

Assa Abloy New Zealand Ltd v Allegion (New Zealand) Ltd

High Court Auckland CIV-2013-404-4178; [2015] NZHC 2760
3, 6 November 2015
Asher J

Civil procedure — Discovery — Particular discovery — Further specific tailored discovery — Test for particular discovery — Patents Act 1953; High Court Rules, rr 8.14 and 8.19.

In a patent infringement action between competitors, in which the defendant has filed an affirmative defence of invalidity and counterclaim, the defendant applies for further specific tailored discovery under r 8.19 of the High Court Rules. A discussion of the legal principles involved was made.

Held (Allowing discovery, awarding Defendant 2/3 costs.)

1 There must be established as “grounds for believing” for the purposes of particular discovery under r 8.19, that by some credible evidence assessed objectively it is indicated that a document or class of documents exists.

Robert v Foxton Equities Ltd [2014] NZHC 726, [2015] NZAR 1351 considered.

2 The correct approach to a determination under r 8.19 is a four stage approach:

- (a) Are the documents sought relevant, and if so how important will they be?
- (b) Are there grounds for belief that the documents sought exist? This will often be a matter of inference. How strong is that evidence?
- (c) Is discovery proportionate, assessing proportionality in accordance with Part 1 of the Discovery Checklist in the High Court Rules?
- (d) Weighing and balancing these matters, in the Court’s discretion applying r 8.19, is an order appropriate?

Cases referred to in judgment

Commerce Commission v Cathay Pacific Airways Ltd [2012] NZHC 726
Robert v Foxton Equities Ltd [2014] NZHC 726, [2015] NZAR 1351

Application

This was an application for discovery in relation to a patent for a sliding door latch.

C Elliott QC and *B Peacock* for the plaintiffs.
M Sumpter for the defendant.

ASHER J.*Introduction*

[1] It is necessary to determine a discovery application in this breach of patent proceeding. The plaintiffs (Assa Abloy group) carry on business as a manufacturer and supplier of hardware products which include locks and latches for sliding doors or windows. The defendant Allegion (NZ) Ltd (Allegion) is a competitor, also manufacturing and supplying locks and latches for sliding doors and windows.

[2] The patent in question is Patent No 526262. Allegion denies any infringement. There is an affirmative defence and counterclaim. It pleads that the patent is invalid and unenforceable and has filed particulars of objection. The date of filing was 13 December 2001.

[3] There have been ongoing discovery issues between the parties, but those issues have been narrowed down to a single tailored discovery item, with another issue being resolvable by a consent order, which I make at the end of this judgment. Allegion seeks and Assa Abloy resists the following specific tailored discovery order:

Documents produced by the plaintiffs or their agents (including the plaintiffs' predecessors in business) relating to the deadlocking sliding door latch disclosed in the patent and identified at, inter alia, page 2 of CT002.0002, which are communications to third parties such as customers, and any minutes or other documents discussing or recording marketing and promotional plans for that latch, created or used between 1 June 2000 and 31 March 2001.

[4] A former employee of a predecessor New Zealand company to the current New Zealand subsidiary of Assa Abloy, Murray Baber, who is called by Allegion as an expert, has sworn an affidavit in which he refers to two Interlock documents, Interlock being a trade name of Assa Abloy in New Zealand. He deposes that the documents "cover the Albany lock disclosed in the patent". These documents are first an instruction sheet which would have accompanied the lock when it was provided to third parties, and second, a page from an Interlock News publication, used to communicate with customers, which also refers to the relevant lock. The documents indicate that there would have been disclosures to third parties at some stage.

[5] Mr Baber says that he is certain there would have been other material on the "sliding door lock – day latch" product circulated to customers around the same time as these documents were prepared. New product launches would generate internal business plans, board discussion and communications with, for example, Interlock's fabricator network. As to the Interlock News, he recalled that new products would be showcased in that publication and were often shared with or sold to key customers before being made available to locksmiths in that publication.

[6] In reply an affidavit has been filed by a sales director of Assa Abloy in New Zealand, David Wignell. He deposes that the draft instruction sheet would have accompanied the product inside a box when shipped to customers and that it is clear that the document is a draft because it is incomplete. The next step would be for it to be circulated and signed off by the marketing manager. He sees the 0001 document as being created partway through the approval process and being still an internal confidential document. He asserts that he has not found any evidence that the document was available prior to May 2002. He also records that the Interlock News was created on 15 December 2000 and distributed after that date. It related to a product still to come into the market.

[7] Mr Elliott QC accepts that the two further documents referred to by Mr Baber were relevant to the issue of prior invention of the patent. However, he resists this further specific tailored discovery order on three grounds:

- (a) Relevance.
- (b) The unlikelihood of finding any such documents.
- (c) Proportionality.

Approach

[8] Under r 8.19 of the High Court Rules a Court may make a further order for particular discovery after the proceeding has commenced where:

[I]t appears to a Judge, from evidence or from the nature or circumstances of the case or from any document filed in the proceeding, that there are grounds for believing that a party has not discovered 1 or more documents or a group of documents that should have been discovered ...

[9] Sometimes the documents sought under r 8.19 can be identified, but more commonly there are indications that a type or class of documents exist, rather than there being a specific referable document. The starting point is that a document or class of documents will only be discoverable if relevant to the matters at issue before the Court. Only then can it be said that in terms of the rule they “should have been discovered”. Relevance is defined by the pleadings.

[10] However, the relevance of documents that might exist is only the first step. A party cannot reasonably be required under the rules to embark on a search that is likely to be hopeless and a waste of time and money. While an applicant does not need to prove that the documents actually exist, there must under r 8.19 be “grounds for believing” that the documents exist and are in the party’s control.

[11] There was a discussion in submissions about the exact test for establishing grounds for believing that the document or class of documents may exist. Mr Elliott suggested that there had to be a reasonable likelihood that the document existed. The concept of a reasonable chance that the document existed was discussed, and it has

been stated that there must be “prima facie” evidence that the document exists.¹

[12] Clearly the existence of the document or documents does not have to be established on the balance of probabilities or on a more likely than not basis. The threshold embodied in “grounds for belief” is not that high. In the end it is unnecessary to try and precisely define the threshold, as it may vary given the relevance of the documents and issues of proportionality. In my view all that is necessary is to show that there is some credible evidence which assessed objectively indicates that the documents that are sought exist. It is not necessary to be more precise than this.

[13] Establishing grounds for belief that documents exist is not the end of the matter. The decision as to further discovery under r 8.19 involves an analysis of an amalgam of factors.² An assessment of the strength of each factor, and a balancing of them, is required.

[14] I will follow therefore a four stage approach in considering this r 8.19 application:

- (a) Are the documents sought relevant, and if so how important will they be?
- (b) Are there grounds for belief that the documents sought exist? This will often be a matter of inference. How strong is that evidence?
- (c) Is discovery proportionate, assessing proportionality in accordance with Part 1 of the Discovery Checklist in the High Court Rules?
- (d) Weighing and balancing these matters, in the Court’s discretion applying r 8.19, is an order appropriate?

Decision

Relevance

[15] Here there can be no doubt that documents which show the prior publication or disclosure to third parties of the relevant lock in the period leading up to the filing date are relevant, as would be any internal documents referring to such publication or disclosure. Lack of novelty is central to Allegion’s defence and prior publication could be an answer to the claim.

Do the documents exist?

[16] What has been very much at issue is the chances of finding any other relevant documents. It is Mr Elliott’s firm submission that there is no realistic chance that further documents will be found. He relies on the affidavit of Mr Wignell. Mr Sumpter for Allegion in response relies on the fact that Mr Baber, who previously worked for Assa Abloy’s predecessors, thinks it likely that documents prior to 16 December relating to the launch of the product will exist.

[17] It is impossible to determine whether there will be other relevant documents on the material before me. However, assessing the

1 *Robert v Foxton Equities Ltd* [2014] NZHC 726, [2015] NZAR 1351 at [8](c).

2 See also *Commerce Commission v Cathay Pacific Airways Ltd* [2012] NZHC 726 at [18].

material I have as best I can, it seems to me that there is sufficient evidence to establish grounds for belief that documents or communications relating to publication of the relevant latch between 1 June 2000 and 31 March 2001 may exist. The draft instruction sheet has a date 11/00 at its bottom left hand corner, indicating it was produced in November 2000. It is a detailed document and has a professional appearance. It appears to have been put together in a considered way. The draft instruction sheet appears on its face to be a document for public distribution. It must have had something of a gestation. It is possible that it has been sent to prospective customers.

[18] If all of Mr Wignell's assumptions are right (and he refers to a blank box on the document which indicates that it was a draft), there may be no other documents. However, there is enough of an indication in this document of a possible lead-up, for me to be satisfied that the threshold of grounds for belief that the relevant documents exist is crossed.

[19] The page from the Interlock News is of less relevance, and it may well have been distributed after the priority date. However, Mr Baber has stated that the publication was often shared with key customers early in the month. The question of fact cannot be resolved at this point, but there is enough in this document for it to be treated as supportive of the suggestion that there may be the further relevant documents.

[20] Given that there are grounds to believe that documents in the category sought exist, I now turn to the issue of proportionality.

Proportionality

[21] I accept that there will be a burden on Assa Abloy in checking whether the documents exist. An affidavit filed by Andrew Weyermayr, who is the product engineering manager of Assa Abloy in New Zealand, indicates that there could be 30 hours of work involved. That is a considerable amount of work, but it could be carried out in a few days by two persons. The discovery process should not delay the fixture, which is set down for April 2016.

Exercise of the discretion

[22] Balancing these factors, it is my conclusion that the discovery sought should be ordered. Assa Abloy should make a reasonable search for the documents in accordance with r 8.14. The documents, if they do exist, could be extremely adverse to Assa Abloy's claim and extremely supportive of Allegion's defence. Given the high degree of relevance if they are found to exist, and the fact that there are grounds for believing that documents exist, the costs and delay involved in carrying out the discovery exercise are proportionate.

[23] If relevant documents are discovered there may be confidentiality issues. These can be dealt with by an application for confidentiality orders.

Costs

[24] Both counsel agree that costs should follow the event and be on a 2B basis. However, I am not going to order full 2B costs to Allegion as

the order it originally sought was for unrestricted documents for the relevant period, which would have included the in-house workings relating to a deadlock, which are not discoverable. This was a matter only clarified in reply. I note also that the parties have co-operated on other discovery issues.

[25] In these circumstances I will award Allegion two-thirds of usual 2B costs.

Result

[26] By consent I direct that the plaintiffs file and serve a supplementary affidavit of documents, listing all documents in their power, possession or control by 24 November 2015 as follows:

- (a) Documents available to the public, including any single member of the public, relating to:
 - (i) the Albany sliding door lock from 1 January 1995 until 14 December 2000; and
 - (ii) any sliding door lock that can, or could be, both deadlocked and day latched.

[27] In relation to the discovery that has been at issue, I direct that in the supplementary affidavit the plaintiffs also list all documents produced by the plaintiffs or their agents (including the plaintiffs' predecessors in business) relating to the deadlocking sliding door latch disclosed in the patent and identified at, inter alia, p 2 of CT002.0002, which are communications to third parties such as customers, and any minutes or other documents discussing or recording marketing and promotional plans for that latch, created or used between 1 June 2000 and 31 March 2001.

[28] If any confidentiality issues arise in relation to such documents, I reserve leave to the parties to apply for further directions, and that application will be heard and determined prior to inspection. I have also changed slightly the wording of the order sought to better reflect the intention of the defendant as I understand it, from that which was discussed at the hearing, and I reserve leave to both parties to apply to amend that wording further.

[29] The defendant is to have two-thirds of scale 2B costs on this application, together with all relevant disbursements.

Reported by: Gerard McCoy QC