

# TRADEMARKS AND TRADE SECRETS



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## INTRODUCTION

Customer purchases are tied to two important factors: ability to identify the product as that which they are accustomed to and the products composition. It is problematic for unsuspecting customers when a competitor passes off its goods, which may in fact be nothing like the goods the customer regularly consumes.

What's more, where competition is stiff in marketplaces, mechanisms which ensure that competition is fair must be put in place. Laws on Trademarks and Trade secrets are mechanisms used to protect the market from adulteration, passing off and unfair competition.

## WHAT ARE TRADEMARKS

Trademarks originated in English Courts, where traders brought actions against competitors who were carrying on business as them<sup>1</sup>. Nigeria developed its Trademarks law from English law and its laws on trademarks are currently codified in the Trademarks Act of 1965 and the Trademark Regulations 1990.

**Section 67 of the Trademarks Act** defines Trademarks thus:

*“Trademark means, except in relation to a certification trademark, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person, and means, in relation to a certification trademark, a mark registered or deemed to have been registered under Section 43 of this Act”*

The essence of a trademark is to distinguish different brands such that the general public does not get confused or misled by brands which have no affiliation with the product the customer intends to consume. Notably, a mark need not be used by its owner before it can be trademarked, as more often than not, trademarks are granted in anticipation of their use. To this, the court held in *Aristoc Ltd. V. Rysta Ltd*<sup>2</sup> that, there must however be a connection in the course of trade between the person who registers the trademarks and the goods in respect of which he purports to register a trademark.

Any device, name, signature, word, letter, numeral, or any combination thereof may be registered as a trademark and in order for a trademark to be registrable, the mark must be one of the following<sup>3</sup>:

- a. the name of a company, individual, or firm represented in a special or particular manner;
- b. the signature of the applicant for registration or some predecessor in his business;
- c. an invented word or invented words;
- d. a word or words having no direct reference to the character or quality of the goods, and not being according to its ordinary signification a geographical name or surname;
- e. any other distinctive mark.

Although the Registrar has discretionary powers to refuse registration of a trademark, the Act also sets down guidelines for marks which will not be registered. Sections 11, 12 and 13 of the Trademarks Act set out the marks which are not registrable thus:

- a. Deceptive or Scandalous Marks
- b. Identical and Resembling Trademarks
- c. Names of Chemical Substances

Trademarks are registered in Classes established by the 1957 Nice agreement<sup>4</sup>, which is the internationally accepted classification of goods and services for the registration of trademarks. Classes 1-34 covers the registration of trademarks for goods whilst Classes 35 – 45 refer registration of trademarks for services.

### Who can own a Trademark?

Generally, there are two types of persons who can own a trademark: natural and juristic persons. Juristic Persons include partnerships, companies, charitable organisations and societies.

### Procedure for Trademark Registration

Under Nigerian Law, only a Company or Individual accredited by the Trademark Registry can file an application for the registration of a trademark. Typically, the process begins with a search by an accredited agent to determine the availability of the trademark. Upon establishing the availability of the mark, an official application may be made for its registration. An Acknowledgment Form and a temporary filing number pending the issuance of a permanent registration number will be issued pending acceptance.

Further to the above, the Registry conducts an examination of the mark to confirm that it does not fall within the prohibited categories or is already in existence. An Acceptance Form or a Refusal will be issued, depending on the outcome of the examination.



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Upon issuance of the Acceptance Form, the name will be published in the Trademarks Journal<sup>v</sup>, inviting interested parties to tender their opposition to the registration. If no opposition is raised within a non-extendable period of 2 (two) months from the publication of the Journal, the applicant may apply to the Registrar for a Trademarks Certificate<sup>vi</sup>. Trademarks, unlike copyrights are territorial in nature therefore, the rights created by the registration of a trademark in Nigeria will only be exercisable within Nigeria.<sup>vii</sup>

In Nigeria, trademarks have an initial validity period of seven years but can be renewed thereafter for 14-year periods indefinitely and as long as the mark remains in use.

<sup>viii</sup> The Act also makes provision for renewals, which is done by filling the prescribed form and paying the Registry's prescribed fees.

### **IMPORTANCE OF TRADEMARKS**

With globalisation and its increased ease of commerce, passing off has become a growing concern. It is important that businesses secure their places within the global marketplace by ensuring that their brand reputation and customer retention is unaffected.

Trademarks protection laws provide a legal route to ensure that where such infringement occurs, there is a means of redress. It also provides security to the brand and the customers. As a direct consequence of this security, brands can charge a premium on their product and service offerings.

Trademarks are also very useful in licensing and can become a source of income for its proprietor. In 2018, The Walt Disney Co.'s Disney Consumer Products unit was recorded as the top licensor in the world with \$54.7 billion in retail sales of licensed merchandise worldwide. Other brands such as Nickelodeon, Entertainment one and The Pokemon Company also recorded Billion dollars' worth of revenue from trademark licensing and merchandising.<sup>ix</sup>

## **TRADE SECRETS**

### **INTRODUCTION**

Every business has a unique selling point which endears them to their customers. For most of these businesses, this selling point is inextricably tied to the composition of their products, without which they lose their leverage on the market.

Coca-Cola for instance has enjoyed 129 (One hundred and Twenty-nine) years of patronage because of its closely guarded recipe. If this recipe were to fall into the wrong hands, the 129 years of customer loyalty and support which the brand enjoyed will be lost.

This underscores the importance of trade secrets in commercial spaces. If employees were allowed to reveal the contents of their employers businesses to competitors, or venture into the same businesses themselves, the effect will be a chaotic market, with uncontrollable counterfeiting and unfair competition. Laws on Trade Secrets, like Trademarks, strive to protect the market from counterfeiting and unfair competition.

### **WHAT ARE TRADE SECRETS**

A trade secret is any information through which a business has commercial leverage or advantage<sup>x</sup>. They include formulae and recipes, proprietary databases, business processes and methods, information about costs, pricing, margins, over-head, manufacturing processes, proprietary computer software programs, customer lists, strategic plans, customer lists, supply chain information, business development and financial plans, and marketing programs<sup>xi</sup>. Generally, they cover subject matter which can neither be trademarked nor patented, but are of economic advantage to its proprietor.



Trade secrets began to develop in the 19th Century with the industrial revolution and the rise of capitalism and evolved in response to the limitations and complexities associated with the registration of patents. Trade secrets are usufructuary rights in the sense that they grant the right to the proprietor to exploit those secrets for his benefit but do not prevent a third party who independently discovers that secret element from equally exploiting it to his advantage.<sup>xii</sup>

### THE FRAMEWORK FOR PROTECTION OF TRADE SECRETS IN NIGERIA

In Nigeria, unlike in other developed jurisdictions around the world, there is no framework for registration of trade secrets. A valid concession here may however be that trade secrets are by their very nature "secrets" therefore, the framework for registering and administering them may be difficult.

The closest legislative attempt at the protection of trade secrets in Nigeria is Section 15(1) Freedom of Information Act, 2011 which mandates public institutions to deny applications for information that contains trade secrets and commercial or financial information obtained from a person or business where such trade secrets or information are proprietary, privileged or confidential, or where disclosure of such trade secrets or information may cause harm to the interests of the third party.

In commercial transactions, trade secrets are protected through the use of non-disclosure and non-compete clauses and agreements. While some argue that the Constitutional right to privacy under section 37 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) provides protection for trade secrets, this is yet to be seen.

Generally, for an information to qualify as a trade secret, it must be commercially viable, known only to limited people and all reasonable steps must have been taken to keep such information confidential.

### TRADE SECRETS AND ANTI-TRUST LAW

Some may argue that Trade Secrets stifles competition and encourages monopoly however, others are of the opinion that the opposite is the case. This is because as a usufructuary right, trade secrets do not prevent a third party who discovers such formula, independently, from exploiting them for their advantage.

Anti-trust laws on the other hand focuses on competition through price fixing, free trading and supply of goods and services.

While anti-trust law as regulated by the FCCPA is concerned with the ability of businesses to control the market independently of their consumers, trade secrets are concerned with protecting the commercial leverage of its proprietor. Therefore, trade secrets cannot be said to be in restraint of trade.

### IMPORTANCE OF PROTECTING TRADE SECRETS

*Protecting Trade Secrets will help to:*

1. Maintain and promote standards of commercial ethics and fair dealing;
2. Provide an incentive for businesses to innovate by safeguarding the substantial time and capital invested to develop competitively advantageous innovations, both technical and commercial, and especially those that are not patentable or do not merit the cost of patenting; and
3. Prevent competitors from using these innovations without having to bear the burden of costs or risks faced in developing the innovations.<sup>xiii</sup>

### CONCLUSION

In emerging economies such as Nigeria where innovation is crucial for growth and markets are saturated with cheap knock-offs because of a largely poor population, the importance of trademarks and trade secrets in building a better ecosystem for innovation is undeniable.

While a Trademarks Registry is in existence, and that proactively deals with the problems associated with counterfeiting and passing off, public awareness on the subject matter is still low and the system of registration could benefit from technological innovation in terms of increased speed in processing registrations.

Trade secrets on the other hand is barely developed and businesses must continue to act proactively in protecting their commercial leverage through the use of non-disclosure and non-compete agreements pending a more tangible legislative framework on the subject matter.



# ENDNOTES

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**PRINCE C. ORJI**  
SENIOR ASSOCIATE

## CONTRIBUTORS



**NENJOM A. ASUK**  
ASSOCIATE

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Plot 1625B Saka Jojo  
Street, Victoria Island,  
Lagos

E: [info@bfaandcolegal.com](mailto:info@bfaandcolegal.com)  
T: +234 802 777 9975  
W: [www.bfaandcolegal.com](http://www.bfaandcolegal.com)



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