



Neutral Citation Number: [2020] EWHC 2503 (Pat)

Case No: HP-2016-000018

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)
PATENTS COURT

The Royal Courts of Justice
Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Wednesday, 16 September 2020

Before:

THE HONOURABLE MR JUSTICE MARCUS SMITH
(Remotely via Skype)

Between:

(1) ANAN KASEI CO., LIMITED
(2) RHODIA OPERATIONS S.A.S

Claimants

- and -

(1) NEO CHEMICALS & OXIDES (EUROPE)
LIMITED
(2) NEO PERFORMANCE MATERIALS, INC
(a company incorporated under the laws of Ontario,
Canada)

Defendants

MR MILES COPELAND (instructed by **Hogan Lovells International LLP**) for the
Claimants

MR ADAM GAMSA (instructed by **Bird & Bird LLP**) for the **Defendants**

Approved Judgment

Transcript of the Stenograph Notes of Marten Walsh Cherer Ltd
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Mr Justice Marcus Smith:

1. I have before me an application by the Defendants herein (together, **Neo**) regarding the framing or formulation of a confidentiality ring intended to protect certain highly confidential documents that have been disclosed by the Claimants (together, **Rhodia**) in these proceedings.
2. The order that is sought is framed in the following terms by Neo in the draft order that is before me:

“Kevin Morris be permitted to have disclosed to him the confidential witness statement of Edward Mackay and the confidential annex to the Claimants’ Points of Claim on the terms set out in the letter dated 13 July from Hogan Lovells LLP to Bird & Bird LLP.”
3. I shall refer to the documents in issue – and, as can be seen, as matters stand these documents are relatively narrow in scope – as the **Confidential Material**. There is no dispute between the parties that the Confidential Material is highly confidential to Rhodia. Before me, that was accepted by Neo. There may have been some suggestion, in the past, that Neo did not accept that the Confidential Material was as confidential as Rhodia was suggesting. But that contention was not maintained before me; and I proceed on the basis that this is highly confidential material to Rhodia; and that it would be damaging to Rhodia were the confidentiality of the Confidential Material to be breached.
4. It is necessary to provide some context:
 - i) The trial on liability in these proceedings took place in January 2018 and, in a judgment handed down on 23 April 2018, Mr Roger Wyand, QC, held that the patent in suit was valid and infringed. There was an appeal of that judgment. The appeal was dismissed.
 - ii) The present proceedings concern an inquiry as to damages, that being the remedy Rhodia elected after the provision, by Neo, of certain pre-election disclosure. In the pleadings, Rhodia claims for loss of profits.
 - iii) The Confidential Material goes to those claims. Self-evidently, since it is provided by Rhodia in support of its claim, the Confidential Material is relevant to these proceedings, and I do not understand Rhodia to contend otherwise. It would be remarkable (and, indeed, incredible) for Rhodia to contend for irrelevance, given that this is material Rhodia has adduced in support of the damages claim.
5. Rhodia is prepared to allow – and has allowed – Neo’s lawyers and accounting experts to consider the Confidential Material, albeit subject to the terms of a confidentiality ring. What Rhodia is not prepared to allow is for anyone within Neo – apart from the lawyers and the experts admitted to the confidentiality ring – to see or consider the Confidential Material. In short, Rhodia is (in the first instance) contending for a confidentiality ring that excludes Neo and admits only the persons instructed by Neo to

the confidentiality ring.¹ As an alternative, Rhodia contends that someone other than Mr Morris should be admitted to the confidentiality ring.

6. The courts have long been sensitive to protecting confidential information. Thus, where an otherwise relevant document contains irrelevant material, redaction is permitted; equally, where a document is sensitive to third parties – but not to the parties to the case – a hearing can be conducted without open reference to that document, if necessary in private. Confidentiality rings have come to be used – often in competition and intellectual property proceedings – where a document is (i) relevant but (ii) so sensitive that even the persons involved in the litigation entitled to see the document must be limited to named persons, who are admitted to the confidentiality ring, giving certain undertakings as the price for admission to the ring.
7. It is clearly understood that the foregoing methods of protecting confidential information constitute derogations from the normal regime that have to be justified by reference to factors specific to the case in question. The normal regime is that disclosure of documents takes place, and that the party receiving another’s disclosed documents receives those documents subject to the express undertaking contained in CPR 31.22 of the Civil Procedure Rules to use a disclosed document only for the purpose of the proceedings in which that document has been disclosed.
8. Before ordering a confidentiality ring – even with the consent of the parties to the proceedings – a judge is well-advised to consider carefully the need for such protection of confidential material. That is because confidentiality rings constitute – in theory and (if tightly drawn) also in practice – a form of “closed material” procedure of the sort warned against in the Supreme Court decisions of *Al Rawi* and *Bank Mellat*.² Such processes must be considered with care, because:³
 - i) Certain evidence is not heard in public;⁴
 - ii) Persons who would normally be entitled to see such material (a party to the proceedings) have that access reduced or excluded altogether.

Thus, even where (which is not the case here) the terms of a confidentiality ring are agreed between the parties to the proceedings, the court must be satisfied that the

¹ During the course of submissions, I had not understood Rhodia to be articulating so extreme a position. I had understood Mr Copeland, who appeared for Rhodia, to be distinguishing some of the authorities I consider below, on the basis that Rhodia was prepared to accept someone from Neo in the ring, just not Mr Morris. When, having heard my *ex tempore* ruling in favour of Neo and against Rhodia, Mr Copeland’s first point when seeking permission to appeal was that no-one from Neo should be admitted, I gave brief additional reasons as to why this, more extreme, argument against Neo’s application would also fail. I have, for the sake of clarity and convenience, reviewed the transcript to include this point where it logically arises.

² *Al Rawi v. The Security Service*, [2011] UKSC 34; *Bank Mellat v. HM Treasury (No 2)*, [2013] UKSC 39. See additionally, *R (on the application of Haralambous) v. St Albans Crown Court*, [2018] UKSC 1; *Competition and Markets Authority v. Concordia International Rx (UK) Ltd*, [2018] EWCA Civ 1881.

³ See, in the context of administrative tribunals, *Groupe Eurotunnel SA v. Competition Commission* [2013] CAT 30 at [158]ff on the question of natural justice in this area.

⁴ When material subject to a confidentiality ring is referenced in proceedings, either this is done without mentioning the material in open court or – if reference to the sensitive material cannot be avoided – by excluding from the court those not within the confidentiality ring.

creation of a confidentiality ring is appropriate. In this case, for the reasons I have given, it plainly is.

9. Exclusion of a party to the proceedings from a confidentiality ring obviously requires particularly clear and cogent justification. Thus, in *TQ Delta v. Zyxel*,⁵ Henry Carr J stated:

“21. In my judgment, the authorities discussed above establish that it is exceptional to limit access to documents in the case to external eyes only, so that no representative from the party which is subject to the restriction can see and understand those documents. An external eyes tier does not require justification for the restriction by reference to individual documents. It enables one party to decide to exclude all representatives of the opposite party from access to any document that it chooses, and places the onus on the party seeking access to apply to court to obtain it. That approach, in my judgment, is wrong in principle...

...

24. An external, eyes only, tier enables a blanket exclusion of access by one of the parties to the relevant parts of key documents. This is incompatible with the right to a fair hearing under Article 6 of the European Convention on Human Rights, and with the principles of natural justice. It is incompatible with the obligations of lawyers to their clients. The principles on which solicitors are obliged to act on behalf of clients instructing them require the sharing of all relevant information of which they are aware.”

10. Similarly, Roth J stated in *Infederation v. Google*:⁶

“...In my view, the important points to emerge from the authorities are that: (i) such arrangements [that is, confidentiality rings excluding a client, party to the proceedings] are exceptional; (ii) they must be limited to the narrowest extent possible; and (iii) they require careful scrutiny by the court to ensure that there is no resulting unfairness. Any dispute over admission of an individual to the ring must be determined on the particular circumstances of the case.”

11. Mr Copeland sought to justify the total exclusion of the client from the confidentiality ring on the basis that: (i) actually very few documents were being withheld (*i.e.* the Confidential Material was limited in scope and the generality of documents would be available to Neo); and (ii) that whilst the Confidential Material was relevant to the proceedings and needed to be seen by the lawyers and the experts, there was no need yet for Neo itself to see the Confidential Material.

12. I do not regard these points as in any way sufficient to justify limiting the confidentiality ring to external eyes only. As to this:

- i) The fact that the Confidential Material is limited in scope is to my mind irrelevant. If it can be said that specific characteristics of the material in question render an external eyes only confidentiality ring appropriate, *i.e.* if exceptional circumstances can be demonstrated, then of course the court should consider limiting the confidentiality ring in this way. But the mere fact that the material being kept from the client is limited in size is really neither here nor there. A

⁵ [2018] EWHC 1515 (Ch) at [21]ff.

⁶ [2020] EWHC 657 (Ch) at [42].

single page can be highly material, and it is incumbent on a party seeking an external eyes only ring to explain in the context of that particular document why such an order is appropriate.

- ii) The notion that a document may be relevant to see by a client, “but not yet”, I find a peculiar and difficult to comprehend justification for an external eyes only ring. If it is appropriate for a party’s lawyers and experts to see such material, then the presumption must be that those lawyers and experts are going to need to seek instructions from the lay client.
13. I conclude that the justification for an external eyes only ring has not been made out; and I stress that the burden of the argument rests on the party seeking an external eyes only ring, in this case Rhodia. I can see nothing in the present case to justify so draconian an order.
14. That conclusion was supported by the contentions made by Neo in support of a confidentiality ring that included a client representative of Neo. Those contentions were threefold. In short, it was contended that a client representative needed to be party to the ring:
 - i) In order to give instructions to the legal team retained by Neo. Mr Gamsa, representing Neo, stressed that lawyers could well be placed in a professionally embarrassed position if they could not fully – in accordance with their professional obligations – take their clients’ instructions.
 - ii) In order to plead a response to the claim articulated by Rhodia. Paragraph 20 of Neo’s Points of Defence provides as follows:

“As to §18, Neo cannot plead to Rhodia’s claim that it would have made “an additional profit in the range set out in the confidential annex hereto per kg supplied. This is the approximate range of Rhodia’s annual contribution margin across all supplies over the period 2014 to 2019” because no-one at Neo has been allowed by Rhodia to see the claimed figures, said figures being alleged by Rhodia to be confidential. In the premises, Neo will be making an application to the court requiring Rhodia to provide the figure to Mr Kevin Morris under suitable terms of confidentiality.”
 - iii) In order to consider questions of settlement. This is closely related to the point at paragraph 13(ii) above. Obviously, when articulating a substantive response to a claim, one also considers the extent to which the point should be conceded or agreed.
15. Neo’s submissions regarding the scope of the confidentiality ring – namely, that it should include a client representative – and Neo’s submissions that the client representative should be Mr Morris and not someone else (Rhodia suggested a Mr Suleman) were closely related. It is to that question that I now turn.
16. It seems to me that where a party contends that a particular person should be allowed into the confidentiality ring, the court should be slow to second guess that contention. It is, after all, a basic right of every party to conduct litigation as he, she or it sees fit. That does not mean a party can, by bare assertion, dictate the terms of a confidentiality ring: there will always court scrutiny, and the touchstone for that scrutiny is fairness.

17. In this case, whilst I consider that Rhodia has advanced excellent reasons for protecting the Confidential Material by way of a confidentiality ring, those reasons are insufficient to justify the exclusion of Mr Morris from that ring:
- i) Mr Morris, as Neo Canada's chief operating officer has the requisite qualities to give instructions to Neo's lawyers, inform Neo's defence and take a view as to any question on settlement. It is Mr Morris who is Neo's primary interface in relation to legal disputes in which Neo is involved.
 - ii) Mr Morris' qualities are buttressed by the fact that he is a qualified, albeit non-practising, lawyer. That means he will also appreciate the significance of the undertakings he must give in order to participate in the confidentiality ring.
 - iii) Mr Morris is willing to sign up to these undertakings, and appreciates their seriousness. Indeed, in the course of submissions, Mr Gamsa framed an additional clause to the undertaking Mr Morris was prepared to offer. In short, Mr Morris will be signing an undertaking setting out his obligations as a member of the ring and the content of that undertaking has been debated before me and we have, I think, reached a form of words which I am satisfied give as much protection as Rhodia are entitled to in these circumstances.⁷
 - iv) The concern that Rhodia has, in relation to Mr Morris, is that Mr Morris is in a position where he may entirely inadvertently be able to use, to the harm of Rhodia, but innocently, the Confidential Material that he will see if he joins the confidentiality ring. That is, of course, a serious concern and one that I have looked at most carefully. It seems to me that it is a concern which, although present, is outweighed by the reasons that Mr Gamsa has articulated in favour of Mr Morris' participation. In particular, as a lawyer, Mr Morris is in a good position to understand the importance of the undertaking under CPR 31.22 to use documents only for the purposes of these proceedings, and to be alive to the dangers of using those materials elsewhere. It seems to me that he is the natural person to have access to the Confidential Material and that he can be trusted to ensure that he ring-fences himself from situations where the Confidential Information might inform aspects of Neo's conduct going beyond this litigation.
 - v) There is one final point that I should make. It was suggested that Mr Morris' past conduct was such that he could not be trusted. I want to make clear that I am discounting that point. It seems to me that whilst it might well be said that Neo, and Mr Morris within Neo, had played hardball in terms of competing with Neo's competitors, including, in particular, Rhodia, there was no basis for suggesting that Mr Morris would treat lightly the obligations that undoubtedly exist were he to become party to a confidentiality ring.

⁷ Given that this additional protection was framed during the course of submissions, I left it to the parties to consider whether any other form of words might be appropriate. However, I also made it clear that I considered what had been offered sufficient. In the event, no additional wording was agreed.