

THE LEGAL CONCEPT OF REVERSE PASSING OFF



EXAMINING THE DYNAMICS OF THE SMALL CHOPS SAGA

On the 3rd of December 2020, Nigerian social media ran agog with the story of a young vendor (X) who sold small chops to a customer (Y) only to subsequently find out that the said small chops was being paraded and sold by Y as her own product without X's consent first having been requested and granted.

Many people were quick to offer their opinions - some believed nothing wrong was done as Y had paid for the goods while others were of the opinion that this was an illegal act that could render Y liable to legal action.

INTRODUCTION

To begin with, it is important to identify what Y's act is in law. Considering the facts of the incident as presented, the tort of passing off comes to mind, more particularly, the form of passing off called reverse passing off. Passing off occurs when an individual intentionally or inadvertently passes off their goods or services as those belonging to another party e.g. A person produces a wristwatch and imprints the word 'Rolex' on it. This action is one that often damages the goodwill of a person or business, causing financial or reputational damage.¹

On the other hand, according to Merriam Webster's dictionary, reverse passing off is the wrongful misappropriation of another's goods or services by removing the correct name or trademark and selling the goods under a different name.

The Lanham Act is the primary Federal Trademark Statute in the United States of America. By virtue of Section 43 of the Act, reverse passing off occurs when a person falsely designates the "origin" of someone else's goods or services, misrepresenting them as its own. Thus, for example, if the Coca-Cola Company removed the label from a Pepsi bottle and sold it as Coke, this could be actionable as reverse passing off because it is a "false designation of origin."

In *Dastar Corp. v. Twentieth Century Fox Film Corp*², the Court in drawing a distinction between passing off and reverse passing off stated as follows;

"Passing off occurs when a producer misrepresents his own goods or services as someone else's. "Reverse passing off, as its name implies, is the opposite: The producer misrepresents someone else's goods or services as his own."

ELEMENTS OF REVERSE PASSING OFF

Although no Courts or law have expressly stated the elements of reverse passing off, the following reflect a typical analysis of what courts have considered in an action for reverse passing off;

1. **The Product must originate from the Claimant:** For a claim in reverse passing off to succeed, the product must originate from the Claimant, not the Defendant or any other party.³

2. **The Claimant must have attempted to take credit for the Product in Public:** The bone of contention in reverse passing off is that the Defendant is taking credit for someone else's work in the public eye. Whereas, improperly taking credit for another person's work may be regarded a mere moral wrong, it is actionable by a competitor where he can show that that credit would otherwise have come to him or his brand and that lack thereof has affected his brand/business in some way, manner or form.

There can therefore be no reverse passing off claim for an anonymous work. Accordingly, a Claimant who distributes its product to the public must take steps to ensure that consumers know who the actual source of the product is. In most cases, a Claimant takes credit by attaching its name or trademark to, or using that name or mark in connection with the product.

3. **Defendant Falsely Designates the Origin of the Product Without Claimant's Permission:** Reverse Passing Off is closely related to Trademark Law. Both actions seek to protect consumers from false information about the source of the products they are buying. Therefore, some sort of false designation of origin by Defendant is a crucial element to bring a successful claim.⁴

4. **The False Designation is Likely to Cause Consumer Confusion:** It is generally known that the law often restricts the prohibition of false statements to statements that deceive consumers. However, courts have typically held that a false statement as to source of goods will always be deceptive because consumers more often than not use source to judge the quality of goods they are purchasing.⁵

5. **Claimant must be harmed by the False Statement:** The Claimant in a case of reverse passing off must prove that the deception resulted in injury to him. The injury must be immediate in the sense that consumers who would otherwise have purchased Claimant's goods buy instead from the Defendant and that those lost sales deprive the Claimant of profits.

WHITE LABELLING

Interestingly, while reverse passing off is illegal, there is a variation of it which is legal and is in fact common practice. This is called white labelling. White labelling is a legal concept that allows one product or service to be sold and rebranded under another company's brand.

The term "white labelling" is used based on the manual process of whitening out something previously written to write over again. White label products are sold by retailers with their own branding and logo but the products themselves are manufactured by a third party. White labelling may also take the form of a manufacturer of an item using the branding requested by the purchaser, or marketer, instead of its own. The end product therefore appears as though it has been produced by the purchaser.⁶

Multinationals like Target, Walmart etc. practice white labelling. The most important feature is the fact that consent has been requested and granted by the original manufacturer of the product as against what is the case in reverse passing off.

CONCLUSION

From the foregoing and in relation to the small chops incident, it is evident that X has a legal right to sue Y for reverse passing off on the basis that Y sold X's goods as hers thereby enjoying the goodwill and credit X would normally have enjoyed if properly credited as the manufacturer of the small chops.

Just like passing off, the law on reverse passing off is novel in Nigeria, hence it may be quite complex as claims could be difficult to prove and taking action can be expensive. In addition, the evidential burden of proof is on the Claimant so he must show that all key elements are present to bring a successful claim.

END NOTES

1. Retrieved from <https://www.nibusinessinfo.co.uk/content/passing-definition-remedies-and-defences> on December 7, 2012.
2. 539 U.S. 23 (2003)
3. Jacobs v. Transocean Entertainment, No. 95-55804, 1996 U.S. App. LEXIS 27591 (9th Cir. Oct. 22, 1996)
4. Where defendant does not remove plaintiffs mark, no action will lie. CCS Communication Control, Inc. v. Law Enforcement Assocs., Inc., 628 F. Supp. 1457, 1460 (S.D.N.Y. 1986).
5. S. Rep. No. 79-1333, at 4 (1946) reprinted in 1946 U.S.C.C.A.N. 1274, 1275; J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition 2-4 to -6 (4th ed. 1996); Elmer W. Hanak III, The Quality Assurance Function of Trademarks, 43 Fordham L. Rev. 363 (1974); Frank I. Schechter, The Rational Basis of Trademark Protection, 40 Harv. L. Rev. 813, 816-18 (1927); George J. Stigler, The Economics of Information, 69 J. Pol. Econ. 213 (1961).

CONTRIBUTORS



Tosin C. Grey
Associate

E: info@bfaandcolegal.com

M: +234 802 777 9975



Love G. Ikah
Associate

E: info@bfaandcolegal.com

M: +234 802 777 9975



The contents of this publication save for laws referenced/quoted are strictly the opinion of BFA & Co. Legal. Under no circumstance should any part of this publication be construed as professional legal advice. For more information, kindly contact info@bfaandcolegal.com.

Plot 1625B Saka Jojo Street,
Victoria Island, Lagos

E: info@bfaandcolegal.com

T: +234 802 777 9975

W: www.bfaandcolegal.com