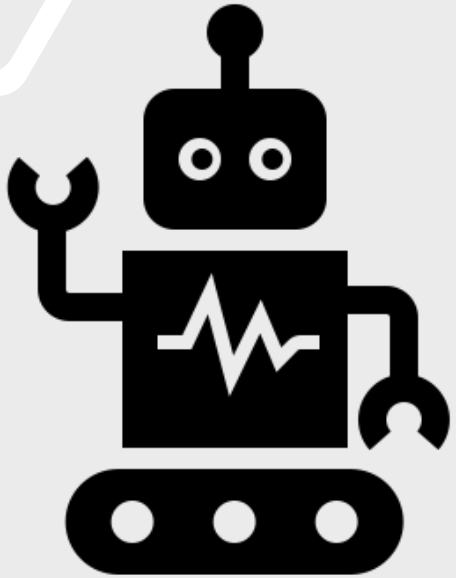
Competition Law Association
British Group of the
Ligue Internationale du Droit de la Concurrence
(International League for Competition Law)

After the Robots

How strong is “without prejudice” protection?



Kathryn Pickard

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The without prejudice rule

"…busy practitioners are acting prudently in making the working assumption that the rule, if not 'sacred'…has a wide and compelling effect"

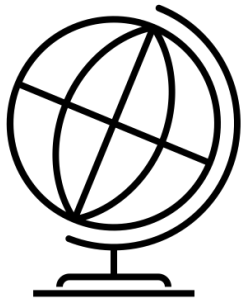
"Parties cannot speak freely at a without prejudice meeting if they must constantly monitor every sentence, with lawyers or patent agents sitting at their shoulders as minders"

per Robert Walker LJ,

Unilever v Procter & Gamble [2000] 1 WLR 2436

Recent decisions

Multi-jurisdictional dispute

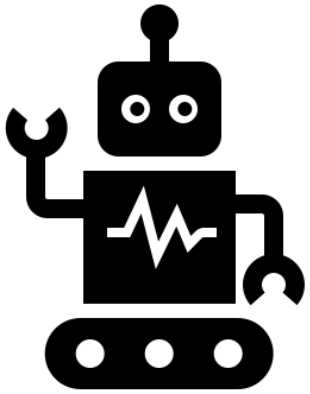


AutoStore v Ocado [2022] 1 WLR 561

Unambiguous impropriety

Motorola v Hytera [2021] QB 744

AutoStore v Ocado



Robot warehousing technology

Multi-national patent dispute

Interim injunction - restrain deployment of a document in proceedings before the US ITC

The London Discussions:

CONFIDENTIAL & WITHOUT PREJUDICE
PROVIDED FOR PURPSOES OF SETTLEMENT NEGOTIATIONS ONLY

"[X] stated that this meeting was a continuation of the confidential and without prejudice discussions between Ocado and AutoStore and that any US law discussions were to be governed by rule 408 of the rules of evidence. The parties agreed that there was no intention to waive privilege"

US Rule 408: Compromise Offers and Negotiations

(a) Prohibited uses. Evidence of the following is not admissible – on behalf of any party – either to prove or disprove the validity or amount of a disputed claim or to impeach by a prior inconsistent statement or a contradiction:

(1) Furnishing, promising, or offering – or accepting, promising to accept, or offering to accept – a valuable consideration in compromising or attempting to compromise the claim;

(2) Conduct or a statement made during compromise negotiations about the claim – except when offered in a criminal case and when the negotiations related to a claim by a public office in the exercise of its regulatory, investigative, or enforcement authority.

(b) Exceptions. The court may admit this evidence for another purpose, such as proving a witness's bias or prejudice, negating a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution

The problem:

- AutoStore brought proceedings before the US ITC seeking to prevent the importation of robots into the US which it said infringed its patents
- Ocado pleaded numerous defences, including equitable estoppel
- AutoStore wished to deploy evidence in relation to the London Discussions by way of rebuttal
- Could Ocado prevent this?

The interim injunction application:

"Pending the hearing of the trial…the claimant…shall be restrained from using any information arising from negotiations that took place between the parties…in any proceedings, including before the US ITC"

28th May 2021:	interim injunction granted *ex parte*
11th June 2021:	return date – interim injunction discharged
1st July 2021:	expedited appeal – first instance decision upheld
August 2021:	US ITC proceedings

Cause of action:

- Breach of contract / breach of confidence
- Agreement that:
    - Information from London Discussions, including documents, would not be used in any legal proceedings, whether in the UK or elsewhere; and
    - English law was governing law.

Relevant test?:

- Common ground that not ‘serious issue to be tried’ (*American Cyanamid*)

- Ocado:
  - Underlying merits? (*Cambridge Nutrition v BBC* [1990] 3 All ER 523)
  - Clear breach of negative covenant? (*Araci v Fallon* [2011] EWCA Civ 668)

- AutoStore:
  - Likely to succeed? (s.12(3) HRA 1998)
  - High degree of probability of success? (anti-suit injunction)

Underlying merits:

- Where outcome of an interim injunction application is likely to be decisive of the action as a whole, either way, then court should take into account strength of parties' respective cases on the merits
- HHJ rejected test:
- *If* interim injunction granted, then decisive in Ocado's favour
- But *if* interim injunction refused, argument on admissibility could still be heard by the US ITC

Araci v Fallon:

"Where the defendant is proposing to act in clear breach of a negative covenant, in other words to do something which he has promised not to do, there must be special circumstances (e.g. restraint of trade contrary to public policy) before the court will exercise its discretion to refuse an injunction"

per Jackson LJ

HHJ Hacon rejected test:

- What had the parties agreed not to do?

s.12(3) HRA 1998:

- *S v A* [2018] EWHC 2144 (Ch) – Henry Carr J
- Cf. *Awbrey Technical Solutions v Karson Management* [2019] EWHC 233 (Comm)

HHJ Hacon rejected test:

- Information would not be disclosed publicly, but subject to a protective order
- Document not of a journalistic, literary or artistic nature

Anti-suit injunction:

- *Times Trading v National Bank of Fujairah* [2020] EWHC 1078 (Comm):
  - Jurisdiction to grant an anti-suit injunction to be exercised with caution
  - Standard of proof = 'a high degree of probability that there is an arbitration agreement which governs the dispute in question'
- Here: injunction sought would remove from the US ITC an issue over which it had potential jurisdiction i.e. admissibility of evidence under US Rule 408
- Not an exact parallel, but potential to interfere with the conduct of the US ITC proceedings - therefore the test to be applied

Application of test (1):

- High probability that agreement not to disclose?
- Ocado relied upon previous authority:

"it is very strongly arguable, and indeed probable, that the without prejudice communications are indeed governed by an implied agreement that they will not be used in the current or any subsequent litigation between the same or related parties"

per Lloyd J

David Instance v Denny Bros Printing Ltd [2000] FSR 869

Application of test (2):

- To extent that the parties had agreed that their discussions should be without prejudice as governed by English law, there was an implied agreement not to disclose in other proceedings (including US ITC)
- But: did the English without prejudice rule cover matters subject to US law, including the document?
- Not possible to say with a high degree of probability – injunction refused

Appeal:

- Focus on two issues:
    - Correct test?
    - Did Ocado meet that test?
- 2:1 majority upheld HHJ Hacon:
    - Sir Geoffrey Vos MR & Nicola Davies LJ
    - Nugee LJ dissenting

Sir Geoffrey Vos MR:

"…a reference to FRE 408 in the context of a debate about US matters between the parties can only, I think, have meant that its provisions were intended to apply to any future attempt to admit parts of the "US law discussions", including the Document, into any future proceedings.

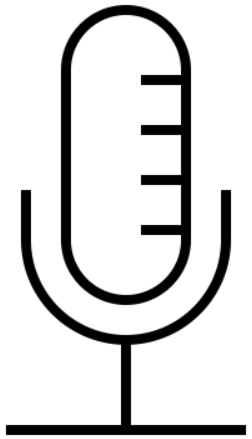
Viewed in this way, it seems to me that the provision in the minutes was a clear qualification to the overall without prejudice blanket covering the discussions"

"…there is…an analogy with the situation with which the court deals in considering the grant of an anti-suit injunction…

…The judge in the ITC would be deprived of deciding whether an exception to FRE 408 applied so as to allow AutoStore to admit the Document on the question of the alleged equitable estoppel. Moreover, Ocado had itself stipulated for the application of FRE 408. It seems, in those circumstances, particularly unjust that it should now be able to sweep away the application of FRE 408 in precisely the kind of proceedings to which it must have apprehended it might in the future be relevant."

“First, I would expect AutoStore to establish at trial that the agreement was varied at the third meeting…Secondly, that variation necessarily imports an understanding that it would be up to a US court to decide upon the admissibility of materials discussed at the London meetings into US proceedings within the provisions of FRE 408. Thirdly, in those circumstances, however blanket the “without prejudice” agreement may have been, it did not include decisions that would fall to be made in future US proceedings. In short, FRE 408 is inconsistent with an agreement as to the application of English without prejudice rules”

Motorola v Hytera



Two-way digital radio technology

US proceedings for theft of trade secrets – jury award of US$345m (compensation) + US$418m (punitive damages)

Freezing injunction – could statements made in settlement discussions be relied upon?

Was there a risk of dissipation of assets?:

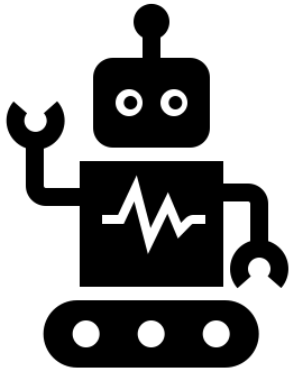
- Critical issue = admissibility of statements made at without prejudice meetings in US
- Common ground that English law applied to the issue of admissibility
- Question: did the 'unambiguous impropriety' exception apply?
  - *Savings & Investment Bank v Fincken* [2003] EWCA Civ 1630
  - *Ferster v Ferster* [2016] EWCA Civ 717
- Jacobs J held evidence was admissible because a 'good arguable case' that impropriety (i.e. threat to deal with assets in order to frustrate a judgment)

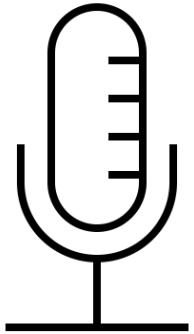
On appeal:

- What was the proper test for admissibility of evidence?
- CA (Lewison, Males and Rose LJJ) unanimously held that ‘good arguable case’ was not the test
- Correct test = did the evidence establish an unambiguous impropriety?
- On facts, stringent test was not met

Males LJ:

> *"the courts have consistently emphasised the importance of allowing parties to speak freely in the course of settlement negotiations, have jealously guarded any incursion into or erosion of the without prejudice rule, and have carefully scrutinised evidence which is asserted to justify an exception to the rule. Although the unambiguous impropriety exception has been recognised, cases in which it has been applied have been truly exceptional, and…there has been no scope for dispute about what was said…*"





Practice Points

English without prejudice rule remains strong, with only limited exceptions

Motorola v Hytera confirms ‘unambiguous impropriety’ exception is ‘truly exceptional’

<u>But</u> need to ensure that covered by the English rule