

WORLD INTELLECTUAL PROPERTY REPORT >>>

News and analysis on IP law, regulation and policy from around the world. For the latest updates, visit www.bna.com

International Information for International Business

VOLUME 29, NUMBER 5 >>> MAY 2015

Reproduced with permission from World Intellectual Property Report, 29 WIPR, 5/1/15. Copyright © 2015 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

Intellectual Property

U.K. Supreme Court Codifies Test on Extending Accessorial Liability for Infringement — When Does Joint Liability Arise?

By Jonathan Radcliffe, Charles Russell Speechlys LLP,
London; e-mail: jonathan.radcliffe@crsblaw.com

I. Summary and Implications

The U.K. Supreme Court handed down on March 4, 2015 a judgment that codifies the law on accessorial infringement, specifically, on liability where someone has assisted the principal tortfeasor in the commission of tortious acts.¹ Although not of itself an intellectual property case, this judgment has a wider significance for infringement of all intellectual property rights.

All five Supreme Court judges agreed on the test for accessorial liability, although differed on the result. The decision has potentially significant strategic implications for patent and intellectual property litigation and the question of infringement, and for devising structures to mitigate or avoid potential liabilities.

■ The Supreme Court's restated test for accessorial liability is that a defendant will be jointly liable if:

- (i) That defendant has assisted the commission of the tort by another person;
- (ii) It is pursuant to a common design; and
- (iii) An act is done which is, or turns out to be, tortious.

If these requirements are satisfied, the result is that the accessory's liability is not for the assistance in doing the tortious acts, but for the tortious act of the primary actor, because the law treats that defendant as party to that act by reason of the assistance.

- Determining accessorial liability is a very fact sensitive exercise, and is likely to be an exercise of judgment by the trial judge on the particular facts and witnesses at trial. There are no hard and fast rules to define the necessary amount of connection between the defendant and the tort.
- Patent and intellectual property disputes often have complex and interwoven "contributions" to the al-

leged infringement, e.g. the commissioning of the development, and subsequent manufacture, importation and sale of tablet formulations, which is undertaken by multiple group companies and third parties. The *Sea Shepherd* judgment potentially opens the way for carefully crafted strategies to limit the extent of such potential liabilities (for example using contracts to provide how title in the products passes and when).

II. Facts of the Case

Fish & Fish operate a fish farm in Malta, and were transporting tuna in fish cages when the Sea Shepherd Conservation Society (“SSCS”) ship the *Steve Irwin* rammed a tuna cage, and divers then forced it open to release the fish. This incident was part of a campaign to intercept and oppose the overfishing of bluefin tuna in the Mediterranean.

SSCS was founded and is based in the State of Washington in the U.S., for the purpose of conserving and protecting ecosystems and species. It was founded by a Mr Paul Watson, and has a network of subsidiaries in various countries, including the defendant SSCS UK (a U.K. company limited by guarantee and a U.K. registered charity, based in the U.K.). SSCS UK’s general objectives are to conserve and protect the world’s marine wilderness ecosystems and marine wildlife species, and at the relevant time its primary objective was to provide funds and support the aims and objectives of its parent organization, SSCS.

The trial judge found as a matter of fact that in conducting the operation against Fish & Fish, as master of the *Steve Irwin*, Mr Watson was not acting for SSCS UK but only for SSCS. Although the *Steve Irwin* was registered in the name of SSCS UK it only held a bare legal title, as the *Steve Irwin* was beneficially owned and operated by SSCS.

SSCS and Mr Watson had no U.K. presence. As only SSCS UK as an English company had a U.K. presence, it was therefore the anchor defendant for the purpose of the English court establishing jurisdiction over the action. The argument against SSCS UK was that it had contributed in two main ways to the operation against Fish & Fish.

A. Participation in Fundraising for Bluefin Tuna Campaign

SSCS UK’s fundraising activities on behalf of SSCS included making use of SSCS UK’s bulk mailing services for a fundraising mailshot in the U.K. and so that U.K. donors could contribute through sterling cheques or transfers.

The mailshot solicited funds for the Bluefin Tuna Campaign; it was designed, organized and paid for by SSCS but was sent out in the name of, and with (at least) the knowledge of, SSCS UK, but not by SSCS UK or on SSCS UK’s instructions. This only raised donations of 1,730 pounds sterling, which were paid to SSCS UK who then sent them to its parent SSCS.

B. Recruitment of Two Volunteers

SSCS UK had passed on the names of people who had contacted it about volunteering. One volunteer sourced a marine pump for the *Steve Irwin*. He and the other volunteer then transported the pump to the *Steve Irwin* and did a day’s work on board.

Fish & Fish brought a claim in the English courts in tort against SSCS UK for the loss and damage it had suffered. A preliminary issue in the litigation was whether SSCS UK could be held liable, directly or vicariously, for this damage. The trial judge held that it could not be held liable; this was reversed by the Court of Appeal.

The Supreme Court held 3-2 on the facts that SSCS UK should not be liable, essentially for the reason that in the wider scheme of things SSCS UK’s acts had been of minimal importance. However, the importance of the case is not in the result — where the judges disagreed on the application of the test of accessorial liability to the facts of the case — but that all five justices agreed on a restated test for accessorial liability.

III. Supreme Court Restated Test for Accessorial Liability

As a general proposition, accessorial liability through joint tortfeasance arises where a claimant contends that it has suffered damage as a result of a tort committed by the primary tortfeasor, and contends that another party who did not directly join with the primary tortfeasor in actually committing the tort, and was not the primary tortfeasor’s agent or employee, should also be liable for the tort, because that other party assisted the primary tortfeasor to commit the tort (i.e. that other party was an accessory).

The classic principle of accessorial liability arising from assisting the principal joint tortfeasor is from the 1924 Court of Appeal decision in *The Koursk*, that:

“Persons are said to be joint tortfeasors when their respective shares in the commission of the tort are done in furtherance of a common design”.²

The joint tortfeasor needs to join or share in the commission of the tort. This generally means doing some act which at least facilitates the tort’s commission.

The legal elements of liability as a joint tortfeasor can only be formulated in general terms because such liability is always fact sensitive. The Supreme Court’s restated test for accessorial liability is that a defendant will be jointly liable if the following three conditions are met, namely that:

- (i) **The defendant has assisted the commission of the tort by another person.** The assistance provided by the defendant must be substantial, i.e. not de minimis or trivial. However, the defendant should not escape liability simply because the assistance was:
 - relatively minor in terms of its contribution to, or influence over, the tortious act when compared with the actions of the primary tortfeasor; or

- indirect so far as any consequential damage to the claimant is concerned.
- (ii) **The assistance was pursuant to a common design.** Mere assistance by the defendant to the primary tortfeasor, or “facilitation” of the tortious act, is insufficient in itself. There must be a common design between the defendant and the primary tortfeasor that the tortious act be carried out, i.e. the act constituting or giving rise to the tort. This will normally be expressly communicated between the two parties, but can also be inferred.
- (iii) **An act is done which is, or turns out to be, tortious.** It is not necessary for a claimant to show that the defendant appreciated that the act which the defendant assisted further to a common design constituted or led to a tort, or that the defendant intended that the claimant be harmed. However, the defendant must have assisted in, and been party to a common design to commit, the act that led to that tort.

There will be no liability if the activity which the defendant assisted and which was the subject of the common design was carried out tortiously, if it could also perfectly well be carried out without committing any tort. The claimant does not need to show that the defendant knew that a specific act harming a specific claimant was intended.

If these requirements are satisfied, the result is that the accessory’s liability is not for the assistance in doing the tortious acts, but for the tortious act of the primary actor, because the law treats that defendant as party to that act by reason of the assistance.

The Supreme Court recognized that accessorial liability is a balancing exercise. Whilst this reformulated test identifies when there will be liability for assisting a primary actor to commit a tort, it is also important to ensure that appropriate boundaries are drawn around it, so that the mere facilitation of the tort will not give rise to such a liability, even when combined with knowledge of the primary actor’s intention. These limitations on the scope of liability as a joint tortfeasor are based on what the Supreme Court described as “a pragmatic concern to limit the propensity of the law of tort to interfere with a person’s right to do things which are in themselves entirely lawful”.

IV. Boundaries of Accessorial Liability After Supreme Court’s Decision

The Supreme Court recognized in *Sea Shepherd* that the ambit of the test for accessorial liability is potentially very broad. Because of the danger that this could spill over to catch activities that in themselves may be entirely lawful, the Supreme Court acknowledged that it is important that the law should not interfere with a person’s right to do those things.

In practical terms, where therefore are the boundaries? The Supreme Court held that this is to be found in the question of intent. This serves the function of a control mechanism limiting the ambit of a person’s obligation

to safeguard the rights of others, where this would restrict the person’s freedom to engage in otherwise lawful activities.

- For there to be liability, as well as knowledge that an otherwise lawful act will assist the tort, there must be a shared intention that it should do so. The necessary limitation on the scope of accessorial liability is therefore achieved by the combination of active cooperation and commonality of intention. This limitation is “encapsulated in [the] distinction between concerted action to a common end and independent action to a similar end, and between either of these things and mere knowledge of the consequences of one’s acts.”³
- The Supreme Court in *Sea Shepherd* acknowledged the proposition that the manufacture or sale of equipment which its purchasers are likely to use to infringe intellectual property rights will not give rise to accessorial liability, simply because the manufacturer or seller is aware of its likely use. Where the manufacturer or seller had no control over the use of the equipment after he has parted with it, liability would have to be founded on mere knowledge of its likely use, and mere knowledge is not tantamount to a common design.
- Inducing or procuring a tort necessarily involves common intent if the tort is then committed. However, mere assistance may or may not do so, depending on the circumstances. The mere supply of equipment which is known to be capable of being used to commit a tort does not suggest intent. Other circumstances may do so.

V. When Will a Defendant Be Accessorily Liable as a Joint Infringer?

A useful illustration of the types of practical issues accessorial liability can throw up is the patent litigation in the English Court of Appeal in *Fabio Perini SpA v. LPC Group Plc & Ors*⁴ (it is of note that Lord Neuberger gave lead judgments in both *Sea Shepherd* and *Fabio Perini*).

A. Facts in Fabio Perini

This litigation concerned machinery and methods for sealing the tail ends of rolls of paper, such as lavatory rolls and kitchen towel, so that they remain rolled up.

The paper is supplied in the form of very large “parent” rolls, three meters in diameter. These have to be unwound and then rewound to the relevant diameter for lavatory rolls and paper kitchen towelling, before being cut into individual rolls. If the loose end of the smaller roll is not sealed before further conversion steps are taken the end can unwind, interfering with the rest of the process.

The sealing is a gluing process that involves rolling the smaller dimensioned roll over a slit from which glue is dispensed over the full length of the loose end, and then rewinding the roll to complete the seal. One of the key arguments on interpretation of the relevant claim was what was meant by the word “slit”.

The relevant paper converting machines were purchased ex works from PCMC Italia's Italian factory by the U.K. customer (LPC), who then imported them into the U.K., where they were installed and used for over a year in LPC's premises.

LPC was held liable for infringement at trial as it had imported the infringing machines into the U.K. and used them for over a year. The question for the Court of Appeal was whether, and on what basis, PCMC Italia should also be held liable as a joint infringer.

PCMC Italia not only installed the infringing machines at LPC's premises, but under the terms of its contract with LPC its employees supervised the commissioning and start-up use of the infringing machines, as well as training LPC staff to use the machines.

The trial judge had emphasized that these were method claims, and that the contract specifically called for machines that operated in accordance with this method. PCMC Italia had assembled these machines on LPC's premises and caused them to work in accordance with the method claims. He had therefore held that PCMC was liable as this work had been done pursuant to a common design, evidenced by the contract.

B. Court of Appeal Decision

The appeal court decision in *Fabio Perini* is significant in that it relaxed the rules imposing liability for accessorial infringement on joint defendants — a move that shifted the balance of power in favor of rights holders. The key findings illustrating the boundaries of accessorial liability were:

- Merely exporting a machine from another country to a third party in the U.K., even helping to install the machine in the third party's premises in the U.K., would not normally lead to accessorial liability. This is because it is the use of the machine that constitutes the infringement of the method claims of the patent.
- Even if, taken on their own, neither (a) the sale and installation of the machines, nor (b) the provision of the various commissioning services, would give rise to liability, that did not mean that the combination of the two could not do so.
- However, the commissioning and other services provided by PCMC Italia crossed the boundaries of acces-

sorial liability. These services — performed in LPC's premises in the U.K., “were plainly undertaken to enable, indeed to assist, even to join in with, LPC's use of the machines”, namely to infringe the method claims of the patent.

VI. Comment

A common feature of patent and intellectual property disputes is that they often have complex and interwoven “contributions” to the alleged infringement. Thus in life sciences disputes, different group (and indeed unrelated) companies across multiple countries will be responsible for the different stages of the development, and subsequent manufacture (both the active ingredient and the formulating), importation and sale of the drug in issue.

The extent to which accessorial liability will allow the English courts to seize jurisdiction may be critical in such disputes, especially if a primary objective behind such an assertion is to secure English-style document disclosure from potential defendants.

The *Sea Shepherd* judgment potentially opens the way for carefully crafted strategies to limit the extent of such potential liabilities, for example using contracts to provide how title in the products passes and when.

Jonathan Radcliffe is a partner at Charles Russell Speechlys LLP in London and has practised exclusively in this field for over 25 years. Jonathan is a widely acknowledged patent and IP expert, and is recommended as a leading individual by various legal directories. His work covers a wide range of technologies, with a particular focus on cases with a high scientific/technological content.

The Supreme Court's decision in Sea Shepherd can be viewed at <http://www.bailii.org/uk/cases/UKSC/2015/10.html>.

The Court of Appeal's decision in Fabio Perini can be viewed at <http://www.bailii.org/ew/cases/EWCA/Civ/2010/525.html>.

Notes

¹ *Sea Shepherd UK v. Fish & Fish Limited* [2015] UKSC 10, March 4, 2015.

² *The Koursk* [1924] P 140, Court of Appeal.

³ [2015] UKSC 10, at [44].

⁴ *Fabio Perini SpA v. LPC Group Plc & Ors* [2010] EWCA Civ 525.