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The curious case of common design

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Commercial analysis: What are the complications of prosecuting by common design? Indradeep Bhattacharya and François Holmey, associates at Jones Day, analyse a recent ruling and offer some interesting arguments.

Original news

Vertical Leisure Ltd v Poleplus Ltd and another [2015] EWHC 841 (IPEC), [2015] All ER (D) 309 (Mar)

Mr Bowley, who held a single share in the defendant company, Poleplus, registered domain names referring to the claimant company, which manufactured a similar product to that produced by Poleplus. In an earlier judgment, it was held that registration of the domain names had constituted passing off, including the creation of instruments of fraud. The Intellectual Property Enterprise Court held that, on the evidence, Poleplus was jointly liable with My Bowley, as it had been vicariously liable for Mr Bowley's acts, and the registrations had been done by Mr Bowley while acting as its agent.

What was at the heart of this dispute?

The central issue of the dispute concerned a company's joint liability for passing off as a result of an employee's actions. The case is a useful example of the practical application of the law relating to vicarious liability and the limits of the law relating to common design.

How did the court address the issue of passing off?

On the facts of the case, Poleplus was not found to be liable through common design. However, Poleplus was found to be vicariously liable as Mr Bowley's employer. In reaching that conclusion, the court reviewed the case law on vicarious liability. In order for an employer to be vicariously liable for the acts of its employee, it is necessary to show that the employee was doing acts of the kind for which they were employed to do. It must also be shown that the employee was furthering the interests of the employer rather than their own.

Interestingly, the court held in this case that what matters in relation to furthering the interests of the employer is the employee's primary intention in committing the infringing acts rather than the actual effect of the employee's acts.

The court held that Mr Bowley's primary intention in registering the infringing domain names was to protect the business of Poleplus against a competitor, and that these registrations were part of his duties as an employee of the company. The court therefore held that Poleplus was vicariously liable as Mr Bowley's employer for his acts. The court held that similar principles applied for joint liability on the basis that Mr Bowley was acting as Poleplus' agent. It therefore held that Poleplus was also jointly liable for Mr Bowley's acts of passing off done in his capacity as Poleplus' agent.

How does this case further our understanding of liability through common design?

The case provides a useful discussion of the relevant principles for liability through common design, which are derived in particular from *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013 and *Unilever plc v Gillette (UK) Ltd* [1989] RPC 20, as recently reviewed by the Supreme Court in *Sea Shepherd UK v Fish & Fish Limited* [2015] UKSC 10, [2015] All ER (D) 39 (Mar). In summary, the case law establishes that the test for joint liability through common design is that the joint tortfeasor must have done an act, which is more than *de minimis*, intentionally and actively to cause or encourage the primary infringer to carry out the infringing acts. Mere facilitation by the alleged joint tortfeasor is not enough--they must have made the act of infringement their own. In the context of intellectual property rights, such liability has been established where a website was structured to promote acts of infringements and make them inevitable, such as *Twentieth Century Fox Film Corp v Newzbin Ltd* [2010] EWHC 608 (Ch), [2010] All ER (D) 43 (Apr) but not where a website was just offering a marketplace in the knowledge that it would be used by third parties in order to sell infringing goods, such as *L'Oréal SA v eBay International AG* [2009] EWHC 1094, [2010] IP & IT 95.

It is important to note that decisions on liability through common design are highly fact sensitive and each case will depend on its particular circumstances. In this particular case, the court held that there had been no common design because it ruled that the evidence showed that Ms Colebourne, Poleplus' sole director, did not know about the domain name registrations in advance and could not therefore have done anything intentionally to cause or encourage Mr Bowley to register the infringing domain names. In addition, the court held that, even if Ms Colebourne had known that some of the registrations were being made, there was no evidence that Ms Colebourne did anything actively to cause or encourage Mr Bowley to register further domain names.

What lessons can be learned from this decision?

The court's summary judgment against Mr Bowley's registrations highlights the fact that registering domain names which include the names of competing products or competing businesses will likely count as misrepresentation. Businesses should therefore refrain from registering such domain names as doing so will expose them to passing off or trademark infringement actions.

The case also highlights potential pitfalls for businesses who fail to adequately train and supervise employees in charge of registering domain names on their behalf. While businesses will not be found jointly liable for passing off by common design when they do not intentionally and actively cause or encourage an employee to register an infringing domain name, they may however be found vicariously liable for their employee's actions if the employee was doing acts of the kind they were employed to do and was furthering the interests of the employer rather than their own in registering the domain name.

Companies should therefore explain trade mark and passing off risks of registering infringing domain names to employees handling domain name registrations, and discourage them from registering any domain names which include the names of competing products or competing businesses. It is also best practice for companies to actively monitor the domain names which are registered under their name or on their behalf, in particular by keeping a list of all such domain names, to ensure that none of these are likely to lead to passing off or trade mark infringement claims.

Interviewed by Nicola Laver.

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