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Trademark Infringement and Unfair Competition Issues in Advertising



Introduction

Advertising is a crucial marketing strategy used by businesses to showcase their products and services. In Nigeria, principles and requirements for advertising are prescribed by the Advertising Regulatory Council of Nigeria Act, 2022 (the “**ARCON Act**”), its subsidiary legislations and other sector-specific laws, regulations, and guidelines. The ARCON Act requires all advertising directed at the Nigerian market to be legal, decent, honest, truthful, respectful, devoid of misinformation and mindful of Nigerian culture, constitutional tenets, and relevant lawful enactments.¹

Trademarks constitute an essential element in advertising as they aid easy identification and distinction of goods and services. Trademark infringement in advertising arises when a trademark is used without the consent of the owner or in a manner that is deceptive or likely to cause confusion. Advertising that involves engaging in unethical or illegal practices in order to obtain undue advantage over trade or industry rivals can be described as unfair competition. The ARCON Act emphasizes fair competition in all aspects of advertisement and marketing communications.² Hence, all forms of advertising must be in strict compliance with legal requirements.

This article undertakes an exposition on trademark infringement and unfair competition issues arising from advertising in Nigeria.

Legal and Regulatory Framework for Advertising in Nigeria

Some of the laws and regulations that establish general rules and standards for all forms of advertising include:

- a. The ARCON Act.
- b. The Nigerian Code of Advertising Practice, Sales Promotion, and other Rights/Restrictions on Practice, 6th edition, 2021 (“**The Advertising Code**”).
- c. Advertising Regulatory Council of Nigeria Vetting Guidelines, 2017 (the “**Vetting Guidelines**”).
- d. Federal Competition and Consumer Protection Act, 2018 (“**FCCPA**”).
- e. Standards Organization of Nigeria Act, 2015.

The Advertising Regulatory Council of Nigeria (“**ARCON**”) is the principal administrative body responsible for the regulation of advertising in Nigeria.³ Other sector-specific regulatory bodies such as National Agency for Food, Drug Administration and Control (“**NAFDAC**”), Nigerian Communication Commission (“**NCC**”), Central Bank of Nigeria (“**CBN**”), National Broadcasting Commission (“**NBC**”) and Federal Competition and Consumer Protection Commission (“**FCCPC**”) also play oversight regulatory roles on advertising in Nigeria.

Trademark Infringement in Advertising

The Trademarks Act defines a trademark as *“a mark used or proposed to be used in relation to goods or services for the purpose of indicating a connection between the goods or services and a person having the right, either as a proprietor or as a registered user, to use the mark, whether with or without any indication of the identity of that person, and may include shape of goods, their packaging and combination of*

¹ Section 2(b) of the ARCON Act.

² Section 2(i) of the ARCON Act.

³ Section 1 of the ARCON Act.

colours...”⁴ A mark is also defined to include “a device, brand, heading, label, ticket, name, signature, word, letter, numeral, or any combination thereof.

Trademarks aid the advertisement of goods and services on which they are affixed as they provide information about the origin of a product.⁵ A reputable mark is a significant means of advertisement as brands are able to establish a unique identity from their competitors in order to build brand recognition and loyalty. Without due protection of trademarks, businesses are at risk of having their brand identity stolen, which could result in gross loss of customers and revenue.

Trademarks also serve as guarantee of quality. A reputable mark is an indication of quality for consumers. Due to the goodwill associated with the trademark, consumers would expect a level of quality from goods bearing the mark. Consumers are aware that if they purchase a product with a trademark, they will be getting a product that has been manufactured by a reputable company.

In Nigeria, trademarks are registered with the Trademarks Registry. The registration of a person as the proprietor of the trademark in respect of any goods confers on the proprietor or owner, the exclusive right to the use of the trademark in relation to those goods.⁶ Accordingly, trademark infringement is said to have occurred when a company or person uses a mark that is identical or similar to a registered trademark, in connection with goods and services in a way that is likely to cause confusion or deception.⁷

Advertising that involves the use of a registered trademark without the owner’s authorization can be considered as infringement. This can be through the use of a registered trade name or logo in an advertisement or through the use of a similar mark that can confuse or mislead consumers.⁸ It is of utmost importance, therefore, that where a company intends to use another party’s trademark, consent must first be sought and obtained from the owner of such right or adequate reference to the owner must be made in the advertisement.

Unfair Competition in Advertising

Unfair competition in advertising refers to practices that violate ethical or legal standards and seek to gain an undue advantage over competitors. Companies that engage in unfair competition often resort to misrepresentation of products or services and other deceitful means. These include false or misleading advertising, plagiarism, or the use of unfair trade practices.

Unfair competition in advertising stifles innovation and limits competition. When businesses engage in unethical practices, they could push their competitors out of the market, thereby leading to a monopoly.

⁴ Section 67 of the Trademarks Act, Cap T13, Laws of the Federation of Nigeria 2004 (as amended) (the “**Trademarks Act**”).

⁵ World Intellectual Property Organization, ‘Five ways Trademark Rights can be of benefit to Start-ups and SMEs’ <<https://wipo.int/ip-outreach/en/ipday/2022/toptips/trademarks.html>> accessed July 4, 2023.

⁶ Section 5(1) of the Trademarks Act.

⁷ *I.T. (Nig) Ltd. v. B.A.T. (Nig) Ltd.* [2009] 6 NWLR (Pt. 1138) 477.

⁸ In 2021, Rite Foods Ltd. instituted an action against Nigerian Bottling Company (the “**NBC**”), alleging the passing off of its “*Fearless*” energy drink brand by NBC’s “*Predator*” energy drink. (Press Release, Famous People Magazine (2022) <Fearless Vs Predator: Court Adjourns Consolidation Of Alleged Rite Foods Trademark Infringement By NBC To March 10, 2022 – Famous People Magazine> accessed on July 3, 2023.

Also, in 2022, Emmanuel Chukwuemeka Ejekwu alias “*Oga Sabinus*”, a Nigerian comedian sent a warning to two Nigerian companies – Friesland Foods Wamco Nigeria Plc (“*Friesland*”) and UAC of Nigeria Plc (“*UAC*”) who had allegedly used his brand in some adverts on Instagram without his consent. Friesland was alleged to have infringed upon the comedian’s registered trademark “*Something Hooge*” while UAC was alleged to have used an image (a caricature of the comedian) without his consent. (Press Release, ‘*Sabinus Slams ₦1bn Suit on Firm over Unauthorised Trademark Use*’ (Punch, May 30, 2022) <punchng.com> accessed June 3, 2023.)

A monopoly, when unchecked, would result to higher prices, lack of incentive for innovation, and substandard products and services.⁹ The value of trademarks and brands may also be diminished as a result of unfair competition. Companies that engage in unethical practices damage the reputation of their brands and their sector which results in decreased customer confidence and industry distrust.

The effect of unfair competition on small and medium businesses (“**SMEs**”) in Nigeria cannot be ignored. SMEs do not have the resources to compete with larger and more prominent companies. When these companies engage in unfair competition practices, SMEs are likely to be negatively impacted. SMEs may not be able to fight against these practices due to financial and other material constraints, and they may be forced out of the market.

By the Vetting Guidelines, all advertisements must conform to the principle of fair competition generally accepted in business.¹⁰ The Advertising Standards Panel (“**ASP**”), established by the ARCON Act, is charged with the responsibility of ensuring that advertisements conform with the laws of Nigeria as well as the ethics of the advertising profession.¹¹ In reviewing advertisements, the ASP plays an oversight role to ensure that advertisements are in compliance with the principle of fair competition.

The FCCPA prohibits any conduct which amounts to unfair dealing in the marketing of goods and services. By section 124(1)(a) of the FCCPA, an undertaking or any person acting on its behalf is restricted from using physical force, coercion, undue influence or pressure, harassment, unfair tactics, or any other similar conduct against any person in connection with the marketing of goods or services. It is mandatory for goods or services to be marketed or advertised in a manner that is fair, reasonable, and just.¹²

Accordingly, producers, importers, distributors, retailers, traders, or service providers are restricted from making any false representation to consumers in a manner likely to imply any false or incorrect representation about the goods.¹³ The product advertised must also replicate the descriptions provided in the advertisement.

Comparative Advertisement

Comparative advertisement, which is a marketing strategy that directly compares a company’s products and services to its competitors, has become increasingly prevalent in today’s highly competitive business landscape. It highlights the strengths and benefits of one brand over another, furnishing the consumers with valuable information to make informed decisions.

Comparative advertisement is permitted, if conducted within the confines of the law. The NCC’s Guidelines on Promotional Advertisements, 2023 requires all advertisements made by NCC’s licensees to not “*unfairly discredit, disparage or attack other products, services, advertisements or companies, or exaggerate the nature or importance of competitive differences*”. Licensees are also restricted from imitating the slogans or illustrations of other brands in a manner capable of misleading consumers.

Where the advertisement makes a comparison or subtle reference to another brand, the content of the advertisement must be truthful, fair, and not likely to mislead the public. An advertisement by a company in the course of marketing its product which refers to a product by a competitor and advises the public to

⁹ Sean Ross, ‘How Does a Monopoly Contribute to Market Failure?’ (Investopedia, December 29, 2022) <<https://www.investopedia.com/ask/answers/042215/how-does-monopoly-contribute-market-failure.asp>> assessed June 3, 2023.

¹⁰ Paragraph 4 of the Vetting Guidelines.

¹¹ Paragraph 2 of the Vetting Guidelines.

¹² Section 127(1)(b) of the FCCPA

¹³ Section 123(1) of the FCCPA.

jettison the product of the competitor can be regarded as an unfair tactic in the marketing of its goods and services and an unconscionable brand marketing strategy. Such conduct can be regarded as being unfairly prejudicial to the brand and intended to disparage, undermine and de-market the brand of the competitor.

This practice is prohibited under the FCCPA, and the FCCPC is empowered to eliminate anti-competitive agreements, misleading, unfair, deceptive, or unconscionable marketing, trading and business practices and apply sanctions where necessary.¹⁴

The registration of a trademark confers on a trademark owner, the exclusive right to the use of that trademark in relation to those goods or services.¹⁵ Where a trademark is used in an advertisement to the public and such use can be seen as importing a reference to some person having the right either as proprietor or as registered user to use the trademark, such use may amount to trademark infringement. Thus, the unauthorized use of a registered trademark by any person not being the registered owner in an advertisement will constitute trademark infringement.¹⁶

Comparative advertisement may also result in a claim for injurious falsehood. The tort of injurious falsehood involves making false statements or spreading false information about a person or company's products, services, or business. For an action for injurious falsehood to be successful, the claimant must prove three (3) elements - (a) the statement must be false, (b) the statement must have been maliciously published, and (c) there must be economic loss or damage resulting from the statement.¹⁷

Legal Measures against Trademark Infringement and Unfair Competition in Advertising

- a. By section 125 of the FCCPA, where any person in marketing goods and services, directly or indirectly expresses or implies a false, misleading, or deceptive representation concerning a material fact to customers or fails to correct an apparent misapprehension on the part of a customer or prospective customer, the person is liable for any damages to any person damaged and shall be liable to make monetary restitution.
- b. The Advertising Code imposes several sanctions which ARCON will enforce where a licensee violates any of the provisions of the ARCON Act. These include - reprimand, warning, fine, reduction of scope of licence, temporary suspension of registration or licence, removal from the register of practice, etc.
- c. The Trade Malpractices Act (the "TMA"),¹⁸ which creates certain offences relating to trade malpractices, provides that any person who advertises a product in a false or misleading manner or in a manner likely to create a wrong impression as to its quality, character, brand name, value, composition, merit or safety commits an offence and is liable upon conviction to a fine of not less than ₦50,000 (Fifty Thousand Naira).¹⁹ Further, the TMA criminalises advertising or inviting subscription for any product which does not exist.²⁰ Hence, where comparative advertisement is false or misleading or where it creates a wrong impression as to the quality, character and brand name of a product, it is illegal and may give rise to criminal sanctions.

¹⁴ Section 17(g) and (h) of the FCCPA.

¹⁵ Section 5(1) of the Trademarks Act.

¹⁶ Section 5(2) of the Trademarks Act.

¹⁷ *Newbreed Org. Limited v. Erhomosele* [2006] 5 NWLR (Pt. 974) 499.

¹⁸ Trade Malpractices (Miscellaneous Offences) Act (Cap T12), Laws of the Federation of Nigeria, 2004.

¹⁹ Section 1(1)(a) of the TMA.

²⁰ Section 1(1)(h) of the TMA.

- d. The CBN Consumer Protection Regulations provides that banks shall “not mention competitors or make comparisons in their advertisements.”²¹ These sector-specific regulations contain more extensive provisions in relation to comparative advertisement for their respective licensees.
- e. Businesses can institute legal actions against those who infringe upon their trademark rights.²² If successful, the business owner may be entitled to injunctive relief to stop the infringing conduct, as well as monetary damages to compensate for any harm caused by the infringement.

Conclusion

Trademark infringement and unfair competition practices in advertising can have serious legal consequences for companies and persons that partake in these practices. Claims in advertisements must be truthful, should not be deceptive or unfair and must be evidence-based. It is crucial for companies and brand owners to be aware of their legal obligations and to take steps to ensure that their advertising does not infringe on the intellectual property (IP) rights of other businesses.

The government through its regulatory agencies such as the Trademarks Registry, ARCON and the Courts should focus on timely investigations and enforcement of trademark infringement and unfair competition claims in advertised content. It is essential for the FCCPC to adopt a proactive approach in regulating unfair competition in advertising. This could include creating and enforcing policies and regulations that ensure fair competition and prevent businesses from engaging in unethical practices. The government could also establish mechanisms for consumers and competitors alike to report instances of unfair competition and provide legal redress for victims. There should also be effective collaboration of these agencies and regulators towards the enforcement of IP rights.

Furthermore, consumers have a duty to be watchful and to inform manufacturers and trademark owners of suspected cases of trademark infringement. Manufacturers/trademark owners can adopt accessible mechanisms for consumers to report suspected cases of trademark violations to enable due investigation and enforcement of IP rights.

It is expected that, gradually, intensive efforts of all stakeholders would significantly curb trademark infringement and the incidental prevalence of unfair competition in advertising in Nigeria.

²¹ Regulation 4.2.7 of the CBN Consumer Protection Regulations.

²² *Dyktrade Limited. v. Omnia (Nig.) Limited* [2000] 12 NWLR (Pt. 680) 1.

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