

Dodson Motorsport Ltd v Logiical Performance Ltd

High Court Auckland CIV 2016-404-110; [2018] NZHC 2331
28 August; 5 September 2018
Katz J

Civil procedure — Discovery — Application for further and better discovery — Whether time and cost of discovering documents proportionate to their relevance — Evidence Act 2006, ss 7(3) and 8(1)(b); High Court Rules, rr 8.7 and 8.19.

The plaintiff commenced proceedings against the defendants alleging primary and secondary infringement of its copyright works, breach of confidence and conspiracy by unlawful means. Discovery and inspection were largely completed. The plaintiff claimed the defendants had failed to discover all relevant documents, and applied for further and better discovery of three categories of documents. The defendants opposed on both procedural and substantive grounds.

Held (Allowing the application in part.)

1 Relevance is the hallmark of what must be discovered, and is to be assessed having regard to the pleadings. Relevance in this context can be broader than the test for admissibility set out in s 7(3) Evidence Act 2006, and can include something that is directly connected, related or pertinent to the matter in hand.

Attorney-General v Institution of Professional Engineers New Zealand Inc [2018] NZHC 74, [2018] NZAR 275 followed.

2 The starting point in an application for further and better discovery is the presumption that the affidavits of documents already filed are conclusive.

3 The Court usually follows a four-stage approach in considering an application for further and better discovery. First, are the documents sought relevant, and if so how important will they be? Second, are there grounds for belief that the documents sought exist? Third, is discovery proportionate (balancing the time and costs of discovery against the potential value of discovery)? Weighing and balancing these matters, in the Court's discretion is an order appropriate?

Assa Abloy New Zealand Ltd v Allegion (New Zealand) Ltd [2015] NZHC 2760, [2018] NZAR 600 followed.

4 Typically, the Court has regard to affidavit evidence, pleadings, and the circumstances of the case to establish whether there are grounds to believe that a party has not discovered documents that should have been disclosed.

5 The frequency, timing and duration of communications here was of sufficient relevance to justify disclosure of the telephone records sought.

Angland v Mower HC Christchurch CIV-2008-409-1990, 3 August 2011 applied.

6 The time and costs of discovering documents relating to laser writing of parts was proportionate to their potential value. The plaintiff failed to establish that there were good grounds for believing the defendants had not discovered all documents relating to the manufacture.

Cases referred to in judgment

Angland v Mower HC Christchurch CIV-2008-409-1990, 3 August 2011.
Assa Abloy New Zealand Ltd v Allegion (New Zealand) Ltd [2015] NZHC 2760, [2018] NZAR 600.

Attorney-General v Institution of Professional Engineers New Zealand Inc [2018] NZHC 74, [2018] NZAR 275.

Text referred to in judgment

Andrew Beck and others *McGechan on Procedure* (loose-leaf ed, Thomson Reuters) at [HR8.19.03].

Application

This was an application for further and better discovery in a claim alleging primary and secondary infringement of copyright works, breach of confidence and conspiracy by unlawful means.

CL Elliott QC and *BR Webster* for the plaintiff.

BP Cain for the defendants.

KATZ J.

Introduction

[1] Dodson Motorsport Ltd (Dodson) commenced proceedings against Logiical Performance Ltd (Logiical) and Carl Hannaford in January 2017. Dodson alleges primary and secondary infringement of its copyright works, breach of confidence and conspiracy by unlawful means. Mr Hannaford is the sole director and shareholder of Logiical. He is a former employee of Dodson who has, in essence, set up a competing business.

[2] GRD Engineering Services Ltd (GRD) and Kelvin Gray were subsequently joined as further defendants in October 2017 and February 2018, respectively.

[3] Discovery and inspection have largely been completed. Dodson claimed, however, that the defendants had failed to discover all relevant documents. It applied for further and better discovery of three categories of documents. The defendants opposed the discovery application, on both procedural and substantive grounds.

[4] At the conclusion of the hearing of Dodson's discovery application on 29 August 2018, I granted its application in respect of two

of the three categories of further documents it sought (as set out at [5](a) and [5](c) below) but declined to order discovery of the third category of documents (as set out at [5](b) below). My reasons for those decisions are set out below.

Dodson's application for further and better discovery

[5] Although Dodson initially sought extensive further discovery, following dialogue between the parties the further discovery sought from the defendants was narrowed to the following three categories:

- (a) Fully itemised telephone records for the following periods:
 - (i) Logiical – from 8 April 2013 (the date of its incorporation) until 31 August 2015 (the date when GRD's first invoice was rendered);
 - (ii) Mr Hannaford – from six months before he left Dodson, being 1 June 2012, to 31 August 2015; and
 - (iii) GRD and Mr Gray – for the period 1 June 2012 to 31 August 2015.
- (b) All relevant documents relating to the manufacture, ordering, shipment or supply of the Logiical Parts¹ and the defendants' circlip retainer to or from GRD or any other entity including purchase orders, freight documents, GST returns, customs documentation for overseas orders, invoices, correspondence about the orders placed; and
- (c) All documents relevant to the laser writing of the Logiical Parts including but not limited to manufacture, ordering, shipment and supply.

Preliminary procedural issues

[6] Dodson's amended discovery application was filed on 4 September 2017. At that time neither GRD nor Mr Gray had been joined to the proceeding. Mr Cain, counsel for the defendants, submitted that the discovery application does not therefore extend to Mr Gray. He accepted that the application extended to GRD, however, given that an application to join GRD to the proceedings was made contemporaneously with the discovery application.

[7] Mr Cain did not raise this objection at any stage during the extensive correspondence between counsel (over a period of many months) relating to discovery issues. Indeed, it is clear from that correspondence that the defendants were well aware that Dodson was seeking discovery of further documents from not only Logiical and Mr Hannaford, but also from GRD and Mr Gray. This is also apparent from a joint memorandum of counsel dated 27 July 2018, which expressly recorded that the scope of the discovery application was now as set out at [5] above (including the orders sought against GRD and Mr Gray).

¹ The phrase "Logiical Parts" essentially includes those clutch parts that Logiical has allegedly offered for sale or sold that Dodson alleges infringes its own copyright. The relevant clutch parts are listed at [45] of the fifth amended statement of claim, dated 27 August 2018.

[8] In such circumstances, the defendants’ procedural objection lacks merit. There is no prejudice to the defendants in the Court hearing and determining the application on the basis set out in counsel’s joint memorandum of 27 July 2018.

[9] The second procedural objection raised by the defendants is that the application for further and better discovery does not refer to the correct rule, namely r 8.19 of the High Court Rules (“Order for particular discovery against party after proceeding commenced”) and should therefore be dismissed, with costs. The application refers to r 8.7, which is the rule relating to standard discovery.

[10] Again, this argument lacks merit. The defendants are well aware of the specific categories of documents sought, and the reasons why Dodson claims they are relevant. It is in the interests of justice that the application be dealt with on its merits, rather than requiring Dodson to now file a fresh application expressly referring to r 8.19, rather than r 8.7. Given the imminence of the trial date, it is important that the remaining discovery issues be resolved without further delay.

Further discovery – legal principles

[11] The parties provided standard discovery in accordance with r 8.7 of the High Court Rules, which requires the parties to disclose documents that are or have been in that party’s control and are documents:

- (a) on which the party relies; or
- (b) which adversely affect that party’s own case or another party’s case; or
- (c) which support another party’s case.

[12] Relevance is the hallmark of what must be discovered, and is to be assessed having regard to the pleadings. Relevance in this context can be broader than the test for admissibility set out in s 7(3) Evidence Act 2006 (“a tendency to prove or disprove anything that is of consequence to the determination of the proceeding”) and can include “something that is directly connected, related or pertinent to ‘the matter in hand’”.²

[13] Rule 8.19 enables a Judge, where there are grounds for believing that a party has not discovered documents that should have been discovered, to order that party to discover those documents. Under HCR 8.19:³

The starting position is a presumption that the affidavits of documents already filed are conclusive. An application under r 8.19 is a way of circumventing the conclusiveness rule. The party seeking further discovery has to establish that the existing affidavit of documents is incomplete.

[14] The Court usually follows a four-stage approach in considering an application under r 8.19:⁴

2 *Attorney-General v Institution of Professional Engineers New Zealand Inc* [2018] NZHC 74, [2018] NZAR 275 at [28].

3 Andrew Beck and others *McGechan on Procedure* (loose-leaf ed, Thomson Reuters) at [HR8.19.03] (citations omitted).

4 At [HR8.19.03]. See also *Assa Abloy New Zealand Ltd v Allegion (New Zealand) Ltd* [2015] NZHC 2760, [2018] NZAR 600 at [14].

- (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?
- (c) Is discovery proportionate (balancing the time and cost of discovery against the potential value of discovery)?
- (d) Weighing and balancing these matters, in the Court's discretion applying r 8.19, is an order appropriate?

[15] Typically, the Court has regard to affidavit evidence, pleadings, and the circumstances of the case to establish whether there are grounds to believe that a party has not discovered documents that should have been disclosed.⁵

Should the telephone records sought by Dodson be discovered?

[16] It is common ground that the telephone records sought by Dodson exist, and have not been discovered. The key issues in relation to those records are whether they are relevant and material, and whether requiring discovery of them is proportionate in all the circumstances.

[17] The defendants submitted that the telephone records sought are of little, if any, relevance to the proceeding. Messrs Hannaford and Gray are said to have common interests outside the scope of this proceeding. More specifically, they are friends, who share a passion for, and regularly attend, race meetings. Accordingly, although their telephone records are likely to disclose a great number of calls between them during the relevant period, Mr Cain submitted that many of them will have been about matters that are not in issue in the proceedings. Further, the telephone records will not contain any information as to the *content* of any phone calls between Messrs Hannaford and Gray. The records will merely list numbers, dates and times. Their relevance, if any, will only be able to be established through cross-examination. Mr Cain submitted that such an exercise will needlessly prolong the trial.

[18] I am satisfied, however, that the telephone records that Dodson requests be discovered do meet the required relevance threshold, for the following reasons.

[19] The issues in the case relate to the design, manufacture and supply of a range of integrated car parts, and whether the defendants have infringed Dodson's copyright in those designs. One of Dodson's causes of action alleges conspiracy by unlawful means. Dodson alleges that the defendants, or any two of them, acted in concert to intentionally injure Dodson's business.

[20] Given the detailed and technical nature of the subject matter, Dodson anticipated that the defendants would have a number of electronic documents in their possession, including emails and text messages. This proved not to be the case, however. Somewhat to Dodson's surprise, Mr Hannaford and Mr Gray have both sworn that no such documents exist, or that very few such documents exist. Mr Hannaford explained the

5 At [HR8.19.03]. See also High Court Rules, r 8.19, which provides: "[i]f at any stage of the proceeding it 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..." (emphasis added).

lack of relevant electronic documentation by advising that he is dyslexic and therefore tends to operate his business over the telephone, rather than through written communications. Likewise, Mr Gray has deposed that he primarily operates his business orally.

[21] Dodson is somewhat sceptical regarding these assertions, but accepts that it cannot disprove such claims, given that the defendants' position on the issue is unequivocal and clear. However, given the lack of written records, and the claim that key communications took place orally, Dodson submits that any evidence of such communications during the relevant periods are of particular significance, and should be discovered.

[22] I accept Mr Cain's submission that the telephone records, obviously, cannot evidence what was actually said in the relevant telephone conversations. Nevertheless, I have concluded that, in the particular circumstances of this case, they are relevant to Dodson's conspiracy cause of action.

[23] As Mr Elliot QC noted, a conspiracy requires at least two parties to act in concert. The defendants have denied conspiracy. Their phone records may well assist in establishing a pattern of communication/conduct between them, if any, and the extent of it. Evidence as to the timing, duration and number of calls may well prove critical at trial. For example, clusters of phone calls that are linked temporally to key events in issue may, together with other evidence, support the drawing of particular inferences. Discovery of telephone records in this case is possibly more important than in many other cases, due to the manner (verbal) in which the defendants say their business was primarily conducted.

[24] In *Angland v Mower* the plaintiff sought discovery of, amongst other things, copies of all accounts in respect of the defendant's landline and/or cellphone accounts for a particular period.⁶ It was submitted that these were relevant as evidence in support of the plaintiff's claim against the first counterclaim defendant that he, in conjunction with the defendant, interfered with the contractual relationship that existed between the plaintiffs and the defendants. It was further submitted that the frequency, timing and duration of conversations by telephone were relevant to assist in establishing the degree or level to which the defendant and first counterclaim defendant were in fact in communication, and that it was material to the establishment of interference with contract to show who instigated contact by telephone.

[25] The defendants submitted that whilst the records might establish frequency, timing and duration of communications between the defendant and first counterclaim defendant, that was insufficient to establish relevance in terms of the pleadings. The records would not assist the plaintiffs in establishing their proposition that the first counterclaim defendant induced the defendant not to proceed with his contract with the plaintiffs.

6 *Angland v Mower* HC Christchurch CIV-2008-409-1990, 3 August 2011.

[26] Associate Judge Matthews accepted that this last point was correct. However, he granted the order, stating that:⁷

...I am satisfied that the phone records are relevant to the issues between the plaintiffs and the defendant and the first counterclaim defendant because they will assist in establishing a pattern of communication and the extent of it. Even though it is admitted that communication occurred, in my view, on the pleadings, the extent of that communication and who instigated it are relevant facts to be established in evidence.

[27] Similarly, in this case, I am satisfied that the telephone records sought may well assist in establishing a relevant pattern of communication.

[28] Mr Cain submitted that requiring discovery of the telephone records would not be proportionate to the potential value of such documents. This submission was predicated, however, on the Court accepting the defendants' submission that the relevance of such documents is negligible. For the reasons outlined above, I have rejected that submission.

[29] It is clear from the evidence before the Court that it is likely to be relatively straightforward for the defendants to obtain the necessary records from their telecommunications providers, if they have not kept their own copies. I am satisfied that requiring them to do so is not disproportionate to the value of such documents to the proceeding. The cost and effort involved in retrieving the documents is likely to be minimal. I have found the documents to be relevant. The cost of providing the discovery will not outweigh the benefits to be gained by providing it. A discovery order in respect of the telephone records is therefore appropriate.

Should the documents relating to the manufacture etc of Logiical Parts and circlip retainer be discovered?

[30] Dodson alleges that the defendants have infringed its copyright by copying and reproducing its copyright works, including various clutch parts and circlip retainers that it designed and manufactured.

[31] Logiical admits sub-contracting the manufacturing of various clutch parts and circlip retainers, but denies any copyright infringement. However, little or no documentation with Logiical's sub-contractors has been discovered.

[32] Mr Elliot submitted that it is inconceivable that there is no relevant documentation in existence in this category. This is particularly so, he submitted, given that Logiical has said that some of the relevant parts (the circlip retainers) have been manufactured for it by an Australian company.

[33] Dodson accordingly seeks particular discovery of documents relating to the manufacture, ordering, shipment or supply of the Logiical Parts, and its circlip retainer, to or from GRD or any other entity, including purchase orders, freight documents, GST returns, customs

7 At [19].

documentation for overseas orders, invoices and correspondence about the orders placed.

[34] The defendants accept that such documents are relevant, but claim that they have discovered all documents falling within this category, save for half a dozen invoices erroneously made out to 'Logiical Motorsport Limited' recently located by Mr Hannaford. These will be provided in a third supplementary discovery affidavit shortly.

[35] As I have noted above, the starting position is a presumption that the affidavits of documents already filed are conclusive. The party seeking further discovery has to establish that the existing affidavits of documents are incomplete. I accept that the paucity of documents that has been discovered in this category appears somewhat surprising. Dodson has failed to establish, however, that there are good grounds for believing that the defendants are being untruthful, or are mistaken, when they assert that all relevant documents in this category have been discovered. There is accordingly no sufficient basis to go behind the defendants' affidavits of documents on this issue.

Should the documents relating to the laser writing of parts be discovered?

[36] Dodson seeks discovery of all documents relevant to the laser writing of the Logiical Parts, including but not limited to, documents relating to manufacture, ordering, shipment and supply.

[37] Dodson seeks these documents based on its belief that when manufacturing the Logiical Parts, the defendants would have sent them to laser writers to have the parts numbered, typically sequentially, as is common practice in the industry. Further, various Logiical Parts that Dodson has obtained have been laser written and are marked as such. There has, however, been no discovery of communications with a laser writer.

[38] Dodson submitted that these documents are relevant to two primary issues, namely:

- (a) To determine whether Logiical has engaged the same laser writers as Dodson, since the laser writing on the Logiical Parts appears to be materially similar to that on Dodson's own parts. This is said to be relevant to Dodson's breach of confidentiality cause of action against Logiical and Mr Hannaford, on the basis that they would only have come to know who laser wrote Dodson's parts by virtue of Mr Hannaford's previous employment with Dodson.
- (b) To quantify the number of parts manufactured by the defendants, since generally the laser numbering on the parts is sequential.

[39] Mr Elliot acknowledged that there has been discovery of invoices rendered by both Logiical and GRD. He submitted, however, that discovery of documents relating to the laser writing would provide a degree of independent verification of the quantity of parts manufactured and, most likely sold.

[40] The defendants appeared to accept that it is likely that the relevant documents exist, as there is a statutory requirement to keep such records. Mr Cain submitted, however, that the documents are not relevant. If they are relevant, he submitted that their production would be likely to

needlessly prolong the proceeding, in terms of s 8(1)(b) of the Evidence Act. He submitted that the best evidence as to how many allegedly infringing parts have been manufactured, bought and sold, and at what price, has already been discovered by the defendants (save for the handful of additional invoices I have referred to above) in the form of purchase orders and invoices. Obtaining documents from or to laser writers, he submitted, would add an unnecessary layer of evidence.

[41] Any issues of admissibility at trial will be for the trial Judge to determine. At this stage, the principles that must guide my assessment of Dodson's discovery application are those I have set out at [11] to [15] above. Having regard to those principles, I am satisfied that the documents sought are relevant. Given Mr Hannaford's evidence that he tends to operate his business orally, and that he does not tend to keep a lot of paperwork (only what is required to meet accounting and company obligations), it is necessary to cast the net somewhat wider than might otherwise be the case, in an attempt to locate relevant documents. Given this context, I accept Mr Elliot's submission that documents relating to the laser writing process may well assist to quantify the number of parts manufactured by the defendants.

[42] The category of documents sought is relatively narrow. I am satisfied that the time and cost of discovering them is proportionate to the potential value of the exercise.

Result

[43] For the reasons outlined above, I granted Dodson's discovery application in respect of the categories of documents set out at [5](a) and [5](c) above. I declined the application in relation to the category of documents set out at [5](b) above.

[44] Dodson is entitled to costs on a 2B scale basis, together with reasonable disbursements. I direct, however, that the quantum of 2B costs be reduced by one-third to reflect that Dodson was only partially successful in its application (albeit relatively little hearing time was spent in relation to the category of documents set out at [5](b) above).

Reported by: Zannah Johnston, Barrister and Solicitor