Accessory liability for breach of confidence[*]

Mr Justice Richard Arnold

Introduction

In *Vestergaard Frandsen A/S v Bestnet Europe Ltd* [2013] UKSC 31, [2013] 1 WLR 1556 the Supreme Court held that the third defendant, Mrs Sig, was not liable for acts of breach of confidence committed by other persons. The Court's decision on the facts of the case is unexceptionable, but it is respectfully suggested that the test it propounds for accessory liability for breach of confidence is unsatisfactory. In order to explain why, it is first necessary to recapitulate the basic principles concerning claims for breach of equitable obligations of confidence.

The elements of a claim for breach of confidence

The clearest statement of the elements necessary to found an action for breach of an equitable obligation of confidence remains that of Megarry J in *Coco v A.N. Clark (Engineers) Ltd* [1969] RPC 41 at 47:

> "First, the information itself ... must 'have the necessary quality of confidence about it'. Secondly, that information must have been communicated in circumstances importing an obligation of confidence. Thirdly, there must have been an unauthorised use of the information to the detriment of the party communicating it."

This statement of the law has repeatedly been cited with approval at the highest level: see Lord Griffiths in *Attorney-General v Guardian Newspapers Ltd (No 2) ("Spycatcher")* [1990] 1 AC 109 at 268, Lord Nicholls of Birkenhead in *Campbell v MGN Ltd* [2004] UKHL 22, [2004] 2 AC 457 at [13] and Lord Hoffmann in *Douglas v Hello! Ltd (No 3)* [2007] UKHL 21, [2008] 1 AC 1 at [111].

The necessary quality of confidence

The expression "the necessary quality of confidence" was coined by Lord Greene MR in *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) 65 RPC 203 at 215. Lord Greene defined this quality by antithesis: "namely, it must not be something which is public property and public knowledge". For present purposes, it is not necessary to discuss this requirement any further.

Circumstances importing an obligation of confidence

As discussed in *Primary Group (UK) Ltd v The Royal Bank of Scotland plc* [2014] EWHC 1082 (Ch) at [210]-[235], it is now established that an equitable obligation of confidence will be imposed on a recipient of confidential information if, but only if, a reasonable person standing in the position of the recipient would appreciate that the information was confidential. It is sufficient for present purposes to refer to the following statements of principle. First, Megarry J in *Coco v Clark* at 48:

[*] A paper to be delivered at the Fordham IP Law & Policy Conference on 25 April 2014.

> "It seems to me that if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would realise that upon reasonable grounds the information was being given to him in confidence, then this would suffice to impose on him the equitable obligation of confidence."

Secondly, Lord Goff of Chieveley in *Attorney-General v Guardian Newspapers Ltd (No. 2)* [1990] 1 AC 109 at 281:

> "I start with the broad general principle (which I do not intend in any way to be definitive) that a duty of confidence arises when confidential information comes to the knowledge of a person (the confidant) in circumstances where he has notice, or is held to have agreed, that the information is confidential, with the effect that it would be just in all the circumstances that he should be precluded from disclosing the information to others."

Thirdly, Lord Nicholls in *Campbell v MGN* at [14]:

> "Now the law imposes a 'duty of confidence' whenever a person receives information he knows or ought to know is fairly and reasonably to be regarded as confidential."

In that case Lord Hoffmann (at [44]-48]), Lord Hope of Craighead (at [85]) and Baroness Hale of Richmond (at [134]) formulated the principle in similar terms. Finally, there is Lord Neuberger of Abbotsbury MR, delivering the judgment of the Court of Appeal in *Imerman v Tchenguiz* [2010] EWCA Civ 908, [2011] Fam 116:

> "68. If confidence applies to a defendant who adventitiously, but without authorisation, obtains information in respect of which he must have appreciated that the claimant had an expectation of privacy, it must, a fortiori, extend to a defendant who intentionally, and without authorisation, takes steps to obtain such information. …
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> 69. In our view, it would be a breach of confidence for a defendant, without the authority of the claimant, to examine, or to make, retain, or supply copies to a third party of, a document whose contents are, and were (or ought to have been) appreciated by the defendant to be, confidential to the claimant. …"

It is unfortunate that in *Vestergaard v Bestnet* Lord Neuberger PSC, with whom the other members of the Supreme Court agreed, stated the position less clearly at [23], where he said:

> "The classic case of breach of confidence involves the claimant's confidential information, such as a trade secret, being used inconsistently with its confidential nature by a defendant, who received it in circumstances where she had agreed, or ought to have appreciated, that it was confidential: see eg per Lord Goff of Chieveley in *Attorney General v Guardian Newspapers Ltd (No 2)* [1990] 1 AC 109, 281. Thus, in order for the conscience of the

> recipient to be affected, she must have agreed, or must know, that the information is confidential."

As was held in *Primary v RBS* at [222], in the first sentence Lord Neuberger is plainly applying Lord Goff's statement of principle and stating an objective test, consistently with *Campbell v MGN* and *Imerman v Tschenguiz*. Although the second sentence, if read in isolation, might be thought to indicate that the test is subjective, Lord Neuberger cannot have intended to contradict what he had said in the first sentence. Nor can he have intended to depart from *Campbell v MGN* and *Imerman v Tschenguiz*, which, although they were not cited in *Vestergaard*, he would obviously have been familiar with. Lord Neuberger went on at [39] to say that an injunction to retrain misuse of confidential information against a recipient of confidential information "might well be justified, once it could be shown that she appreciated, or, perhaps, ought to have appreciated, that [the information was] confidential". Again, this seems to recognise that the test is objective, albeit with surprising hesitation.

Unauthorised use

If information is acquired or received in circumstances importing an obligation of confidence, what conduct amounts to breach of the obligation? This question can be sub-divided into two issues. First, what acts constitute "use" of the information for this purpose? Secondly, what mental state, if any, is required in order for the use to be actionable?

So far as the first issue is concerned, most cases of breach of confidence involve either use of the information by the defendant for his own purposes (for example, to develop a competing product or process to that of the claimant) or disclosure of the information to another (for example, by publication in a newspaper). As can be seen from the except quoted above, however, the Court of Appeal held in *Imerman v Tchenguiz* held that it is a breach of confidence for a person merely to read a document which that person knows, or ought to appreciate, is confidential.

So far as the second issue is concerned, the decision of the Court of Appeal in *Seager v Copydex Ltd* [1967] 1 WLR 923 establishes that a person who owes an equitable obligation of confidence is liable for acting in breach of that obligation even though he is not conscious of doing so. This understanding of the law was expressly endorsed by Lord Neuberger in *Vestergaard v Bestnet* at [24]:

> "The decision in *Seager v Copydex Ltd* [1967] 1 WLR 923 … was an entirely orthodox application of this approach. The plaintiff passed on to the defendants a trade secret about his new design of carpet grip, and although the defendants realised that the secret was imparted in confidence, they went on to use that information to design a new form of carpet grip, which they marketed. What rendered the case unusual was that the defendants (i) did not realise that they had used the information, as they had done so unconsciously, and (ii) believed that the law solely precluded them from infringing the plaintiff's patent. However, neither of those facts enabled them to avoid liability, as, once it was found that they had received the information in confidence, their state of mind when using the information was irrelevant to the question of whether they had abused the confidence."

Accessory liability: cases prior to Vestergaard v Bestnet

Primary liability for breach of confidence attaches to the person who acts in breach of the obligation, that is to say, the person who uses the information (who for convenience I will call the principal). As Lord Neuberger PSC said in *Vestergaard v Bestnet* at [27], it is at least arguable that, where the principal commits such acts in the course of their employment, the employer will be vicariously liable. Indeed, this was not disputed in *Primary v RBS*. But what about an accessory who does not himself use the information, but who instructs the principal to do so or is involved in some other way? The case law on this subject is confused and unsatisfactory.

Before turning to consider the cases, it is important to emphasise that the question whether a person is jointly liable as an accessory for misuse of confidential information committed by another person is a different question to whether a person is liable as a principal for his or her own misuse. While this may seem an obvious point, it has been overlooked in at least one case and some of the commentary on this issue.

It is convenient to start with *Lancashire Fires Ltd v S.A. Lyons & Co Ltd* [1996] FSR 629. In that case the second defendant Mr Wright and the third defendant Mrs Magnall were both former employees of the first claimant. Mr Wright had been involved on the technical side, while Mrs Magnall had been the financial manager. Together they set up the first defendant Lyons in competition with the first claimant. Mrs Magnall's role was essentially that of an investor. Although she was a director of Lyons, she did not play any active role in the business. The claimants alleged that Mr Wright had misused confidential information concerning a secret process for manufacturing ceramic components and that Mrs Magnall and the company were jointly liable for this.

Carnwath J (as he then was) held at 650-651 that an accessory who participates in a common design with the principal to act in breach of the principal's equitable obligation of confidence is jointly liable with the principal, and that for this purpose the principles laid down in the joint tortfeasance cases such as *Unilever plc v Gillette (UK) Ltd* [1989] RPC 583 at 608-609 are applicable. He went on to conclude that Mr Wright had not acted in breach of confidence. He also held, however, that, if he had found Mr Wright liable, he would have held that the other defendants were jointly liable with him for reasons he expressed at 658 as follows:

> "Had I found Arthur Wright to be in breach of a duty of confidence, I would have concluded that, at least from the time of incorporation of the company, both the company and Susan Magnall were jointly liable with him. There was clearly a common design in the sense explained in the *Unilever case*. In particular, I note that Mustill L.J. made clear, in relation to joint tortfeasors, that there is no need to show a common intention to infringe: it is enough that the parties combine to secure the doing of acts which in the event proved to be infringements. Similarly, in *Seager v. Copydex …*, the Court of Appeal accepted that the defendants had made use of confidential information in the honest belief that it was the result of their own ideas. Their honest belief did not improve their position; I see no reason therefore why it should

> improve the position of those who are involved in a common design in relation to breach of confidence."

On appeal, the Court of Appeal held that Mr Wright had acted in breach of confidence. With regard to Mrs Magnall's liability, Sir Thomas Bingham MR, who delivered the judgment of the Court of Appeal, having reviewed *Unilever v Gillette*, *Seager v Copydex*, *Attorney-General v Guardian* and other authorities, concluded as follows at 677-678:

> "Knowledge of the process came to Susan Magnall by reason of what has been held to be a breach of confidence by Arthur Wright. It came to her not as a third party new to the scene but as one who had been employed by the company whose confidence had been breached by Arthur Wright and who was involved with him in setting up the rival business.
>
> In those circumstances, and bearing in mind the public interest in the maintenance of confidences, it is just that Susan Magnall should be precluded from disclosing the information to others and the plaintiff is entitled to an injunction against Susan Magnall in the terms sought. If the plaintiff seeks financial relief against Susan Magnall, we shall need to hear further argument before deciding the point."

The upshot of this appears to be that the Court of Appeal granted an injunction against Mrs Magnall because she had notice that the information was confidential and therefore had come under an obligation of confidence, but did not decide whether she was jointly liable with Mr Wright or the company for past misuse of the information. Thus Carnwath J's approach was neither endorsed nor disapproved.

In *Thomas v Pearce* [2000] FSR 718 the claimant operated a letting agency. The first defendant was employed by the claimant, but left to join the second defendant, another firm of letting agents. Before doing so, the first defendant made a list of the claimants' clients. She then disclosed this to Mrs Price, an employee of the second defendant, who used it to notify certain clients that the first defendant was now employed by the second defendant. The claimant succeeded in its claim for breach of confidence against the first defendant, but failed against the second defendant. The judge found that, although Mrs Price must have known of the value of the information, and although a reasonable estate agent would have made further enquiries, Mrs Price had not realised that she was doing anything wrong and had not deliberately shut her eyes and ears to something she would rather not know. The claimant's appeal was dismissed by the Court of Appeal.

As discussed in *Primary v RBS* at [230]-[233], there are a number of problems with this decision. For present purposes, the significance of the decision is that, as Butxon LJ made clear at 720, the Court of Appeal approached the appeal on the footing that the issue was whether Mrs Price was liable as an accessory for the *first defendant's* breach of confidence in disclosing the information to Mrs Price even though the real issue was whether *Mrs Price* had herself committed a breach of confidence in using the information to notify the clients. Perhaps for that reason, the only cases referred to in the judgment of Buxton LJ, who gave the main judgment, are *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 1 AC 378 and *Heinl v Jyske Bank*

(Gibraltar) Ltd [1999] Lloyd's Rep. (Banking) 511. These are both cases on knowing assistance in a breach of trust, a doctrine of accessory liability. Both Buxton LJ and Gage J held that the trial judge had been correct to apply the test for dishonesty stated in *Tan* and that he had been entitled to find that Mrs Price had acted honestly.

In *Campbell v MGN* [2002] EWCA Civ 1373, [2003] QB 633 the defendant newspaper had published an article about the model Naomi Campbell's attendance at a Narcotics Anonymous meeting, illustrated by a photograph. In the Court of Appeal, one of the defendant's arguments was it was not liable for breach of confidence because it had not acted dishonestly. Lord Phillips of Worth Matravers MR, who delivered the judgment of the Court of Appeal, rejected this argument for reasons which is necessary to quote almost in full:

> "66. Where a third party receives information that has been disclosed by his informant in breach of confidence owed to the confider, the third party will come under a duty of confidence to the confider if he knows that the information has been obtained in breach of confidence. This principle is derived from the doctrine that it is equitable fraud in a third party knowingly to assist in a breach of trust, confidence or contract by another: see *Toulson & Phipps, Confidentiality* (1996), p 92, para 7-02 and the cases there cited.
>
> 67. The mental element necessary to render a defendant liable as an accessory to a breach of trust has been refined by the decisions of the House of Lords in *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378 and *Twinsectra Ltd v Yardley* [2002] 2 AC 164. On this jurisprudence Mr Browne constructed an ambitious submission that, in a case such as this, a defendant will only be liable for breach of confidence if (a) he knows that the information that he publishes is confidential and (b) he knows that publication cannot be justified on the ground that it is in the public interest. Thus, so he submitted, an editor who publishes material that he knows is confidential in the mistaken belief that this is in the public interest will not be guilty of breach of confidence. He will only be liable if he has acted dishonestly.
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> 68. We consider that these submissions are misconceived. As *Toulson & Phipps, Confidentiality*, p 92, para 7-03 remarks, while dishonesty is a natural word to use in relation to misappropriation of trust property or misuse of confidential information of a commercially valuable kind, it is not an appropriate word to use in relation to the publication of information about someone's private life in circumstances which would make the publication offensive to any fair-minded person. We consider that the media can fairly be expected to identify confidential information about an individual's private life which, absent good reason, it will be offensive to publish. We also believe that the media must accept responsibility for the decision that, in the particular circumstances, publication of the material in question is justifiable in the public interest.

69. The suggestion that complex tests of the mental state of the publisher have to be satisfied before breach of confidence can be made out in respect of publication of information which violates the right of enjoyment of private or family life is not acceptable. Mr Browne has only been able to advance such a suggestion because of the shoehorning into the tort of breach of confidence of publication of information that would, more happily, be described as breach of privacy.

…

71. Although Mr Browne has not succeeded in persuading us that dishonesty is a necessary requirement before an individual can be held liable for breach of confidence in relation to publication of information about a person's private life ….”

In considering this passage, the starting point is to note that, as in *Thomas v Pearce*, the issue before the court was not whether the defendant was jointly liable as an accessory for another person’s breach of confidence, but whether the defendant was primarily liable for its own use of the information in question. Despite this, Lord Phillips begins at [66]-[67] by appearing to accept that the applicable principle is that stated in *Tan* and *Twinsectra*. These cases (the latter of which was clarified in *Barlow Clowes International Ltd v Euortrust International Ltd* [2005] UKPC 37, [2006] 1 WLR 1476 and *Abou-Rahman v Abacha* [2006] EWCA Civ 1492. [2007] WTLR 1) establish that the defendant’s assistance in the breach of trust must have been dishonest. Nevertheless, Lord Phillips goes on at [71] clearly to reject the proposition that dishonesty is required for liability for breach of confidence. It appears from [68]-[69] that he is applying an objective test. It is fair to say that Lord Phillips was considering “publication of information about a person’s private life”, and that he appears to indicate that the test is different for “confidential information of a commercially valuable kind”; but he does not explain why the latter should be given less protection than the former.

On appeal to the House of Lords, the decision of the Court of Appeal was reversed. As discussed above, the House applied an objective test to determine whether MGN owed Ms Campbell an equitable obligation of confidence and concluded by a majority that it had acted in breach of that obligation. To that extent, therefore, the House’s reasoning is consistent with of the Court of Appeal in the passage cited.

The facts in Vestergaard v Bestnet

For present purposes, the facts in *Vestergaard v Bestnet* may be briefly summarised as follows. Vestergaard was engaged in the development, manufacture and sale of long-lasting insecticidal mosquito nets (“LLINs”), and in particular LLINs made from extruded polyethylene incorporating insecticide and various chemical additives. Dr Skovmand, a consultant engaged by Vestergaard, had carried out research into the effects of different combinations of additives, the results of which were stored in an electronic database referred to as the “Fence” database. Mr Larsen and Mrs Sig were employed by Vestergaard as Head of Production and as a regional sales manager respectively. Mr Larsen was aware of the contents of the Fence

database, but Mrs Sig was not. In Spring 2004 Mr Larsen and Mr Sig decided set up a new business to compete with Vestergaard, and engaged Dr Skovmand to devise a formulation for a polyethylene LLIN which was subsequently marketed under the name Netprotect. In June and July 2004 Mrs Sig and Mr Larsen resigned from Vestergaard. In August 2004 they set up a company called Intection of which Mrs Sig was the sole director. In October 2004 Dr Skovmand and Mr Larsen started trials of some initial formulations for Netprotect which Dr Skovmand had devised using information from the Fence database. Subsequently the formulation of Netprotect was refined. In October 2005 Intection ceased trading and Mr Larsen and Mrs Sig set up Bestnet in its place, again with Mrs Sig as the sole director. At around the same time, Netprotect was launched.

The decisions of the lower courts in Vestergaard v Bestnet

At trial, it was held that the information in the Fence database constituted trade secrets, that Dr Skovmand owed Vestergaard a contractual obligation of confidence in respect of that information and that Dr Skovmand had misused some of the information to develop the initial formulations of Netprotect: see [2009] EWHC 637 (Ch). It was also found that Mr Larsen had known that Dr Skovmand was using information from the Fence database to devise the initial formulations of Netprotect by June 2004, but that Mrs Sig had not known this. It was held that Bestnet, Mr Larsen and Mrs Sig were all liable for breach of confidence: see [2009] EWHC 1456 (Ch), [2010] FSR 2.

Mr Larsen was held to be liable for breach of an express contractual obligation of confidence for the following reasons (at [16]):

> "He was aware of the contents of the Fence database, he was aware of the circumstances which lead to the conclusion that the information from which Dr Skovmand derived the initial Netprotect recipes constituted VF's trade secrets, he knew what Dr Skovmand was doing and he was closely involved in carrying out the October 2004 trials and some of the later trials to develop Netprotect."

Bestnet was held liable for the following reasons:

> "17. VF argue that Bestnet is liable on two alternative bases. First, VF contend that the knowledge of Mr Larsen is to be attributed to Bestnet, and accordingly Bestnet was subject to an equitable obligation of confidence in respect of VF's trade secrets from its incorporation. Secondly, VF contend that Bestnet participated in a common design with Dr Skovmand and IIC and accordingly is jointly liable with them for breach of confidence.
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> 18. In my judgment Bestnet is liable on the first basis in so far as there has been any misuse of VF's secrets since it was incorporated on 20 October 2005. …
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> 19. As to the second basis, the doctrine of joint tortfeasorship is normally applied to common law or statutory torts. Strictly speaking, breach of confidence is not a tort: see *Kitetechnology BV v Unicor GmbH*

Plastmaschinen [1995] FSR 765 at 777-778. (Misuse of private personal information may stand in a different position: see *Campbell v MGN Ltd* [2004] UKHL 22, [2004] 2 AC 457 at [14] per Lord Nicholls of Birkenhead.) On the other hand, breach of confidence has been treated as being analogous to a tort in cases such as *Seager v Copydex Ltd (No 2)* [1969] 1 WLR 809 and *Dowson & Mason Ltd v Potter* [1986] 1 WLR 1419, and it is sufficiently akin to a tort to be dealt with in textbooks on tort such as *Clerk & Lindsell*. At the risk of being accused of muddling equity and the common law, I believe that it is consistent with equitable principle to hold that a person who participates in a common design with a second person to act in breach of the second person's equitable obligation of confidence is jointly liable with the second person. For this purpose, the principles laid down in cases such as *Unilever plc v Gillette (UK) Ltd* [1989] RPC 583 at 608-609 may be applied. In so holding, I am following the approach of Carnwath J (as he then was) at first instance in *Lancashire Fires Ltd v S.A. Lyons & Co Ltd* [1996] FSR 629 at 650-651. The Court of Appeal at 675-678 did not reach any clear conclusion as to the correctness of this approach, but concentrated on the different question of whether an injunction should be granted against a recipient of the confidential information ….

20. In the present case, however, I have held that Dr Skovmand acted in breach of a contractual obligation of confidence, not an equitable obligation of confidence. Accordingly, the analysis set out in the preceding paragraph is not applicable."

Mrs Sig was held liable for the following reasons:

"24. Mrs Sig was subject to an express obligation of confidentiality contained in clause 8 of her contract of employment. This obligation explicitly continued after termination of her employment. … Although Mrs Sig was not personally involved in devising the initial Netprotect recipes or carrying out the trials, she was closely involved in setting up both Intection and Bestnet and in the commercial side of the development of Netprotect. In my judgment, this is sufficient to render her liable for breach of her own obligation of confidence.

25. Counsel for the Defendants submitted that Mrs Sig could not be liable for breach of confidence absent a finding that she knew that the initial Netprotect recipes were derived from the Fence database. I do not agree. A person can be liable for breach of confidence even if he is not conscious of the fact that what he is doing amounts to misuse of confidential information: see *Seager v Copydex Ltd* [1967] 1 WLR 923. I would agree that a person who is not otherwise subject to an obligation of confidence (e.g. by contract) will not come under an equitable obligation of confidence purely as a result of the receipt of confidential information unless and until he or she has notice (objectively assessed by reference to a reasonable person standing in the shores of the recipient) that the information is confidential; but that is a different point."

On appeal, the Court of Appeal upheld the finding that Dr Skovmand had misused Vestergaard's trade secrets in developing the formulation of Netprotect. There was no challenge to the findings that, that being so, Bestnet and Mr Larsen were liable, but Mrs Sig successfully challenged the finding that she was also liable: see [2011] EWCA Civ 424. The key reason given by Jacob LJ (with whom Jackson LJ and Sir John Chadwick agreed) for this conclusion was as follows (at [48]):

> "[Counsel for Vestergaard] relies on *Seager v Copydex*, as did the Judge, to establish his proposition. But there the defendants were actually using the information which had been imparted to them, albeit they were doing so unconsciously. That is not so in the case of Mrs Sig. I do not think *Seager* assists here."

The Supreme Court's decision in Vestergaard v Bestnet

Vestergaard appealed to the Supreme Court against the Court of Appeal's decision that Mrs Sig was not liable. Curiously, the decisions in *British Sky Broadcasting Group plc v Digital Satellite Warranty Cover Ltd* [2011] EWHC 2662 (Ch) (jn which the decision of the Court of Appeal was analysed at [53]-[55]) and *Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* [2012] EWHC 616 (Ch), [2012] RPC 29 (in which the applicable principles were considered at [239]-[252]) were not cited in argument before the Supreme Court. Nor is there any reference in the judgment of Lord Neuberger to any of the commentaries, in particular the leading text *Gurry on Breach of Confidence* (2nd ed, OUP).

In the Supreme Court, Vestergaard advanced three arguments. The first was that Mrs Sig had acted in breach of an express obligation of confidence in her contract of employment (i.e. as had been decided at first instance). The Supreme Court dismissed this argument (at [30]) on the ground that the term in question restricted use of information relating to her employment and knowledge gained in the course of her employment, but the information misused by Dr Skovmand to develop Netprotect was neither of these: it was knowledge gained by Dr Skovmand during the course of his consultancy work. Lord Neuberger added (at [31]) that it would not be proper to imply a term into the contract to the effect that Mrs Sig would not assist another person to misuse Vestergaard's trade secrets in circumstances where she did not know the trade secrets and was unaware that they were being misused.

The third argument was that Mrs Sig had "blind-eye" knowledge that Dr Skovmand was misusing Vestergaard's trade secrets or was at least reckless as to whether that was the case. The Supreme Court dismissed this (at [40]-[43]) on the grounds that no finding of blind-eye knowledge had been made against Mrs Sig and that taking a risk was insufficient for liability.

What is important for present purposes is Vestergaard's second argument. This was that Mrs Sig was liable for participation in a common design with Dr Skovmand and Mr Larsen to design, manufacture and market Netprotect LLINs, i.e. as an accessory. Earlier in his judgment Lord, Neuberger had addressed this possibility as follows at [26]:

> "Further, while a recipient of confidential information may be said to be primarily liable in a case of its misuse, a person who assists her in

the misuse can be liable, in a secondary sense. However, as I see it, consistently with the approach of equity in this area, she would normally have to know that the recipient was abusing confidential information. Knowledge in this context would of course not be limited to her actual knowledge, and it would include what is sometimes called 'blind-eye knowledge'. The best analysis of what that involves is to be found in *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378, especially at pp 390F–391D, where Lord Nicholls of Birkenhead approved the notion of 'commercially unacceptable conduct in the particular context involved', and suggested that 'acting in reckless disregard of others' rights or possible rights can be a tell-tale sign of dishonesty'."

Lord Neuberger rejected Vestergaard's second argument for the following reasons:

"33. I accept that common design can, in principle, be invoked against a defendant in a claim based on misuse of confidential information; I am also prepared to assume that, in the light of the findings made by the judge, Mr Larsen was liable on that ground (as he knew that Dr Skovmand was misusing, and had used, Vestergaard's trade secrets when designing Netprotect). However, I cannot see how Mrs Sig could be so liable, in the light of her state of mind as summarised in para 22 above.

34. As Lord Sumption JSC pointed out in argument, in order for a defendant to be party to a common design, she must share with the other party, or parties, to the design, each of the features of the design which make it wrongful. If, and only if, all those features are shared, the fact that some parties to the common design did only some of the relevant acts, while others did only some other relevant acts, will not stop them all from being jointly liable. In this case, Mrs Sig neither had the trade secrets nor knew that they were being misused, and therefore she did not share one of the features of the design which rendered it wrongful, namely the necessary state of knowledge or state of mind. Accordingly, although she was party to the activities which may have rendered other parties liable for misuse of confidential information, she cannot be liable under common design."

He distinguished *Unilever v Gillette* for the following reasons (at [37]):

> "Patent infringement is a wrong of strict liability: it requires no knowledge or intention on the part of the alleged infringer, whose state of mind is wholly irrelevant to the issue of whether she infringes the patent. Thus, the fact that the alleged infringer did not know of the existence, contents or effect of the patent is completely irrelevant to the question of infringement, even if she had thought the invention up for herself. Accordingly, it is entirely logical that a person who, while wholly innocent of the existence, contents or effect of the patent, is none the less secondarily liable if she assists the primary infringer in her patent-infringing acts. It cannot possibly follow that the same approach is appropriate in a case for a person who assists the primary

> misuser of trade secrets, given that it is necessary to establish the latter's knowledge and/or state of mind (as explained in paras 22–25 above) before she can be liable for the misuse."

Analysis

It is respectfully suggested that, although the Supreme Court was correct to dismiss Vestergaard's second argument, this reasoning is unsatisfactory. The first problem is that it is not entirely clear what test Lord Neuberger is laying down. Is it a requirement that the accessory acted dishonestly? Lord Neuberger does not say so explicitly in this section of his judgment, but, as noted above, *Tan* requires dishonesty. Furthermore, when discussing Vestergaard's third argument, Lord Neuberger does refer to dishonesty being required (at [42] and [43]).

This leads to the second problem. Lord Neuberger rightly does not suggest that dishonesty is required for a finding of primary liability for breach of confidence. If the obligation of confidence is a contractual one, there is plainly no question of dishonesty being required. If the obligation of confidence is an equitable one, then as discussed above Lord Neuberger expressly accepts that the person subject to the obligation may be liable for acting in breach of the obligation even though he is not conscious of doing so. It follows that there can be no requirement of dishonesty for primary liability. (As discussed above, there is a mental element in the test for imposition of an equitable obligation of confidence, but even that involves an objective test and not dishonesty.) Furthermore, as Lord Phillips recognised in *Campbell v MGN*, it would cause serious problems if dishonesty were required. If dishonesty is not required for primary liability, why should dishonesty be required for accessory liability?

This leads to the third problem. Lord Neuberger's reasoning appears to assume that Dr Skovmand was found liable for breach of an *equitable* obligation of confidence, but as noted above he was in fact found to have acted in breach of a *contractual* obligation. That being so, the applicable doctrine of accessory liability would not appear to be either knowing assistance in a breach of trust or participation in a common design to commit a tort, but rather inducing breach of contract. To be liable for inducing breach of contract, an accessory must know that he is inducing a breach of contract. It is not enough that he knows he is procuring an act which, as a matter of law or construction of the contract, is a breach. He must actually realise that it will have that effect. Turning a blind eye is sufficient for this purpose, but negligence is not: see *OBG Ltd v Allan* [2007] UKHL 21, [2008] AC 1 at [39]-[41] (Lord Hoffmann citing the trade secrets case of *British Industrial Plastics Ltd v Ferguson* [1940] 1 All ER 479). Thus knowledge is required for accessory liability for breach of a contractual obligation of confidence. This is why the Supreme Court was correct to dismiss Vestergaard's second argument, albeit for different reasons to those given.

But what if Dr Skovmand had been subject to an equitable obligation? Lord Neuberger accepts that in those circumstances the applicable doctrine of accessory liability is participation in a common design. It may be argued that it would be anomalous not to require knowledge for accessory liability for breach of an equitable obligation of confidence when it is required for accessory liability for breach of a contractual obligation. This raises a difficult question of legal principle and policy, as

to which there is room for reasonable disagreement. It is respectfully suggested, however, that there is an important difference between contractual obligations of confidence and equitable obligations of confidence. A broadly drafted contractual obligation of confidence may be broken even in circumstances where the contract breaker does not know, and a reasonable person standing in the position of the contract breaker would not appreciate, that the information is confidential. The contract breaker is liable as a result of having voluntarily entered into the contract and acted inconsistently with it. In such circumstances, one can see why it would be undesirable to hold an accessory liable without knowledge that the act amounts to a breach of the contract. But an equitable obligation of confidence will not arise if the recipient of the confidential information does not know, and a reasonable person standing his position would not appreciate, that the information is confidential. Furthermore, as discussed in *Primary v RBS* at [236]-[240], the scope of any equitable obligation which does arise will depend on similar considerations. If a recipient of confidential information is subject to an equitable obligation and proceeds to misuse the information in breach of the obligation, he will be liable whether or not he knows that that is what he is doing. If he does so with the active participation of another person, why should the other person not be jointly liable even if the other person does not know that an obligation of confidence is being breached? After all, neither party will be liable unless a reasonable person in the position of the recipient would appreciate that the information is confidential.

It may be objected that there may be circumstances in which the principal knows certain facts, from which a reasonable person would conclude that the information was confidential, but the accessory does not know those facts. The solution to this problem would be hold that neither the principal nor the accessory should be liable unless a reasonable person in the position of that person (i.e. knowing what that person knows) would appreciate that the information is confidential.

The reasoning of Lord Phillips in *Campbell v MGN* suggests that the conclusion depends on whether the information is private personal information or commercially valuable information, but it is respectfully suggest that there is no good reason to treat the two kinds of information differently.

Even if Dr Skovmand's obligation had been an equitable one, and even if the analysis suggested above were accepted, it would not necessarily lead to the conclusion that Mrs Sig should have been found jointly liable as an accessory. She participated in a common design to manufacture and sell Netprotect LLINs in competition with Vestergaard. She was not involved in devising or testing the formulations, however. Accordingly, it would have been open to the court to conclude that she did not participate in a common design to commit the core acts which amounted to misuse of the confidential information.

Postscript: Fish & Fish

The Court of Appeal considered the doctrine of joint tortfeasance through participation in a common design in detail in *Fish & Fish Ltd v Sea Shepherd UK* [2013] EWCA Civ 544, [2013] 1 WLR 3700, a decision handed down just six days before the judgment of the Supreme Court in *Vestergaard v Bestnet*. The Supreme Court has granted the first defendant permission to appeal in *Fish & Fish*. The case does not concern breach of confidence. Furthermore, it presents a rather different

problem to *Vestergaard*: given knowledge of the intended tort on the part of the defendant, what degree of participation in a common design is required for joint liability? Nevertheless, it may be hoped that the appeal will provide the Supreme Court with an opportunity to consider the bases for accessory liability in civil cases in more depth than it did in *Vestergaard*.