



Neutral Citation Number: [2023] EWCA Civ 648

Case No: CA-2022-001719

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION
MANCHESTER DISTRICT REGISTRY
His Honour Judge Bird (Sitting as a High Court Judge)
[2022] EWHC 2151 (QB)

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 12/06/2023

Before:

LADY JUSTICE NICOLA DAVIES
LORD JUSTICE MALES
and
LORD JUSTICE PHILLIPS

Between:

1) **GEO-MINERALS GT LIMITED**
2) **CONOR TENNYSON**

**Respondents/
Claimants**

- and -

1) **KEVIN DOWNING**
2) **COLIN DOWNING**
3) **ROUSE & CO INTERNATIONAL LIMITED**
4) **ROGER JOHN BAINES**

Defendants

Appellant

Roger Stewart KC & Ben Smiley (instructed by Clyde & Co LLP) for the Appellant
Andrew Burns KC & Anna Greenley (instructed by Muldoon Britton) for the Respondents
The 1st, 2nd and 4th Defendants took no part in the appeal

Hearing date: 18 May 2023

Approved Judgment

This judgment was handed down remotely at 10.30am on Monday 12 June 2023 by circulation to the parties or their representatives by e-mail and by release to the National Archives.

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Lord Justice Males:

1. This is an appeal by Rouse & Co International Ltd (“Rouse”), a firm of trade mark attorneys which was originally the fourth and is now the third remaining defendant, against an order of His Honour Judge Bird in which he allowed the claimant respondents to re-amend their Particulars of Claim and dismissed Rouse’s application for strike out/summary judgment. Rouse contends that (1) there is no explanation in the claimants’ pleading of how the breaches of duty complained of caused the loss and damage which the claimants seek to recover and (2) the draft pleading wrongly introduces new causes of action which are barred by limitation.

Background

2. The background is complex and contentious and, on any view, the claimants’ proposed pleading is a rambling and unhelpful document. I set out below a summary of the facts taken from those alleged in the draft pleading, although many of those facts are in dispute.
3. A company called Geotec Construction Ltd (“GCL”), which is now in liquidation, was the owner of a quarry in Northern Ireland. Its directors included the second claimant, Conor Tennyson, who was also the owner of the company, and a man called Martin Gormley. In about 2009 it was discovered that crushed rock from the quarry (“the Product”) was rich in certain minerals which, when used on agricultural land, would have beneficial effects. In order to exploit the commercial potential of this Product, Mr Tennyson and Mr Gormley caused the first claimant (“GT”) to be incorporated, with themselves as its directors and shareholders. GT was to own the sale and distribution rights in the Product, which was to be marketed as “Geo-Minerals”, and would hold all relevant intellectual property rights, including trademarks and a website, www.geo-minerals.co.uk.
4. In late 2010 or early 2011 Kevin and Colin Downing, now the first and second defendants, approached GT with a view to investing in the exploitation of the Product and obtaining marketing and distribution rights in overseas markets. A Heads of Terms document dated 9th May 2011 was agreed, but the Downings did not provide the necessary investment and, as a result, the agreement lapsed. There was also a lockout agreement dated 26th October 2011 by which an option to purchase the quarry for £10 million was granted to the Downings, but this agreement also lapsed when they failed to raise the necessary funds.
5. Meanwhile, on or about 29th March 2011, there was a meeting at Rouse’s offices attended by Conor Tennyson, Martin Gormley, Kevin and Colin Downing, and Mark Foreman, a partner and trade mark attorney at Rouse. At that meeting Rouse was instructed to register relevant trade marks on behalf of GT, which thereby became a client of Rouse. Accordingly Rouse owed duties to GT to act within the scope of its instructions, and to provide its services in accordance with proper professional standards.
6. In December 2011, presumably in the expectation that the sale of the quarry would go ahead, a company called Geo Minerals (Holdings) Ltd (“Holdings”) was incorporated with Colin Downing and Martin Gormley as its original shareholders and directors. In

January 2012 Roger Baines, now the fourth defendant, became the sole shareholder and director, but he held his shares on behalf of Kevin and Colin Downing.

7. In April 2012, however, the claimants decided to end their association with the Downings. By this time they were in discussions with an American investor, a Mr Ed Machado, with a view to concluding an exclusive supply and distribution agreement with him.
8. It is the claimants' case that Kevin Downing, Colin Downing and Roger Baines (together "the Conspiracy Defendants") then conspired together to transfer the entire business of GT, including its valuable trade mark rights, to Holdings. They did so by forging the signature of Martin Gormley, then a director of GT, on what purported to be assignments of GT's trade marks, and indeed of its "entire business", to Holdings. They then provided these assignments to Rouse with instructions to transfer the trade marks registered in the name of GT into the name of Holdings. Rouse then effected the transfers, with the result that the public register of trade marks shows Holdings as the registered proprietor of the "Geo-Minerals" trade marks.
9. The claimants do not suggest that Rouse was a participant in this conspiracy or that it acted dishonestly. On the contrary, they plead that the Conspiracy Defendants' provided the forged documents to Rouse with the intention of falsely representing to Rouse that the trade marks had been assigned to Holdings. However, the claimants' case is that in effecting the transfers to Holdings, Rouse acted without instructions from its client, GT, and failed to act in accordance with the reasonable skill and care expected of a trade mark attorney receiving such instructions. They plead, and have done from the outset, that Rouse was aware or ought to have been aware that GT had not provided authority or instructions to create documents assigning valuable trade marks or any other property rights to Holdings.
10. Initially the claimants pleaded, without giving any detail, that this breach by Rouse of the duties owed to GT caused GT to suffer loss and damage, in that it lost the protection of its trade marks and their economic value, and that it lost the opportunity to market, sell and distribute the Product. After a great deal of procedural skirmishing involving Requests for Further Information, the claimants eventually produced a "Schedule of Loss" in which they set out details of their claim. In this document they explained among other things that any United States business (including Mr Machado) with which they attempted to negotiate for the exploitation of the Product was threatened by the Conspiracy Defendants with legal action and the threat of an injunction in reliance on the trade marks registered in the name of Holdings; that Rouse had written to the claimants' web hosting company demanding that the website be taken down, as a result of which the claimants lost their main source of advertising; and that as a result neither the proposed deal with Mr Machado nor any other exploitation of the Product ever went ahead.

The proposed re-amendment

11. By the proposed re-amendment to the Particulars of Claim the claimants (1) give further particulars of their dealings with the Conspiracy Defendants and Rouse, (2) explain the circumstances in which GCL came to be wound up and the quarry was sold after it had been abandoned for several years, with considerable remedial work being required before it could go back into production, (3) plead that Rouse owed

duties under the Institute of Trade Mark Attorneys' Code of Conduct (it having previously been alleged in error that Rouse was a firm of solicitors, owing broadly equivalent professional duties), (4) plead additional ways in which Rouse acted contrary to GT's interests or instructions, including that Rouse knowingly created a conflict of interest in acting for both GT and Holdings, that it had sought to advance the interests of the Conspiracy Defendants by ensuring that the transfer of the trade marks and business of GT to Holdings took effect and that "Holdings was cemented as the successor to the business", and demanding that GT's website be taken down as it used Holdings' trade marks, and (5) plead that Rouse's actions "provided an authoritative public platform for [the Conspiracy Defendants] to routinely make representations to third parties that they own the entire business and intellectual property rights and to take associated actions" whereby they threatened those with whom GT was attempting to negotiate for the exploitation of the Product.

12. Rouse objected to some aspects of the proposed re-amendment. In particular it objected that the pleading failed to plead a case of causation against it, and that the re-amendment introduced new causes of action after the expiry of the limitation period, the proceedings having been commenced in April 2018 at the very end of that period.

The judgment

13. The judge held that on a fair reading of the draft pleading, the pleaded case on causation was clear, albeit that it could have been simplified:

"40 ... At its heart, GT's case is that it was ideally placed to enjoy very substantial profits from its sole and exclusive rights to sell a valuable, highly sought-after, product. If Rouse and the [Conspiracy Defendants] had not acted in the way they did, effectively depriving the Claimants of its rights, those substantial profits would have been realised."

14. The judge said that he reached this conclusion taking account of relevant parts of the Schedule of Loss, but that even without that Schedule the pleading made it plain that GT had lost the opportunity to make profit from the exclusive right to sell the Product. He accepted, however, that there was no pleaded basis for concluding that Mr Tennyson (as distinct from GT) had suffered loss and that any damages claim by him should be struck out. There is no challenge to this latter decision.
15. As to limitation, the judge analysed the paragraphs of the draft pleading to which objection was taken in some detail and compared them with the allegations in the original pleading. There was no dispute that the amendments were made outside the limitation period, and accordingly the questions arising were whether they added new causes of action and, if they did, whether the new cause of action arose out of the same or substantially the same facts as were already in issue. The judge held that although the amendments introduced new duties, by reference to the fact that Rouse is a trade mark attorney rather than a firm of solicitors, the substance of the duties relied on was the same, while the new particulars of breach did not differ substantially, but merely provided further examples of what was already pleaded. In summary, therefore, no new cause of action was pleaded:

“55. The proposed re-amendments simply set out further instances of allegations which are already in issue. The relevant matters concern:

(a) Rouse’s provision of information to third parties about the identity of the party who had the right to sell and exploit the Product and use the relevant IP rights (paragraphs 108(a); (k)(1); (k)(5) and (k)(6) set out further examples).

(b) Rouse having conflicting duties to [the Conspiracy Defendants] and to GT but preferring the interests of [the Conspiracy Defendants] (instances are at paragraph 108(j) and (k)).

(c) A summary at paragraph 108 which pulls together under one heading how the actions of [*sc.* and] failures of Rouse are said to have supported and assisted the wrongdoings of [the Conspiracy Defendants].”

16. Alternatively, the judge held that the re-amendments to which objection was taken arose out of the same or substantially the same facts as were already pleaded. He added, as “a common sense check”, that if permission for the re-amendments was given, Rouse would not need to embark on any new investigation over and above what was already in issue.
17. Accordingly, as a matter of discretion, the judge gave permission for the re-amendments to be made. He also rejected arguments by Rouse that the claimants’ delay in progressing the claim amounted to an abuse of process.

The appeal

18. There are three grounds of appeal, namely that the judge erred in deciding (1) that the claimants’ case on causation was adequately pleaded; (2) that the claimants’ proposed amendments were not barred by limitation; and (3) that the amendments should be allowed and the claim should not be summarily dismissed. However, the third ground is consequential on the first two and no more need be said about it.

Causation

19. As to causation, Mr Roger Stewart KC for Rouse submitted that although causation is a necessary ingredient of the claimants’ cause of action, no proper causation case is set out: the claimants do not say how the various losses claimed are said to have been caused by Rouse’s breaches of duty, while the loss and damage alleged does not flow naturally from the alleged breaches. In particular, if (as the claimants allege) the assignments by GT were forged, they were ineffective to transfer GT’s business or trade marks to Holdings and therefore GT suffered no loss. Mr Stewart identified two “key errors” in the judgment:

- (1) The first was that the judge had relied on the Schedule of Loss in reaching his conclusion, but that was not the appropriate place to set out a case on causation, it was unclear whether the claimants sought to maintain reliance on the Schedule of

Loss and, moreover, the Schedule of Loss was in various respects inconsistent with the draft pleading.

- (2) The second “key error” was that the judge had relied on an agreement dated 5th April 2011 between GCL and GT, when that agreement had not formed any part of the claimants’ case in response to Rouse’s application for striking out/summary judgment, while the plea that Rouse had provided “an authoritative public platform” for the alleged conspirators to take action vis-à-vis third parties failed to explain how the claimants’ loss had been caused.
20. The basic requirements for clarity and precision in pleadings, so that a party can know the case it has to meet, are well known and were not in dispute.
21. I have some sympathy with Mr Stewart’s criticisms of the Schedule of Loss. It does indeed appear to be inconsistent in some respects with the claimants’ draft pleading and, so far as I can see, the claimants failed, until the hearing of the appeal, to make clear what, if any, continuing status it was intended to have as a statement of their case. However, at the hearing Mr Andrew Burns KC for the claimants stated unequivocally that the Schedule of Loss is superseded in its entirety by the proposed Re-Amended Particulars of Claim. Going forward, therefore, it forms no part of the claimants’ pleaded case.
22. Despite this sympathy, I do not accept that the judge made either of the “key errors” on which Mr Stewart relied. While he did say that he took into account parts of the Schedule of Loss, and that he understood that the two documents were intended to be read together, he also said that “the [Draft Re-Amended Particulars of Claim] at paragraph 111 make plain that GT has lost the opportunity [to] make profit from the exclusive right to sell the Product”.
23. In my judgment the claimants’ case on causation is sufficiently clear from the Draft Re-Amended Particulars of Claim considered on its own. That case is, in a nutshell, that as a result of the wrongful transfer of the trade marks to Holdings and the other conduct by Rouse of which the claimants complain, the Conspiracy Defendants were enabled to scare off potential business partners with whom the claimants were negotiating or with whom they would have been able to negotiate to exploit the Product, and that in some respects Rouse joined in this “scaring off” exercise, by threatening litigation in reliance on the trade marks which had been transferred to Holdings. The “authoritative public platform” refers to the publicly available trade marks register, which meant that the Conspiracy Defendants could make their threats, secure in the knowledge that those threatened who sought to check the position would see that the trade marks did indeed belong to Holdings. The claimants’ case is that, as a result of these threats, they lost the profits which they would have made from one or more of the four opportunities identified at paragraph 111(e) of the pleading. That is essentially the case which was previously pleaded in the Schedule of Loss, albeit that the phrase “authoritative public platform” was not used there.
24. I agree with the judge that Rouse knows or is in a position to know what case it has to meet. That case may or may not succeed, but it is sufficiently clear what the claimants are saying.

Limitation

25. The relevant principles in respect of amendments which are outside a statutory limitation period are governed by section 35 of the Limitation Act 1980 and CPR 17.4. There is a four stage test, as explained in *Ballinger v Mercer Ltd* [2014] EWCA Civ 996, [2014] 1 WLR 3597 at [15] and *Mulalley & Co Ltd v Martlet Homes Ltd* [2022] EWCA Civ 32 at [38]:
- (1) Is it reasonably arguable that the opposed amendments are outside the applicable limitation period?
 - (2) Did the proposed amendments seek to add or substitute a new cause of action?
 - (3) Does the new cause of action arises out of the same or substantially the same facts as are already an issue in the existing claim?
 - (4) Should the Court exercise its discretion to allow the amendment?
26. Only the second and third stages are in issue in the present case. It is common ground that the amendments were made after the expiry of the limitation period, while Rouse accepts that, if the judge was right in his conclusions at the second and third stages, he was entitled to exercise his discretion to allow the amendments.
27. As to the second stage, it was common ground that the applicable principles were as set out by Mr Stephen Morris QC in *Diamandis v Wills* [2015] EWHC 312 (Ch), drawing on earlier authority and in particular summarising what Lord Justice Longmore had said in *Berezovsky v Abramovich* [2011] EWCA Civ 153, [2011] 1 WLR 2290 at [59] to [69]. I omit the citations:
- “(1) The ‘cause of action’ is that combination of facts which gives rise to a legal right; (it is the ‘factual situation’ rather than a form of action used as a convenient description of a particular category of factual situation ...
- (2) Where a claim is based on a breach of duty, whether arising in contract or tort, the question whether an amendment pleads a new *cause of action* requires comparison of the unamended and amended pleading to determine (a) whether a different duty is pleaded (b) whether the breaches pleaded differ substantially and (c) where appropriate the nature and extent of the damage of which complaint is made ... (Where it is the same duty and same breach, new or different loss will not be new cause of action. But where it is a different duty or a different breach, then it is likely to be a new cause of action).
- (3) The cause of action is every fact which is material to be proved to entitle the claimant to succeed. Only those facts which are material to be proved are to be taken into account; the pleading of unnecessary allegations or the addition of further instances does not amount to a distinct cause of action. At this stage, the selection of the material facts to define the cause of action must be made at the highest level of abstraction. ...

(4) In identifying a new cause of action the bare minimum of essential facts abstracted from the original pleading is to be compared with the minimum as it would be constituted under the amended pleading ...

(5) The addition or substitution of a new loss is by no means necessarily the addition of a new cause of action ... Nor is the addition of a new remedy, particularly where the amendment does not add to the 'factual situation' already pleaded ...”

28. As to the third stage, again it was common ground that the position was correctly set out in *Diamandis v Wills* at [49] (again with citations omitted):

“49. As regards Stage 3, (*‘arising out of the same or substantially the same facts’*) a number of points emerge, particularly from *Ballinger* at [34] to [38]:

(1) "Same or substantially the same" is not synonymous with "similar".

(2) Whilst in borderline cases, the answer to this question is or may be substantially a 'matter of impression', in others, it must be a question of analysis ...

(3) The purpose of the requirement at Stage 3 is to avoid placing the defendant in a position where he will be obliged, after the expiration of the limitation period, to investigate facts and obtain evidence of matters *completely outside the ambit of and unrelated to* the facts which he could reasonably be assumed to have investigated for the purpose of defending the unamended claim.

(4) It is thus necessary to consider *the extent to which* the defendants would be required to embark upon an investigation of facts which they would not previously have been concerned to investigate ... At Stage 3 the court is concerned at a much less abstract level than at Stage 2; it is a matter of considering the whole range of facts which are likely to be adduced at trial ...

(5) Finally, in considering what the relevant facts are in the original pleading a material consideration are the factual matters raised in the defence ...”

29. These were the principles which the judge applied.

30. Mr Stewart submitted that the draft pleading introduces new alleged obligations under the Trade Mark Attorney's Code of Conduct, specifically duties relating to "Integrity" and "Conflict of Interest", which had not previously been asserted; and that it also introduces new allegations of breach of duty allegedly committed at times different from the existing allegations of breach. He submitted that the judge had adopted too

broad-brush an analysis, and referred to the judgment of Lord Justice Millett in *Paragon Finance Plc v D B Thakerar & Co* [1999] 1 All ER 400, 406, holding that “an amendment to make a new allegation of intentional wrongdoing by pleading fraud, conspiracy to defraud, fraud and breach of trust or intentional breach of fiduciary duty where previously no intentional wrongdoing has been alleged constitutes the introduction of the new cause of action”.

31. Viewing the matter at a high level of abstraction, as required by the authorities, I consider that the judge was right to conclude that the amendments do not introduce any new cause of action. The judge carried out a detailed analysis of the pleading, comparing the amendments with what had previously been pleaded. It is unnecessary to repeat that analysis, with which I agree. The existing pleading was to the effect that Rouse owed the conventional duties which would be owed by a trade mark attorney (albeit that these were wrongly characterised as solicitors’ duties due to the error as to Rouse’s status) and that it was in breach of those duties by transferring the trade marks from GT to Holdings without instructions from GT and in breach of its duty of care and skill. It has always been part of GT’s case that Rouse was aware or ought to have been aware that GT had not provided authority or given instructions for the transfer to Holdings. The allegation that Rouse “knowingly” created a conflict of interest adds little or nothing to that existing allegation. Similarly, the allegation that Rouse “actively sought to advance the interests of [the Conspiracy Defendants]” by warning third parties that they might receive communications from the claimants’ solicitors disputing the transfer of the trade marks does not differ substantially from, or add anything of substance to, what is already pleaded, while the allegation that Rouse demanded that the claimants’ website be taken down had already been pleaded elsewhere.
32. However, if I am wrong to conclude that the amendments do not introduce any new cause of action, I agree with the judge that they arise out of the same or substantially the same facts as already pleaded, for the reasons which he gave.

Conclusion and final comments

33. For these reasons I would dismiss the appeal.
34. I add two further points. The first is that the judge’s order not only gave the claimants permission to make the amendments sought, but also gave them “permission to simplify the pleading”. In purported compliance with that order, the claimants then served a “Revised Re-Amended Particulars of Claim”, which was at least slightly shorter than the previous version, but which appears not fully to reflect what the judge had in mind (it appears, for example, still to include phrases such as “including but not limited to” and to introduce at least one new allegation). Dispiritingly, there have already been Requests for Further Information directed to that revised pleading. In this judgment I have focused on the Draft Re-Amended Particulars of Claim as it stood at the time of the hearing before the judge, not on the Revised version whose status is in dispute. Although in many ways the Draft Re-Amended Particulars of Claim is not a satisfactory document, it seems to me that the parties need now to make some progress towards the trial of this claim by getting on with disclosure and preparation of witness statements, rather than indulging in further skirmishing about the state of the pleadings.

35. Finally, we were told that at one stage the parties had come close to agreeing to mediate with a view to resolving this dispute. I would strongly encourage such a course.

Lord Justice Phillips:

36. I agree.

Lady Justice Nicola Davies:

37. I also agree.