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High Court finds prior disclosures in Russia to be non-confidential – AutoStore v Ocado

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His Honour Judge Hacon handed down judgment in *AutoStore v Ocado* on 30 March 2023. The case was atypical in that it had a split trial: the first part of the trial considered whether AutoStore's patents (EP 794 and EP 027) were rendered invalid by prior disclosures made in Russia, the second part considered "technical issues" relating to infringement and inventive step. Given the unusual analysis required on the prior disclosure issue, this article focusses on the court's findings on that aspect of the case. In particular, in a situation where at the time of the disclosures there was no contractual relationship between the relevant entities, the Court had to determine not whether the disclosures had been made, but whether they had been made without obligations of confidence.

Background and patents in suit

AutoStore is a Norwegian company whose patents related to its automated system for storing and retrieving containers in a warehouse. The patents provided a method that increased the density of storage possible, therefore enabling a saving in warehouse size and costs. Ocado is a well-known UK grocery business and former customer of AutoStore. Ocado developed a system which was alleged to infringe AutoStore's "Central Cavity" patents (EP 794 and EP 027) both of which had a 10 December 2012 priority date. The Central Cavity in these patents was a feature of the robots that retrieved the containers as part of the storage solution.

In addition to the prior disclosure arguments described below, Ocado sought declarations of non-infringement (DNIs) in relation to various forms (both modified and unmodified) of its robots and was partially successful. Ocado also raised, though without success, an argument that EP 794 and EP 027 were invalid for obviousness over a single piece of prior art.

Two further patents (EP 824 and EP 481) were also considered in the judgment. Ocado successfully sought DNIs in respect of these patents, but no issue of validity was raised in relation to either of these patents.

Validity of EP 794 and EP 027 – Prior Disclosure in Russia

The prior disclosure case involved two disclosures (the "2010 Email" and the "2011 Meeting") made before the 2012 priority date, which related to work that AutoStore was involved in together with a Russian company, EVS, as part of providing a storage solution for the Bank of Russia. The 2010 Email was sent by AutoStore's vice president for sales to EVS. The 2011 Meeting was a

meeting in September of that year which involved the Bank of Russia, AutoStore and EVS. Both disclosures provided information on a storage solution for the Bank of Russia which was designated the "Bank Bot Design". EVS and AutoStore had subsequently entered into a contract (the "Distribution Agreement") governing their work together, but this was after both the 2010 Email and 2011 Meeting.

There was no dispute that the Bank Bot Design had been disclosed, nor that if it had been disclosed without any obligation of confidence, that the Central Cavity Patents would lack novelty and/or inventive step. What was crucial, therefore, was whether as AutoStore argued, EVS was under an obligation of confidence not to disclose information from the 2010 Email and the Bank of Russia was under an obligation of confidence not to disclose information from the 2011 Meeting. Alternatively, did the disclosures of the Bank Bot Design involve no obligations of confidence and thus did the disclosures make the inventions of EP 794 and EP 027 available to the public (using the language of subsection 2(2) of the Patents Act 1977).

Hacon J noted at paragraph 228 that the criterion of being "*made available to the public*" in section 2(2) "*is not affected by the place where the disclosure of any matter occurs, or by the domicile or location of either the discloser or recipient of the disclosure*" although it may be influenced by foreign law. In this case that issue was made more complicated by the fact that the parties disputed which foreign law should be applied. Indeed there was even a dispute as to the law which should be applied in order to decide which foreign law was applicable. Readers are probably beginning to understand why this aspect of the dispute merited a split trial!

Hacon J notes at paragraphs 263 and 264 that Rome I[1] would apply where a party relied on an express or implied contractual restriction relating to the disclosure of information, and simply required the English court to apply the law applicable to the contract. However, as noted at paragraph 265, the situation is not so simple in the absence of a contractual obligation. AutoStore argued that in this situation Rome II[2] applied, whereas Ocado argued it did not. In the end, Hacon J agreed with AutoStore, observing that "*art. 1(1) of* "*Rome II states that the Regulation shall apply (subject to specified exceptions) in situations involving a conflict of laws to non-contractual obligations*".

AutoStore further sought reliance on art. 12 of Rome II the "*Culpa in contrahendo*" provision. As Hacon J explained at paragraph 280, "*Culpa in contrahendo* can be translated as "fault in the formation of a contract". Where this doctrine applies, and as set out in art. 12(1) of Rome II "*The law applicable to a non-contractual obligation arising out of dealings prior to the conclusion of a contract, regardless of whether the contract was actually concluded or not, shall be the law that applies to the contract or that would have been applicable to it had it been entered into.*" This suited AutoStore since they wished to argue that Norwegian law applied to the question of whether EVS owed an obligation of confidence in relation to the 2010 Email disclosure and they sought reliance on the fact that the law intended to govern the Distribution Agreement it eventually concluded with EVS, was Norwegian law.

The difficulty with AutoStore's argument was that the 2010 Email was received much earlier in time than the conclusion of the Distribution Agreement. Ocado argued against the application of art. 12(1) on this basis (and others), and the judge ultimately concluded that art. 12(2)(a) in fact applied in the circumstances:

12(2). Where the law applicable cannot be determined on the basis of paragraph 1, it shall be:

(a) *the law of the country in which the damage occurs, irrespective of the country in which the event giving rise to the damage occurred and irrespective of the country or countries in which the indirect consequences of that event occurred*

The country in which damage would have occurred if EVS had breached any obligations of confidence after having received the 2010 Email was Russia. It followed that Russian Law therefore applied to the question of whether any obligations of confidence did in fact arise with respect to the 2010 Email.

However, turning to the 2011 Meeting, the judge held that Art. 12 Rome II did not apply. This was because there were no negotiations between AutoStore and the Bank of Russia (the Distribution Agreement was only between AutoStore and EVS) and the judge was unpersuaded by AutoStore's arguments that art. 12 could be extended to third parties. Citing previous decisions[3], Hacon J came to the conclusion that art. 6(1) of Rome II should apply since any hypothetical breach of confidence by the Bank or Russia would be an act of "unfair competition". The judge's reasons for this, given at paragraph 335, were that "*Such an act would have enabled AutoStore's competitors to compete in a more effective way in the market for automated warehousing systems (a) because AutoStore's ability to obtain patents worldwide would have been restricted and (b) the information conveyed by the Bank Bot Designs could have been used anywhere. The conditions of competition in the market would be changed as would be, potentially, decisions of customers in the market*."

According to art. 6(1), the applicable law "*shall be the law of the country where the market is, or is likely to be, affected*". Although this could include any "*country or countries in which AutoStore has a market that would be damaged by the hypothetical breach and that of the countries in which AutoStore's ability to patent its technology would have been restricted*" (paragraph 346 of the judgment), Hacon J decided that the "*most effective remedy would very likely have been that which could be afforded by a Russian court on the necessary further hypothesis that the Russian court would have heard AutoStore's claim*" (paragraph 353 of the judgment).

In relation to both the 2010 Email and 2011 Meeting it was therefore Russian law which had to be applied so as to determine whether EVS or the Bank of Russia had been under obligations of confidence when the information on the Bank Bot Design was disclosed. The judge heard evidence from both parties' experts on Russian law and came to the conclusion that obligations of confidence could only have been established if the relevant parties entered into an express contract of confidentiality. In this case such an express contract had not been entered into and the disclosures made in the 2010 Email and 2011 Meeting were therefore without obligations of confidence. Accordingly, EP 794 and EP 027 were invalid.

In perhaps a cruel twist, Hacon J notes at paragraph 357, that had he been deciding the case under English law, he would have found that an equitable obligation of confidence arose, thus meaning that the patents would have survived (albeit not infringed by most of the robots in the dispute). This was on the basis of the nature of the relevant information and the unambiguous evidence that AutoStore, the Bank of Russia and EVS all clearly understood that the Bank of Russia and EVS were under an obligation of confidence with regard to the Bank Bot Designs. An interesting result for those not familiar with Russian law.

[1] Regulation (EC) No. 593/2008 of 17 June 2008

[2] Regulation (EC) no. 864/2007 of 11 July 2007

[3] In particular *The Racing Partnership Ltd v Done Brothers (Cash Betting) Ltd [2020] EWCA Civ 1300* and *Celgard LLC v Shenzhen Senior Technology Material Co Ltd [2020] EWCA Civ 1293*

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