180.

members of the public to believe that they had a relationship of some sort with Niger Chemists. It can also be when the defendant uses the same address as the claimant

- c. Where the defendant trades under the trademark of the plaintiff or any deceptive imitation of the plaintiff's mark: It is when A represents his goods as those of B. In the case of *Erwen Warnink B. V v Townend & Sons Ltd*⁴, the claimants were the main producer of a drink compounded of eggs and spirit in England, the defendants being an American company started producing a drink comprising of eggs and sherry and named it 'egg flip' and started selling it for a cheaper price than the claimants under the name 'Keeling's Old English Advocaat'. The House of Lords found them guilty.
- d. False attribution of authorship
- e. False endorsement.

REMEDIES FOR PASSING OFF

They include: applying for an injunction, Seeking damages, Delivery up for destruction of infringing goods, an order for inspection and delivery up of infringing materials in the possession or control of an infringer, Account of profit.

DEFENCES FOR PASSING OFF

The defences available against a claim of Passing off include the following: Consent of the Plaintiff to the use of the name, mark, sign or slogan, indistinct name, mark, sign and slogan of the plaintiff: that the Plaintiff's name, mark, sign and slogan has become generic/common place, Dissimilarities in the mark of the Plaintiff and Defendant: innocent usage of the Plaintiff's name.

RELEVANCE OF PASSING OFF TORT IN THE 21ST CENTURY IN NIGERIA

In Nigeria, as elsewhere the major purpose underlying the tort of passing off is the protection of an established trade goodwill already acquired by a trademark or trade name. Passing off is governed by the Trademark Act⁵. Under the act, when a mark has not been registered the

⁴ [1979] AC 731.

⁵ Cap T. 13 LFN 2004.

issue of passing off is a common law remedy. The actions of passing off are decided in each circumstances of the case by the court. If such a mark is registered, the issue becomes that of an infringement of a registered mark simpliciter and the cause of action in passing off then has statutory favour under the Trademark Act. An action for infringement of registered trademarks should always be instituted in the Federal High Court only because the action arises in relation to a Federal enactment which is the Trade Mark Act.

In the case of *Patkun Industries Ltd. v Niger Shoes Ltd*⁶, the defendants were retailers, they sold and distributed and Imported or caused to be sold, distributed and Imported goods and in particular 'slippers', not of the Plaintiffs manufacture and merchandise, as and for goods of the Plaintiffs manufacture or merchandise, and/or enabling others to do such act, by infringement of the Plaintiffs Trade Mark namely NISHMACO and passing off same thereof, the Supreme Court held that the Federal High Court has jurisdiction in trademarks infringement and Passing off actions stemming from the infringement of trademarks, whether registered or unregistered.

However, this rule changed in the recent opinion of Nnamani J.S.C, Uwais J.S.C the Chief Justice of Nigeria at the time, and Mohammed J.S.C in the 2003 case of *Ayman Enterprises Limited V. Akuma Industries Limited & Ors*⁷ was that, a Passing off action for an unregistered trademark should not be instituted in the Federal High Court but a State High Court as the right of action in a Passing off did not arise from the infringement of any Federal enactment and so may only be a common law right but that the Federal High Court has jurisdiction over Passing off claims arising from the infringement of a trademark only if the trademark allegedly infringed was registered. The court then took a different approach in the case of *Omnia Nigeria Ltd v Dyketrade Ltd*⁸, in 1989 the plaintiff initiated a trading venture with an Italian company to manufacture grinding stones for the washing of terrazzo floors. The plaintiff adopted the trade mark 'Super Rocket' for the grinding stones which it registered in Nigeria under No 51136 in class 19 with effect from 10th October, 1991 and the trade mark was inscribed on all the grinding stones ordered and supplied to the plaintiff. The plaintiff has in the course of the trading venture sold substantial quantities of 'super Rocket' grinding stones all over Nigeria and has acquired substantial reputation and good will in the trade mark. In December 1992 the defendant imported consignment of grinding stones

⁶ [1988] NWLR (Pt.93) 138.

⁷ [2003] 13 NWLR (Pt.836)22.

⁸ [2007] 15 NWLR (Pt.1058) 576.

branded 'Super Rocket' and distributed and sold them. It again imported another set of grinding stones branded Super Rocket, but plaintiff obtained an Anton Filler order against the defendant. The use of the trade mark 'Super Rocket' by the defendant has infringed the plaintiffs registered trade mark 'Super Rocket' No 51136, and was thereby passing off its grinding stones as and for the plaintiffs products. Consequently the plaintiff's sales have declined, and it has suffered loss and damage. It was held that the Federal High Court has exclusive jurisdiction to hear and determine a claim for Passing off whether the claim arises from the infringement of a registered or unregistered trade mark.

CONCLUSION

In Nigeria, 'passing-off' as an economic tort is dynamic in nature due to the ever-changing nature of society as a whole. Passing off could result to negative situations for both the consumer and trader due to the deception and confusion of the consumer and the imitation of the trademark or tradename. The relevance of passing off in Nigeria is to protect the trademarks of businesses, trades and even goodwill from infringement.

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