

17/law/01/248

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Assignment

Discuss the relevance of passing off as an economic tort in the 21st century Nigeria.

ECONOMIC TORT

Economic Torts, which are also called business torts, are tortious interference actions designed to protect trade or business. It is essential in business that businesses are in competition with one another and to this extent some business may succeed to the shortcoming of another; Economic torts provide the common law rules on liability which arise out of business transactions.

THE TORT OF PASSING OFF

The tort of passing off has a long tradition, developing from the common law of deceit. ‘Passing-off’ is a cause of action that is primarily founded in tort and is historically rooted in common law, it is most commonly used to protect goodwill that is attached to the unregistered trademarks. Passing off is basically when one person is passing off his goods or services as that of another person. According to the Black’s law dictionary¹, passing off ‘is the act or an instance of falsely representing one’s own product as that of another in an attempt to deceive potential buyers. The purpose of this tort is to protect the commercial goodwill and to ensure that people’s business reputations are not exploited. The crucial point to note is that it is not easy to specifically define what constitutes ‘goodwill’ in general for purposes of suing for ‘passing-off’. The existence of a cause of action in ‘passing-off’ and the existence of an established ‘goodwill’ would then have to be decided by the court in each particular case. In the case of *IRC v. Muller Margarine*² the House of Lords, in part, described ‘goodwill’ in relation to ‘passing-off’, as ‘the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom.’ While the establishment of ‘goodwill’ by the claimant is a vital element in succeeding in an action for ‘passing-off’, it is important to note that the existence of that ‘goodwill’ alone, without more, does not in itself fulfil the other ingredients of the tort.

The Honorable courts have developed a classic test to identify the tort of passing off, In *Reckitt & Coleman Products v. Borden*,³ the House of Lords adopted the ‘Trinity Test’ in establishing the ingredients of ‘passing-off’, and explained same as follow:

¹ Black’s law Dictionary,[10th edition] P1299

² [1901] AC 217, 223

³ [1990] 1AER 873;[1990] RPC 341

- i. the claimant (that is the person alleging a breach of his right) must establish the **goodwill or reputation** attaching to the goods or service in question and the identifying ‘get up’ under which the goods and services are offered to consumers;
- ii. the claimant must also establish that 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 goods or service emanate from the Claimant; it was stated in the of *Telemart Shopping Network Pvt Ltd v Tvc Life Sciences Ltd & Anr*³:*The word misrepresentation does not mean that the plaintiff has to prove any malafide intention on the part of the defendant. What has to be established is the likelihood of confusion in the minds of the public, (the word "public" being understood to mean actual or potential customers or users) that the goods or services offered by the defendant are the goods or the services of the plaintiff.*
- iii. finally, the claimant must demonstrate that he **has suffered or is really likely to suffer losses** by the reason of the defendant’s misrepresentation as to the source of defendant’s goods or services, which seems to suggest that they emanate from the claimant.

In *Consorzio del Prosciutto di Parma v Marks & Spencer*,⁴ famously known as the ‘Classical trinity’, as the *Parma ham case*; In this case Court confirmed the three tests as being laid down in *Reckitt v Coleman Products v. Borden*.⁵

In *Bristol Conservatories Ltd v Conservatories Custom Built Ltd*⁶, the defendants’ salesmen showed prospective customers a portfolio of photographs of ornamental conservatories as if constituting a sample of the defendants’ goods and workmanship. In fact, these were photographs of the plaintiffs’ ornamental conservatories. This was held to amount to passing-off as the defendants had misrepresented that they were the commercial source of those conservatories. By showing the photographs to prospective customers goodwill arose towards the supplier of those conservatories and was simultaneously misappropriated by the defendants.

⁴ [1990] FSR 530

⁵ Supra

⁶ [1989] RPC 455

Also, in the case of *In John Henderson & Sons v Alexander Munro*⁷, the defendant had issued circulars and claimed that a certain Mr Munro had experience in drilling artesian wells. However, the circular did not state that Mr Munro had drilled the wells whilst working as managing director of the plaintiff's company, not the defendants. The Scottish House of Lords held that this amounted to passing off. The law on passing off is complicated. Claims can be hard to prove and taking action can be expensive, as the evidential burden of proof is solely on the trade mark owner. In an action of passing off, the plaintiff will not only have to prove deceptive similarity but also prove how the defendant's mark is likely to cause confusion among the public and also has a likelihood of causing injury to plaintiff's goodwill.

REMEDIES FOR PASSING OFF

Injunction: The plaintiff can seek injunction to restrain the defendant from continuing to pass off his goods as if they were the plaintiffs. Injunction may be granted on certain terms, like whether the defendant is permitted to manufacture goods as long as he distinguishes it from that of the plaintiff and an Interim injunction if you need to act quickly;

Damages: The plaintiff may also seek a remedy in damages for the loss which he has suffered as a result of the defendant's activities or he may seek from the defendant an account of the profits which he has made as a result of the passing off

Regulatory Agencies: The intervention of a relevant regulatory agency such as NAFDAC, SON, intellectual property commission and so forth can serve as a remedy of passing off.

Common forms of Passing off in Nigeria

1. Copying the plaintiff's advertisement
2. Using of a name that closely resembles the name of an existing product⁸
3. Reproducing the appearance of the plaintiff's products
4. Producing fake products using the plaintiff's trademark

⁷ [1905] SLR 42_530

⁸ A business name indicates what a business stands for. The Companies and Allied Matters Act (CAMA) in S30(a) and S79(d)(e) requires individuals, firms or business in Nigeria to register itself with the Corporate Affairs Commission within 28 days of the commencement of such a business.

5. Selling the plaintiff's expired or inferior products thereby causing an injury to the plaintiff's reputation

The Relevance of Passing-off as an Economic tort

The **17th century** case of *Southern v How*⁹ which is the earliest documented case where there was an indication of passing off. The court held the defendants liable because the mark of an well-known brand was used to dupe a purchaser, who bought the defendants low grade clothing thinking it was the plaintiffs brand. This though was more a case of deceit, but the principle of passing-off clearly started its journey from this case. Later in the **18th century**, all cases of passing-off were classified as cases of deceit, where the action was usually brought not by the deceived, but by the one whose mark was used to deceive *Blanchard v Hill*¹⁰.

In the 19th Century the judiciary did not believe that there should be a monopoly over a particular character, in the case *Millington v Fox*¹¹, it was decided that proof of fraud was not necessary in such a wrong and it was from here that the actual tort of passing off began building its own definition.

Now, in the 21st century, the courts seem more willing to accept that inferior or unofficial merchandise can be damaging to a reputation. In the *Cadbury Schweppes Pty Ltd. & ors. v. Pub Squash Co. Pty Ltd.*¹² the tort of passing off is no longer confined to early 19th century formulation, i.e. to the name or trademark or a product or a business. It is now recognized that the tort can encompass other descriptive material, such as slogans or visual images or advertisement campaigns that imply an association with the plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product. The ambit of passing of has been increased as been interpreted in famous "*champagne case*".

In conclusion, the evolution and importance of intellectual property rights and law in Nigeria cannot be underemphasized. In a country such as Nigeria where there is high competition among

⁹ [1618]; The judges categorized it as more of deceit or defamation

¹⁰ [1742] 2 Atk 484, 26 Eng Rep 692 Ch; The decision of Lord Hardwicke LC in *Blanchard v Hill* in 1742 is the earliest reported case on the equitable jurisdiction to grant injunctive relief against trade mark piracy.

¹¹ [1838] 40 ER 956

¹² [1981] RPC 429,

goods, the tort of passing-off needs to be taken seriously because a lot of people have fallen victim due to lack of knowledge¹³ on how to protect their goods or ensure that they get the right remedy when such infringement occurs.

Bibliography

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¹³ Ignorance of the law is not an excuse.