

**IN THE HIGH COURT OF NEW ZEALAND  
WELLINGTON REGISTRY**

**CIV 2011-454-910  
[2015] NZHC 3001**

UNDER the Copyright Act 1994  
IN THE MATTER OF Copyright infringement  
BETWEEN DAVID STANLEY HOYLE  
First Plaintiff  
AND TRANSPREAD INTERNATIONAL  
LIMITED  
Second Plaintiff  
AND PAUL DAVID HOYLE  
Defendant

Hearing: 23 November 2015

Counsel: N Scampion and P Johns for First and Second Plaintiffs  
P Dengate Thrush and W Aldred for Defendant

Judgment: 30 November 2015

---

**JUDGMENT OF CLARK J  
(Discovery)**

---

*I direct that the delivery time of this judgment is  
2.00 pm on the 30th day of November 2015*

[1] The ten-day hearing of this claim for copyright infringement commenced on Monday 23 November 2015. It was set down in March 2015.

[2] On Friday 20 November 2015 the plaintiffs filed an application for orders:

(a) for particular discovery of documents under r 8.19 of the High Court Rules; and

(b) setting aside the defendant's claim to privilege under r 8.15.

[3] The plaintiffs say the defendant's discovery is inadequate and that failure to discover documents relevant to the dispute between the parties may lead to an unfair trial. They require the defendant to file an affidavit that complies with the requirements of the High Court Rules. In particular the plaintiffs seek compliance with the defendant's obligation to itemise documents that once were, but are no longer, in the defendant's control.

[4] The plaintiffs challenge the claims of litigation privilege made in the defendant's Sixth Affidavit of Documents.<sup>1</sup>

[5] The defendant says he has complied with his discovery obligations.

### **The substantive proceeding and course of discovery**

[6] The first plaintiff is the designer of various agricultural machines. Under an exclusive license from the first plaintiff the second plaintiff manufactures and sells machines and fertiliser handling equipment. The plaintiffs commenced these proceedings in December 2011. Broadly, they allege infringement of the plaintiffs' copyright in drawings and designs of agricultural machinery. The defendant counterclaims.

---

<sup>1</sup> This affidavit was served unsworn on the plaintiffs on 11 November 2013. The sworn affidavit dated 13 November 2015 was not served on the plaintiffs until 20 November 2015 following service of this r 8.19 application.

[7] Discovery by the parties has been continuous. Eleven affidavits of documents have been filed most recently on 23 November 2015, the day the hearing commenced.

[8] The plaintiffs have maintained throughout that they need the laser cutting and shape files or drawings or documents that the defendant provided to laser cutters since 2004.

[9] In his Third Affidavit of Documents filed 28 May 2015 the defendant discovered a number of laser cutting and shape files but not the documents sought by the plaintiffs. The defendant deposed there were categories of documents which he had not been able to locate and which he concluded were lost. These categories included:

- (a) laser cutting invoices dated earlier than March 2005; and
- (b) his invoices to customers prior to August 2005.

[10] On 2 November 2015 the plaintiffs served on the defendant a notice to produce under r 8.32 of the High Court Rules. To the extent they had not previously been discovered the plaintiffs sought production of:

- (a) any and all laser cutting and shape files or drawings or documents provided by the defendant to any laser cutters since 1 January 2005; and
- (b) all correspondence with third parties, relevant to the discovery or production of the documents in (a) above.

[11] The defendant responded with a Sixth Affidavit of Documents in which he confirmed that the documents the plaintiffs required had been discovered in previous affidavits although they were grouped under the category of litigation privilege. The Sixth Affidavit essentially unpacked those documents by listing them separately. Seventeen documents were listed, predominantly emails between the defendant's

legal adviser and the laser cutting firm the defendant used. Litigation privilege was claimed for all documents.

[12] The defendant explained the basis for the privilege.<sup>2</sup> With one exception, he had not himself undertaken inquiries of the laser cutter about the availability of the laser cutting files. Instead, the defendant provided the firm's details to his legal advisers who made inquiries on the defendant's behalf. Litigation privilege was claimed for these communications.

[13] Consequently, no document relating to the defendant's efforts to discover files from third parties has been produced to the plaintiffs.

### **The present application**

[14] The plaintiffs' application is dated 20 November 2015 and seeks orders in terms virtually identical to their notice to produce:

2. That the defendant file and serve an affidavit setting out the information specified in Rule 8.19(a) in respect of the following documents
  - a. Any and all laser cutting and shape files or drawings or documents provided by the defendant to any laser cutters since 1 January 2004; and
  - b. All correspondence with third parties, including North Shore Laser Cutters/One Stop Cutting Shop, relevant to the discovery or production of any laser cutting, shape files, drawings or other documents in possession of the laser cutters.
3. That the defendant makes the documents referred to above available for inspection by the plaintiffs; and
4. To the extent the defendant may claim privilege in the documents referred to above, that the claim be set aside.

[15] From this point I refer to paragraphs 2a and 2b of the application as Category A and Category B.

[16] In support of the plaintiffs' application Mr Scampion advanced detailed submissions. The essence of the submissions is as follows:

---

<sup>2</sup> Defendant's Sixth Affidavit at paragraphs 2 and 3.

- (a) The plaintiffs want the drawing files for the crucial period 2004–2005. If they cannot be produced the plaintiffs want to know why. The plaintiffs can proceed with their claim in the absence of the documents but their non-production affects the fairness of trial and adverse inferences should be drawn from the failure to produce.
- (b) Since 2012 there has been correspondence on the issue of inadequate disclosure. The defendant had agreed to discover and provide scanned copies of printed shape files for inspection but then included only a limited number in a second affidavit of documents.
- (c) An application for further and better discovery was filed in May 2013 but withdrawn on the basis of an understanding that the defendant would provide copies of his invoices to customers from 2004 onwards. Subsequently he instructed that he had misplaced his invoices pre-dating August 2005. There has been a series of similar inconsistent responses to the plaintiffs’ requests for discovery and production of these documents.
- (d) The documents must have existed because the machines were built. For the defendant to assert he has no drawings or diagrams because he worked from memory and did not commit his designs to paper is not plausible.<sup>3</sup>
- (e) In December 2004, July 2005 and again in June 2011 Baldwins wrote “cease and desist” letters to the defendant. The defendant had an obligation under r 8.3 of the High court Rules to preserve the documents because, in light of these letters, proceedings must have been reasonably contemplated.
- (f) If the documents were lost then the defendant’s efforts to preserve them had been unsatisfactory in the face of the obligation to do so.

---

<sup>3</sup> As communicated in a letter dated 20 November 2012 to Baldwins from McCabe, the defendant’s legal advisers.

- (g) The defendant's approach to his discovery obligations has been complacent and unsatisfactory. The correspondence that had the potential to clarify whether he had conducted a reasonable search for the documents was subject of a claim of privilege.

[17] Mr Dengate Thrush submitted that the defendant had complied with his discovery obligations:

- (a) Category A documents were adequately addressed in paragraph 7 of the defendant's Third Affidavit of Documents.<sup>4</sup>
  - (i) I record that the pertinent part of paragraph 7 explains that the defendant's confidential native format "DXF" and "DWG" files are listed in Part 3 of the Schedule to the defendant's Third Affidavit of Documents. Confidentiality is claimed in respect of these approximately 317 documents and the documents were therefore to be inspected only at the plaintiff's solicitors.
  - (ii) In the Schedule to which paragraph 7 of the Third Affidavit of Documents relates, the files are listed under years ranging from 2006–2013. Four files listed under "2006" are dated 21 December 2005.
- (b) Category B documents have been adequately addressed in two affidavits of documents: the Third Affidavit (at paragraph 4) and the Sixth Affidavit which provides details of correspondence from the defendant's legal advisers who made inquiries of the laser cutting firm on behalf of the defendant.
- (c) There is nothing left to discover. In the face of the defendant's sworn affidavits there is no basis for asserting the documents remained in the defendant's control and should have been discovered.

---

<sup>4</sup> Sworn 28 May 2015.

- (d) The plaintiffs want not discovery but a “story”; they want to be told where the documents are and, if the defendant does not know that, why he does not know. The plaintiffs should have asked interrogatories. Even now they can cross-examine the defendant on the point.
- (e) As to the asserted obligation to preserve the 2004–2005 documents a reasonable person would not have done so. Litigation was not seriously on the horizon.

### **Principles relevant to the r 8.19 jurisdiction**

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

... 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 or a group of documents that should have been discovered...

[19] In *Robert v Foxton Equities Ltd* Kós J summarised the principles applicable to an application under r 8.19:<sup>5</sup>

- (a) A document should be discovered if it is relevant to matters which will actually be before the Court.
- (b) Relevance is determined by the pleadings.
- (c) On an application for particular discover under r 8.19 there must be prima facie evidence that the document exists and is in the party’s control (although the applicant need not prove that the document actually exists).
- (d) In contrast to former r 300 the applicant need not establish “necessity”. However, the supposed regulatory relaxation may not be

---

<sup>5</sup> *Robert v Foxton Equities Ltd* [2014] NZHC 726 at [8].

substantial: the order will still only be made in relation to documents that “should have been discovered”.

- (e) The Court retains an overriding discretion as to whether to make an order.

[20] Relevant to the Court’s overriding discretion will be considerations such as the interests of justice in ordering the particular discovery and the proportionality of the cost of particular discovery in comparison to the matters at issue. The imminence of trial will not justify a departure from discovery obligations.<sup>6</sup> Similarly, the fact that this trial is underway will not of itself deter me from making an order if the grounds are established.

**Applying the principles: Category A documents (files and drawings)**

[21] There is no question but that the laser cutting and shape files or drawings of documents provided by the defendant to any laser cutters since 1 January 2004 are relevant to matters before the Court. That is clear both from the pleadings and the agreed list of issues recorded in a Minute of Associate Judge Smith.<sup>7</sup> The real question raised by the application in the context of this proceeding is whether there is prima facie evidence that the documents exist.

[22] On an application under r 8.19 the starting point is a presumption that the affidavit of documents already filed is conclusive.<sup>8</sup> The applicant, in this instance the plaintiffs, must establish grounds for believing that, notwithstanding his sworn affidavits, the defendant is in control, or has had control, of documents that should have been discovered.

---

<sup>6</sup> *Stephenson v Jones* [2015] NZHC 1455 at [49]; *Air National Corporate Ltd v Aiveo Holdings Ltd* [2012] NZHC 2258, (2012) 22 PRNZ 172.

<sup>7</sup> 25 March 2015 at [2].

<sup>8</sup> *McCullagh v Robt Jones Holdings Ltd* [2015] NZHC 1462, (2015) 22 PRNZ 615 at [7].

[23] It has been suggested that the words “should have been discovered” mean an order for particular discovery may only be made if a party is in breach of discovery obligations.<sup>9</sup>

[24] That narrow approach has been rejected in favour of a construction which reflects the evolving nature of litigation and the continuing obligation on parties imposed by r 8.18 of the High Court Rules to give discovery and offer inspection at all stages of a proceeding even if the party has filed and served complying affidavits.<sup>10</sup> In my view that must be the correct approach. The narrow approach does not serve the overarching objective of discovery which is to achieve disclosure of information relevant to the parties’ cases before trial.

[25] The fact that, before me, the plaintiffs assert the defendant is in breach of his discovery obligations does not bear on the principles to be applied in determining the r 8.19 application. The question is: are there grounds to believe that the defendant has not discovered documents which should have been discovered?

[26] The defendant swears he has not discovered laser cutting invoices dated earlier than March 2005 because, despite searching diligently he has not been able to locate them and concludes they are lost; likewise, his invoices to customers prior to August 2005.<sup>11</sup>

[27] The plaintiffs’ challenge to the conclusiveness of the defendant’s affidavits of discovery is advanced on a number of fronts<sup>12</sup> but there are two key grounds:

- (a) The documents must have existed because the machinery was manufactured and the assertion that the defendant worked from memory is not plausible.

---

<sup>9</sup> *Southland Building Society v Barlow Justice Ltd* [2013] NZHC 1125 at [22]. See *Sim's Court Practice* (online looseleaf ed, LexisNexis) at [HCR300.2 (archive)].

<sup>10</sup> See for example *Southland Building Society v Barlow Justice Limited* [2013] NZHC 1125 [22]–[25].

<sup>11</sup> Defendant’s Third Affidavit of Documents at paragraphs 4a and 4b.

<sup>12</sup> The plaintiffs’ submissions are summarised above at [16].

- (b) The plaintiff was put on notice of possible litigation when Baldwins wrote cease and desist letters. From that point the defendant had an obligation to take all reasonable steps to preserve the documents.

[28] I turn to address these two aspects of the plaintiffs' grounds for belief that discoverable documents have not been discovered.

(i) *Documents must exist because machinery was manufactured*

[29] The defendant, through his legal advisers, responded to the plaintiffs' request to discover drawings or diagrams of the equipment he manufactures. The letter dated 20 November 2012 from McCabe and Company to Baldwins stated:

He instructs that he works from memory and has not committed his designs to paper.

[30] The basis for believing the documents exist is, essentially, that the plaintiffs do not accept the explanation is plausible.

[31] The defendant's position is that, to the best of his knowledge and belief his affidavits are correct in all respects. There is nothing left to discover.

[32] The defendant's affidavits must be accepted as complete. In this respect the presumption as to their conclusiveness applies. There is no basis for ordering particular discovery under r 8.19.

[33] Mr Dengate Thrush observed during the course of argument that the defendant would be giving evidence and the plaintiffs' cross-examination could well include cross-examination on these points. I agree.

(ii) *Duty to preserve documents*

[34] The duty to preserve documents arises when litigation is reasonably contemplated.<sup>13</sup>

---

<sup>13</sup> Rule 8.3(1).

As soon as a proceeding is reasonably contemplated, a party or prospective party must take all reasonable steps to preserve documents that are, or are reasonably likely to be, discoverable in the proceeding.

[35] As to when the obligation to preserve documents is triggered the courts look to the test for determining when litigation privilege arises.<sup>14</sup> In the context of litigation privilege the starting point has been expressed in the following way:<sup>15</sup>

The question of whether a proceeding was reasonably anticipated requires a determination as to whether a reasonable person placed in the position of the party in question, and possessed of the same information at that time, would have regarded the future commencement of litigation as probable ... It is not necessary that there be a formal decision to litigate or to defend by — or on behalf of — the person or legal entity in question.

[36] Thus, the duty under r 8.3 to take reasonable to preserve documents likely to be discoverable is triggered when a reasonable person in the position of the defendant would have regarded future commencement of litigation as probable. But when does the duty to preserve documents end?

[37] In the commentary to r 8.3 in *McGechan on Procedure* the authors note that the obligation to preserve documents will cease if proceedings are no longer reasonably contemplated.<sup>16</sup> The observation is not sourced or amplified but for the reasons which follow I consider the proposition to be correct.

[38] Given the parallel between principles governing the point at which litigation privilege is triggered and the point at which the duty to preserve documents is triggered I have considered whether, similarly, the principles governing cessation of litigation privilege might bear on the point at which the duty to preserve documents comes to an end.

[39] Litigation privilege may have no termination point. The Evidence Act 2006 does not provide for termination of a privilege beyond express or implied waiver. It

---

<sup>14</sup> *McGechan on Procedure* (online looseleaf ed, Brookers) at [HR8.3.02].

<sup>15</sup> *Public Trust v Hotchilly Ltd* HC Wellington CIV-2009-485-704, 31 March 2010 at [20], citing *Guardian Royal Exchange Assurance of NZ Ltd v Stuart* [1985] 1 NZLR 596 (CA) at 599 and 606.

<sup>16</sup> *McGechan on Procedure* (online looseleaf ed, Brookers) at [HR8.3.03].

has been said that there is no obvious argument that privilege lapses merely because of the passage of time or change in circumstances:<sup>17</sup>

Sections 10 and 12 are unlikely to provide sufficient leeway to add a termination gloss on any of the privileges. It seems that under the Act, the rule of “once privileged, always privileged” is universal.

[40] There is conflicting authority in New Zealand on when litigation privilege ends. It is not necessary for the purpose of determining this r 8.19 application that I analyse the point. It is sufficient to note that whether litigation privilege terminates when the litigation is at an end,<sup>18</sup> or whether litigation privilege endures until expressly or impliedly waived,<sup>19</sup> the policy rationale for cessation of the duty to preserve is distinct from the principles underpinning termination of privilege.

[41] Significantly, the duty under r 8.3 is expressed not as a duty to preserve documents but to take reasonable steps to preserve documents “as soon as a proceeding is reasonably contemplated”. No point of termination is expressed. Although reasonable steps towards preservation must be taken as soon as a proceeding is reasonably contemplated if litigation is not commenced within a reasonable time there must come a point when the obligation to continue to preserve comes to an end. Limitation periods are one obvious reason why that must be so.

[42] As well, an ongoing duty to preserve documents is likely to be burdensome and unjustifiably onerous. It would be reasonable for a party to consider his or her duty under r 8.3 to be at an end if, having taken initial steps to preserve documents as soon as a proceeding was in contemplation, it became apparent to the party over time that litigation was no longer in reasonable contemplation.

[43] I consider that the rule does not impose a duty to preserve documents which lasts indefinitely. The duty to take steps to preserve documents ceases when

---

<sup>17</sup> Richard Mahoney and others *The Evidence Act 2006: Act and Analysis* (3rd ed, Brookers, Wellington, 2014) at EV67.06.

<sup>18</sup> As Dobson J held in *Snorkel Elevating Work Platforms Ltd v Thomson* [2007] NZAR 503, prior to the Evidence Act coming into force and following the decision of the Supreme Court of Canada in *Blank v Canada* 2006 SCC 39, [2006] 2 SCR 319.

<sup>19</sup> The so called “once privileged always privileged” rule sourced to the Privy Council decision in *B v Auckland District Law Society* [2003] UKPC 38, [2004] 1 NZLR 326, (2003) 16 PRNZ 722 at [44]. Although that case was concerned with legal advice privilege rather than litigation privilege: *McGechan on Procedure* (online looseleaf ed, Brookers) at [HR8.25.03].

proceedings are no longer reasonably contemplated. The circumstances giving rise to that reasonable contemplation will differ. In this case almost six years elapsed between the cease and desist letter in 2005 and a third such letter in 2011.

[44] There being no duty on the defendant to preserve the Category A documents indefinitely following the second cease and desist letter in July 2005 he has not breached the obligations imposed under r 8.3. The presumption as to the conclusiveness of his affidavits of documents means the plaintiff has not established a basis for believing the Category A documents exist and that an order should be made for their discovery.

**Applying the principles: Category B documents (relating to efforts to search)**

[45] Mr Scampion submitted that if there is good reason for the documents not being produced, “so be it”. But the affidavits fail to provide good reason. I accept the plaintiff’s submission.

[46] Rules 8.14 and 8.15 require a party to make a reasonable search for discoverable documents and to include in an affidavit the particular steps taken in fulfilment of that obligation.

[47] In this case the defendant has tasked his legal advisers with making inquiries “and they dealt with the plaintiffs’ requests for those files on my behalf”.<sup>20</sup> Conveniently for the defendant, Mr Scampion submits, the nature and scope of the inquiries are unknown because the documents are privileged; this is unfair to the plaintiffs who challenge the privilege claims.

[48] During the hearing of the application on 23 November 2015 I suggested that the basis for the challenge had not been adequately articulated. I indicated to the parties my view that there was no principled basis for setting aside the privilege claim for the Category B documents. I uphold the defendant’s claims of privilege in his Sixth Affidavit.

---

<sup>20</sup> Sixth Affidavit of Documents at paragraph 3.

[49] That, however, is not the end of the matter. In my view the important duty to provide particulars of the searches and work undertaken to ensure fulfilment of a party's discovery obligations is avoided when that party purports to delegate to legal advisers the party's responsibility to undertake a reasonable search.

[50] Claiming privilege for documents which reveal what inquiries were undertaken precludes the parties otherwise entitled to this information, and the Court, from being able to assess whether the search was indeed adequate in terms of the legislative expectation embodied in rr 8.14 and 8.15.

[51] The defendant's Sixth Affidavit responds to the plaintiffs' request for all documents "relating to the defendant's efforts to discover drawings and laser cutting files from third parties, to the extent such documents have not been previously discovered."<sup>21</sup> Yet all that is revealed to the plaintiffs and the Court is that:

- (a) the defendant's legal advisers "dealt with the plaintiffs' request for those files"; and
- (b) there are privileged emails and file notes of telephone calls over a 22 month period between 30 July 2013 and 8 May 2015 relevant to the plaintiffs' request for documents concerning the defendant's efforts to discover documents from third parties.

[52] I uphold the privilege claimed in relation to the documents numbered 228 to 244 in Part 2 of the defendant's Sixth Affidavit of Documents (all of which are either authored by, or addressed to, one of the defendant's legal advisers).

[53] But the defendant must meet the obligation on him to file an affidavit that complies with r 8.15 by particularising what steps were taken in fulfilment of his obligation to make a reasonable search for all correspondence with North Shore Laser Cutters/One Stop Cutting Shop, relevant to the discovery or production of any laser cutting, shape files, drawings or other documents in the possession of the laser

---

<sup>21</sup> Sixth Affidavit of Documents at paragraph 1.

cutter. This can be achieved without revelation of information that is properly privileged.

[54] Given that this information is readily available to the defendant, and given the trial is underway, the affidavit is to be filed and served by 5pm Tuesday 1 December 2015.

### **Result**

[55] The plaintiff's application for particular discovery is granted in part. An order for particular discovery is made in the terms at [53] and [54] above.

[56] The plaintiff's challenge to the claims of privilege is dismissed.

[57] The plaintiffs have been partially successful. So too has the defendant. In those circumstances there will be no order for costs.

---

**Karen Clark J**

Solicitors:  
Baldwins Law Ltd, Auckland for the Plaintiffs  
McCabe and Company, Wellington for Defendant