

SUPREME COURT OF QUEENSLAND

CITATION: *Berg Engineering Pty Ltd v Tivity Solutions Pty Ltd & Ors*
[2019] QSC 68

PARTIES: **BERG ENGINEERING PTY LTD ACN 050 400 505**
(Plaintiff)

v

TIVITY SOLUTIONS PTY LTD ACN 623 215 092
(First Defendant)

AND

BEN NATHAN GABLONSKI
(Second Defendant)

AND

CRAIG VINCENT BOLAND
(Third Defendant)

FILE NO/S: BS No 4730 of 2018

DIVISION: Trial Division

PROCEEDING: Application

ORIGINATING COURT: Supreme Court at Brisbane

DELIVERED ON: 26 March 2019

DELIVERED AT: Brisbane

HEARING DATE: 14 February 2019

JUDGE: Jackson J

ORDER: **The order of the Court is that:**

- 1. The search order made on 20 September 2018 is set aside and the things and documents seized that are in the custody of the independent solicitor are to be returned to the defendants' solicitors.**
- 2. The independent solicitor and any computer forensic expert he has retained are discharged.**
- 3. The independent expert be permitted to keep the relevant copy or copies of the data used by him to produce the reports provided to the independent solicitor, on condition that those copies are not used by**

him or further disclosed to the plaintiff or plaintiff's solicitors, and he is not to make further reports in the proceeding without an order of the court authorising the same.

CATCHWORDS: EQUITY – EQUITABLE REMEDIES – INJUNCTIONS – INTERLOCUTORY INJUNCTIONS – EX PARTE APPLICATIONS – NON-DISCLOSURE OR MISREPRESENTATION – where search order granted ex parte – where defendants apply for discharge of search order on the basis of material non-disclosure – whether plaintiff failed to make full and frank disclosure – whether search order should be discharged on the basis of material non-disclosure – whether documents produced from execution of search order are a sufficient reason to refuse the application to set aside search order on the ground of material non-disclosure

Australian Consumer Law, ss 18 and 29.

Civil Proceedings Act 2011 (Qld), s 9.

Constitution of Queensland 2001 (Qld), s 58.

Supreme Court of Queensland Act 1991 (Qld), s 45 and 46.

Uniform Civil Procedure Rules 1999 (Qld), r 11, r 261B, r 112 and Chapter 8, Part 2, Division 3.

Gee, *Commercial Injunctions*, 6 ed (2016).

Heydon, Leeming and Turner, *Meagher, Gummow and Lehane's: Equity Doctrine and Remedies*, 5 ed (2014).

Anton Piller KG v Manufacturing Processes Ltd [1976] Ch 55, considered

Aristocrat Technologies Australia Pty Ltd v Allam (2016) 327 ALR 595, considered

Australian Football League & ors v Hard On Sport & Ors [2012] VSC 475, cited

Booker McConnell plc v Plascow & ors [1985] RPC 425, cited

Brag's Electrics Pty Ltd v Gregory [2010] NSWSC 1205, cited

Brink's Mat Pty Ltd v Elcombe [1988] 1 WLR 1350, cited

Cameron v Cole (1944) 68 CLR 571, cited

Director of Public Prosecutions (DPP) (Cth) v Kamal (2011) 248 FLR 64, cited

Dormeuil Freres S.A. v Nicolian International (Textiles) Ltd [1988] 1 WLR 1362, cited

Fitz Jersey Pty Ltd v Atlas Construction Group Pty Ltd [2017] NSWCA 53, cited

Fordyce v Ho [2015] NSWCA 240, cited

Global Medical Solutions Australia Pty Ltd v Axiom Molecular Pty Ltd [2013] NSWSC 86, cited

Gold Ribbon (Accountants) Pty Ltd (in liq) v Sheers (2003) 1 Qd R 683, cited

Imerman v Tchenguiz & ors [2011] 2 WLR 592, cited

JC Techforce Pty Ltd & another v Pearce and others (1996) 138 ALR 522, cited

Lock International plc v Beswick [1989] 1 WLR 1268, considered

Palaris Mining Pty Ltd v Short [2012] QSC 224, considered

Re South Downs Packers Pty Ltd [1984] 2 Qd R 559, cited

Savcor Pty Ltd v Cathodic Protection International APS (2005) 12 VR 639, considered

Singtel Optus Pty Ltd v Almad Pty Ltd [2011] NSWSC 492, cited

Thomas A Edison Ltd v Bullock (1912) 15 CLR 679, considered

Town & Country Sport Resorts (Holdings) Pty Ltd and ors v Partnership Pacific Ltd (1988) 20 FCR 540, cited

TS & B Retail Systems Pty Ltd v 3fold Resources Pty Ltd (2003) 57 IPR 530, cited

Walter Rau Neusser Oel Und Fett AG v Cross Pacific Trading Pty Ltd [2005] FCA 955, cited

WEA Records Ltd v Visions Channel 4 Ltd (1983) 1 WLR 721, cited

Wright v Gasweld Pty Ltd (1991) 22 NSWLR 317, cited

COUNSEL: S Couper QC for the applicant
D Kelly QC and D Clarry for the defendant

SOLICITORS: Carter Newell for the applicant
Russells for the defendant

JACKSON J:

- [1] This is an application to set aside a search order made *ex parte* on 20 September 2018 and executed on 21 September 2018 on the ground of material non-disclosure.
- [2] The application was strongly contested. No fewer than 46 different documents, mostly affidavits with a significant number of exhibits and transcripts, were read at the hearing. On top of those documents, the oral evidence and argument took nearly the full day, including cross-examination on either side. Both parties, at times, appeared to stray into disputed questions of fact that were not particularly material to the resolution of the issues necessary to decide the application and which risked the court going into areas of credibility more appropriately determined at the trial. Extensive written submissions were filed. The point is not to complain of the burden of deciding the application. It is that the extent of the dispute (and another related dispute, which is yet to be decided, on an application for inspection of documents obtained on execution of the search order) illustrates one of the reasons why obtaining search orders and their execution must be tightly controlled, lest collateral disputes that they generate start to outweigh the matters truly in issue in the proceeding to which they relate, having regard to the overriding obligations of the parties under r 5 of the *Uniform Civil Procedure Rules 1999 (Qld)* (“UCPR”).
- [3] To decide this application, it is necessary to describe the proceeding and the circumstances leading up to the search order, its execution and the subsequent application to set it aside in some detail.

Background

- [4] The plaintiff is an Australian engineering company established 45 years ago that provides engineering design and manufacturing services. It manufactures or repairs products including pumps and rotatable assets and has technical engineering capability in precision machining, large capacity machining, valve asset management, pump asset management, gearbox asset management, specialist fabrication, exotic welding and exotic hard facing. It has centres of operation in Brisbane and in Gladstone and alleges that it has had operations in New Caledonia and Indonesia, although the defendants say that the latter offices are closed. It supplies services and manufactures products to resource and industrial companies including a number of major mining companies and construction companies.
- [5] The plaintiff employed the third defendant as an engineering manager and the second defendant as its group sales manager, both based in Brisbane. In each case, the employment was under a written contract for a period of approximately five years.
- [6] On 10 November 2017, the plaintiff terminated the third defendant’s employment. He says that he was unfairly dismissed and peremptorily marched out of the building.

- [7] On 22 December 2017, the second defendant terminated his employment with the plaintiff on the ground of an alleged repudiation by the plaintiff in failing to pay him his entitlement to bonuses on his remuneration.
- [8] On 8 January 2018, the second defendant started a proceeding in the District Court at Brisbane claiming the alleged amounts of the unpaid bonuses.
- [9] In January or February 2018, the second and third defendant combined to start the business of the first defendant, including publishing a brochure on a website of the first defendant. The brochure made representations, inter alia, as to the first defendant's client experience.
- [10] On 2 May 2018, the plaintiff started this proceeding by originating application claiming a large variety of final relief by way of injunctions under statute and in equity, damages under statute, damages at common law, equitable compensation and other relief.
- [11] On 8 June 2018, the court:
- (a) granted an interlocutory injunction restraining the defendants from publishing the part of the brochure containing the alleged client experience as misleading or deceptive or likely to mislead or deceive;¹
 - (b) ordered the proceeding to continue as if started by claim; and
 - (c) directed that the statement of claim be filed and served by 29 June 2018.
- [12] On 16 August 2018, the plaintiff filed the statement of claim.
- [13] On 24 August 2018, the court ordered that the second defendant's District Court claim be transferred to the Supreme Court and be continued in this proceeding by way of counterclaim and ordered that the parties make disclosure by lists of documents by 22 October 2018.
- [14] On 5 September 2018, the defendants filed and served the defence and counterclaim.

Plaintiff's claims

- [15] The first group of causes of action raised by the statement of claim are for misleading or deceptive conduct by the first defendant in contravention of s 18 of the *Australian Consumer Law* or in contravention of s 29(1)(d), (g) or (h) thereof. That part of the case is of no particular concern in the present application.
- [16] The second group of causes of action are for the misuse of confidential information. The plaintiff alleges that the second and third defendants copied and removed from the plaintiff's systems a substantial amount of information which was by its nature confidential to the plaintiff and agreed to be confidential information under their written employment agreements. The particulars of the information and alleged copying are summarised as follows from paragraph 20 of the statement of claim:

¹ *Australian Consumer Law*, ss 18, 29(1)(d), (g) or (h).

- (a) information from the plaintiff's computer system copied on dates which included 16, 20 and 31 October, 23 and 28 November, 5, 6, 14, 17, 21 and 22 December 2018;
 - (b) information from the plaintiff's computer system copied onto a Seagate Backup Plus drive, a LaCie drive and other devices;
 - (c) the copied information comprised at the least:
 - (i) all emails held on their email accounts at Berg Engineering and all documents attached to such emails;
 - (ii) the contents of the drives and folders identified in two reports of Vincents Forensic Services dated 10 August 2018 ("VFS first report") and 14 August 2018 ("VFS second report");
 - (iii) lists and contact details of customers or potential customers of the plaintiff;
 - (iv) the entire contents of a folder entitled "AAAAA TBQ" containing analyses of potential new work for the plaintiff, covering many years of work and including sensitive details about customers, supplies, supplier pricing information, tenders, offers and margins and details of all of the plaintiff's future work;
 - (d) information copied to or from files on a Microsoft "OneDrive" account using computers in the possession of the defendants.
- [17] The plaintiff identifies that information as "springboard data" and alleges that it has been used for the following purposes:
- (a) to establish the new business of the first defendant;
 - (b) to approach customers of the plaintiff and potential customers of the plaintiff identified in the springboard data and otherwise known to them by reason of their employment by the plaintiff;
 - (c) to compete with the plaintiff, including by undercutting it on price (known to the defendants from the springboard data and by reason of the second and third defendants' employments by the plaintiff); and
 - (d) to secure contracts and work for the first defendant.
- [18] The plaintiff alleges that misuse of the springboard data was a breach of contractual and equitable duties of confidence owed by the second and third defendants to the plaintiff and that it has suffered loss and damage as a result of those breaches of contract and duty.
- [19] The plaintiff claims injunctive orders that the defendants deliver up to the plaintiff all and any documents and materials in whatever form and on whatever media they have been removed or kept from the plaintiff's systems or premises, make affidavits as to having done so and to restrain them from further misuse of confidential information.

Defendants' defences

- [20] The defence and counterclaim responds, *inter alia*, to the allegation in the statement of claim that the second and third defendants had copied documents of the plaintiff prior to leaving their employments. By paragraph 21 of the defence the defendants:
- (a) admit that the second and third defendants copied or backed up certain electronic files throughout the course of their employments with the plaintiff;
 - (b) allege that such conduct was sanctioned and expected by the plaintiff pursuant to cl 7 of their employment agreements which provided with respect to the issue of computer use that you must back up your files in accordance with the procedures outlined in the policy document attached;
 - (c) allege, however, that there was no policy document attached;
 - (d) allege that the copying and backing up of files to external storage devices was undertaken as a matter of course throughout their employments with the plaintiff in order to achieve the expectations imposed on them as to the minimum work required;
 - (e) allege that they each were required to work remotely and whilst travelling domestically and internationally and that whilst doing so they backed up files to external storage devices to discharge their duties;
 - (f) allege that on 6 July 2018, through its solicitors, the plaintiff made demand upon the second and third defendants for the return of the data which had been backed up onto external storage devices;
 - (g) allege that on 17 July 2018, in response to that demand, a USB device was delivered to the plaintiff's solicitors containing a copy of the entirety of the data which had been held by the second and third defendants;
 - (h) allege that a copy of the USB device containing the data had been retained by the defendants' solicitors on the basis of an undertaking given to access that material only for the purpose of litigation between the parties;
 - (i) otherwise, allege the data so backed up by the second and third defendants throughout the course of their employment is no longer held by the defendants or any of them and has not been utilised by the defendants or any of them in the establishment or conduct of the business of the first defendant or at all.

First search order

- [21] On 16 August 2018, armed with the statement of claim (that was filed by leave granted that day in the absence of the defendants), the VFS first report and the VFS second report, and other affidavit evidence, the plaintiff applied *ex parte* for and obtained a search order ("first search order").
- [22] The first order provided that on service the defendants were required to permit members of the search party to enter the premises identified in the order so that they could carry out the search and other activities referred to in the order over a period of two days, including to permit members of the search party to search for and inspect the listed things, to make or retain a copy, photograph, film, sample, test or other record of the listed things. It required

the second and third defendants to disclose to members of the search party the whereabouts of all the listed things in the defendants' possession, custody or power, whether at the premises or elsewhere, to disclose to members of the search party the whereabouts of all computers, computer discs and electronic information, storage devices or systems at the premises in which any documents among the listed things were or may have been stored, located or recorded and to cause or permit those documents to be printed out or to obtain a copy, to do all things necessary to enable the members of the search party to have access to the listed things and to permit the independent solicitor to remove from the premises into the independent solicitor's custody the listed things and any things the subject of dispute as to whether they were the listed things and the copies of photographs, film, samples, tests or other records and printed out documents referred to and to permit the independent computer expert to search any computer and make a copy or a digital copy of any computer hard drive and to permit the computer expert or the independent solicitor to remove any computer hard drive and computer from the premises set out in the order.

- [23] In addition, the first search order provided that the defendants must serve on the plaintiffs an affidavit setting out the location of the listed things, the name and address of everyone who has supplied the defendants or offered to supply the defendants with any listed thing, the name and address of every person to whom the defendants have supplied or offered to supply any listed thing, and details of the dates and quantities of every such supply and offer.
- [24] The scope of the listed things as defined in the first search order was wide. They comprised all and any documents which appeared to have been taken or copied from the computer system of the plaintiff or otherwise removed from its premises or possession, including without limiting the generality of the foregoing emails, SMS messages, contact files, letters, facsimiles, notes, tenders, offers, quotes, draft or revised tenders, contracts, designs, drawings, specifications, descriptions, manuals, and any other document comprising communication between or among any of the second and or third defendants, the staff of the plaintiff, customers, suppliers and contractors of the plaintiff, potential new customers and any document relating to the engineering business conducted by the plaintiff.
- [25] Although that description starts with reference to documents which appeared to have been taken or copied from the computer system of the plaintiff, the inclusion of any documents comprising communications between or among any of the second and or third defendants and potential new customers has apparently generated a dispute about whether electronic documents of the defendants, which were in the physical possession of the second defendant, but were not apparently taken or copied from the computer system of the plaintiff, were included in the scope of the first search order.
- [26] In any event, the list of things included desktop computers, laptops, tablets, iPads, mobile telephones, smart phones, and other similar devices owned, used and or in the custody of the defendants, and USB devices and the like including nominated USB devices. In other words, the list of things included all electronic devices in the custody of the defendants, whether or not they had anything to do with the plaintiff.
- [27] As appears, the order was extremely intrusive. It is the extent of that interference with the ordinary rights of persons which informs the rigour of the protections that are provided and

the conditions which must be observed before a search order is obtained, including the extent of the duty of disclosure on which this application is based.

[28] On 24 August 2018, the first search order expired without having been executed.

Second search order

[29] On 20 September 2018, the plaintiffs applied to the same Judge who had made the first search order for a second search order. The plaintiff described the application as one to replace the first order. It was based on the ground that the plaintiff had been unable to execute the first search order at the addresses (of the defendants) that had been identified as the places of search in the first search order but was now aware of the address of the second defendant and of the motor vehicle or vehicles he was using.

[30] The plaintiff advanced the application for the second search order on the footing, submitted expressly in writing, that so far as it was aware there was no relevant change in any of the circumstances or evidence which led to the first search order being made. The plaintiff relied on the same affidavit material as for the first search order as well as a further affidavit of the plaintiff's solicitor sworn 19 September 2018.

[31] On 20 September 2018, the second search order was made in terms substantially the same as the first order, except for the variation of the residential premises at which the search order might be executed and adding his motor vehicles as places of search.

[32] On 21 September 2018, the search order was executed.

[33] On 2 October 2018, the defendants applied to set aside or discharge the second search order.

Earlier orders and proceedings further explained

[34] It is relevant to further explain the context in which the applications for the search orders came about.

[35] On 2 May 2018, as previously stated, the plaintiff as applicant started this proceeding by originating application. The originating application was made returnable on 15 May 2018, but was adjourned and an application for an interlocutory injunction was heard on 8 June 2018.

[36] Affidavits on both sides were prepared for the hearing on 8 June 2018. One of the plaintiff's contentions, made then and still now, is that the defendants misused the plaintiff's confidential information to contact a customer, Koniambo Nickel, to compete successfully for a job. Significantly, that was the only instance of actual alleged loss in the plaintiff's affidavit material on the hearing of the applications for both the first search order and the second search order, notwithstanding that the first defendant's business was alleged to have been operating since January 2018.

[37] On the hearing on 8 June 2018, the defendants read an affidavit from the second defendant sworn on 1 June 2018 denying any misuse of confidential material, and specifically stating in relation to Koniambo that the defendants did not contact Koniambo, because Koniambo had contacted the defendants. In support of that contention, the defendants also read an affidavit

of Vincent Baert sworn 28 May 2018 who said that it was he, on behalf of Koniambo, who contacted the second defendant via his LinkedIn profile.

- [38] I observe that the proceeding should not have been started as an originating application, because it was not one in which the only or main issue is an issue of law and a substantial dispute of fact was unlikely or there was insufficient time to prepare a claim because of the urgent nature of the relief sought.² As the plaintiff's counsel said on 8 June 2018, "there has been some debate about this since early March", referring to the subject matter of the proceeding.
- [39] On 8 June 2018, as previously stated, the court made a limited order to restrain the defendants from using part of the brochure, ordered that the proceeding continue as if started by claim and directed that a statement of claim be filed and served by 29 June 2018.
- [40] The plaintiff did not file and serve a statement of claim by 29 June 2018, as directed.

Correspondence preceding the applications for search orders

- [41] On 6 July 2018, the plaintiff's solicitors wrote to the defendants' solicitors, attaching lists (described as "spreadsheets") of computer operating system target and source file paths said to relate to the third and second defendants' work computers, asserting that:
- "We are instructed that neither Mr Gablonski nor Mr Boland delivered up to Berg Engineering on termination of their respective employment (sic), any USB or other devices whatsoever. Accordingly, they retain property of Berg Engineering which obviously contains copies of confidential information, unlawfully taken away by your clients from Berg Engineering."
- [42] On the evidence, this was the plaintiff's first demand for the delivery up of any USB or other devices. I note that they were alleged to be the property of the plaintiff although there was and is no evidence that there was any such device that was the plaintiff's property. In fact, the evidence is that any relevant devices were the property of the first or second defendants.
- [43] The 6 July 2018 letter also referred to work emails (from some years prior) exhibited to the second defendant's affidavit sworn 1 June 2018 upon the hearing of the injunction application, and alleged that the emails had been unlawfully copied and retained and demanded the delivery up of any copies thereof.
- [44] On the hearing of this application, the plaintiff submitted that it was "*uncontroversial*" that the second defendant's affidavit sworn 1 June 2018 exhibited "*confidential and commercially sensitive information of the plaintiff and its dealings with one of its customers which information had not previously been disclosed by him.*" I consider the submission to be framed in a way that is apt to mislead. It is necessary, therefore, to explain why.

² *Uniform Civil Procedure Rules 1999 (Qld)*, r 11.

- [45] The submission refers to a footnote that cross refers to two parts of the second defendant's affidavit sworn 1 June 2018. The first reference is to paragraphs where the second defendant denies the misuse of any confidential information in securing the first defendant's contract with Koniambo and exhibits emails between the second defendant and Mr Baert. There is no confidential information of the plaintiff in that exchange.
- [46] The second reference is to a paragraph exhibiting an email exchange between the third defendant and the plaintiff's director, Mr Berg, on 22 and 23 November 2014, relating to an allegation made in an affidavit of the plaintiff's director of poor work performance by the second defendant in relation to an order for a client of the plaintiff, Vale. The exchange is not apparently "commercially sensitive" as that expression is commonly used to justify the confidentiality of documents, namely that it would advantage a commercial rival, except in the sense that it contained feedback as to the client's reasons for not continuing the order and tended to reflect poorly on the plaintiff's director, not the second defendant, as alleged by the plaintiff's director in the latter's affidavit.
- [47] Putting those matters to one side, however, on 17 July 2018 the defendants' solicitors responded to the plaintiff's solicitor's demand for the return of any copied emails and delivery up of any devices on which they were copied. As to the spreadsheets, they said that the second and third defendants "do not refute the proposition that, during their employment with [the plaintiff] they used external storage devices and backed up their work files, namely their work emails; ... they did so in the course of the discharge of their duties in accordance with... their respective contracts..." They continued that "[o]ur clients concede that some of the content of their former work email accounts constitutes [the plaintiff's] confidential information. However, our clients have not made any use of [the plaintiff's] emails since their departure from the employment...". The letter attached a USB which the defendants' solicitors said "contains the entirety of the [plaintiff's emails] retained by [the defendants], and gave an undertaking that the solicitors would only use the copy of the USB that they had for the purpose of the litigation.
- [48] On 23 July 2018, the plaintiff's solicitors wrote to the defendants' solicitors, alleging impropriety in retaining the emails and by statements made in the third defendant's affidavit sworn 28 May 2018 and demanding further explanation of the circumstances of copying onto devices.
- [49] On 26 July 2018, the defendants' solicitors wrote to the plaintiff's solicitors, responding in some detail. Most of the response does not need to be set out. However, the defendants' solicitors said two things of subsequent importance. First, that their clients did not retain any devices on which the plaintiff's confidential information was still stored. Second, that the defendants no longer retained any documents the property of the plaintiff or information which was confidential to it.

Bases of the plaintiff's claim and the search orders

- [50] The claims relevant to the application are for injunctive orders to deliver up or destroy documents that are either the plaintiff's property or to restrain breach of confidence and associated relief.

- [51] To the extent that documents are physical, there is a claim to them as property. But to the extent that the “documents” are electronic copies made and retained or misused in breach of contract or in breach of confidence, the claim is not to the plaintiff’s property. As was said by Finkelstein J in a relevant case, *TS & B Retail Systems Pty Ltd v 3fold Resources Pty Ltd*,³ commercial information may be confidential, but “it is clearly not an asset which is capable of being assigned. It is incapable of assignment because confidential information is not property.”⁴
- [52] Equity will, in an appropriate case, restrain misuse of confidential information, and confidential information as to the identity of customers or suppliers may be capable of protection by an appropriate form of injunction, whether or not properly characterised as a trade secret.⁵ In a case of misuse of confidential information, equity will order that copies of documents containing the information must be either returned to the plaintiff or destroyed. The history of such orders was traced in *Imerman v Tchenguiz*.⁶ One point to note about the history is that the power to order return of the information is not based on a proprietary right to the confidential information.
- [53] The significance of the point for the present case is that no attention was given to the fact that there was and is no evidence that the computer external USB drives which the plaintiff claims it is entitled to have delivered to it are not the plaintiff’s property. They are the personal property of the defendants, or one or other of them. The plaintiff’s evidence and arguments overlooked this point. That the plaintiff may be entitled to the destruction of electronic copies of any documents that the defendants contractually promised to return to the plaintiff on termination of their employment contracts did not entitle the plaintiff to the property of the computer drives onto which the documents had been copied.
- [54] The justification for the extraordinary intrusion of a search order, as explained in a relevant context in *TS & B Retail Systems Pty Ltd v 3fold Resources Pty Ltd*⁷ is “to preserve evidence necessary to enable the plaintiff to establish his case in circumstances where there is a significant risk that the respondent will destroy that evidence. It is for this reason that the order is applied for ex parte and dealt with in secrecy”.⁸ Accordingly, evidence of facts that would tend to discount that risk is potentially highly relevant in discharge of the duty of disclosure of material facts upon an ex parte application for a search order.

³ (2003) 57 IPR 530.

⁴ (2003) 57 IPR 530, 537 [24].

⁵ *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317, 320, 325, 326, 329, 334, 338, 339, 340 and 341.

⁶ [2011] 2 WLR 592.

⁷ (2003) 57 IPR 530.

⁸ (2003) 57 IPR 530, 538 [31].

[55] As to search orders in aid of a claim for breach of confidence against an ex-employee, a number of potentially relevant considerations were discussed in *Lock International plc v Beswick*,⁹ by Hoffmann J (as he then was) in words worth repeating:

“*Anton Piller* orders are frequently sought in actions against former employees who have joined competitors or started competing businesses of their own. I have learned to approach such applications with a certain initial scepticism. There is a strong incentive for employers to launch a pre-emptive strike to crush the unhatched competition in the egg by causing severe strains on the financial and management resources of the defendants or even a withdrawal of their financial support. Whether the plaintiff has a good case or not, the execution of the *Anton Piller* order may leave the defendants without the will or the money to pursue the action to trial in order to enforce the cross-undertaking in damages.

Some employers seem to regard competition from former employees as presumptive evidence of dishonesty. Many have great difficulty in understanding the distinction between genuine trade secrets and skill and knowledge which the employee may take away with him...

Even in cases in which the plaintiff has strong evidence that an employee has taken what is undoubtedly specific confidential information, such as a list of customers, the court must employ a graduated response. To borrow a useful concept from the jurisprudence of the European Community, there must be *proportionality* between the perceived threat to the plaintiff's rights and the remedy granted. The fact that there is overwhelming evidence that the defendant has behaved wrongfully in his commercial relationships does not necessarily justify an *Anton Piller* order. People whose commercial morality allows them to take a list of the customers with whom they were in contact while employed will not necessarily disobey an order of the court requiring them to deliver it up. Not everyone who is misusing confidential information will destroy documents in the face of a court order requiring him to preserve them.

In many cases it will therefore be sufficient to make an order for delivery up of the plaintiff's documents to his solicitor or, in cases in which the documents belong to the defendant but may provide evidence against him, an order that he preserve the documents pending further order, or allow the plaintiff's solicitor to make copies. The more intrusive orders allowing searches of premises or vehicles require a careful balancing of, on the one hand, the plaintiff's right to recover his property or to preserve important evidence against, on the other hand, violation of the privacy of a defendant who has had no opportunity to put his side of the case. It is not merely that the defendant may be innocent. The making of an intrusive order *ex parte* even against a guilty defendant is contrary to normal principles of justice and can only be done when there is a paramount need to prevent a denial of justice to the plaintiff. The absolute extremity of the court's

⁹ [1989] 1 WLR 1268.

powers is to permit a search of a defendant's dwelling house, with the humiliation and family distress which that frequently involves."¹⁰

- [56] Again, in my view, these matters inform the scope of the obligation of disclosure of material facts on an *ex parte* application for a search order in a case such as the present.

Duty to disclose material facts

- [57] The power of the court to grant an order by way of a search order is injunctive, sourced in the powers of this court as supplemented by statute,¹¹ and regulated by the rules of court.¹² The historical source of the power need not be traced back further than *Anton Piller KG v Manufacturing Processes Ltd*,¹³ a breach of copyright and confidence case.
- [58] In exercising the extraordinary jurisdiction to make such an order, the rules do not expressly provide that the party applying *ex parte* for a search order is obliged to make disclosure of all material facts.¹⁴ That there is such an obligation is not in doubt. It is long established at the highest level in relation to *ex parte* injunction applications, as shown by an early decision of the High Court in *Thomas A Edison Ltd v Bullock*,¹⁵ as follows:

“Uberrima fides is required, and the party inducing the Court to act in the absence of the other party, fails in his obligation **unless he supplies the place of the absent party to the extent of bringing forward all the material facts which that party would presumably have brought forward in his defence to that application**. Unless that is done, the implied condition upon which the Court acts in forming its judgment is unfulfilled and the order so obtained must almost invariably fall.” (emphasis added)

- [59] And the principle was recently affirmed by the High Court in *Aristocrat Technologies Australia Pty Ltd v Allam*¹⁶ as follows:

“It is an elementary principle of our ordinarily adversarial system of justice that full and fair disclosure must be made by any person who seeks an order from a

¹⁰ [1989] 1 WLR 1268, 1280-1281.

¹¹ *Constitution of Queensland* 2001 (Qld), s 58, *Supreme Court of Queensland Act* 1991 (Qld), s 45 and 46 and *Civil Proceedings Act* 2011 (Qld), s 9.

¹² *Uniform Civil Procedure Rules* 1999 (Qld), Chapter 8, Part 2, Division 3.

¹³ [1976] Ch 55.

¹⁴ The relevant rules were made under an agreement for uniformity made among the Australian jurisdictions. See, for example, *Australian Football League & ors v Hard On Sport & Ors* [2012] VSC 475, [91]. They are supported in this State by Practice Direction 2 of 2007. Unlike the equivalent practice notes in other Australian jurisdictions (see, for example, paragraph 19 of Practice Note 6 of 2010 of the Supreme Court of Victoria referred to in *Australian Football League & ors v Hard On sport Pty Ltd & anor* [2012] VSC 475, [95]), the Queensland practice direction does not expressly refer to the duty of disclosure of material facts.

¹⁵ (1912) 15 CLR 679, 681-682.

¹⁶ (2016) 327 ALR 595.

court *ex parte*, with the result that failure to make such disclosure is ordinarily sufficient to warrant discharge of such order as might be made. The principle is not confined to particular types of interlocutory orders. Its rationale lies in the importance to the administration of justice of the courts and the public being able to have confidence that an order will not be made in the absence of a person whose rights are immediately to be affected by that order unless the court making the order has first **been informed by the applicant of all facts known to the applicant which that absent person could be expected to have sought to place before the court had the application for the order been contested.**¹⁷ (footnotes omitted) (emphasis added)

- [60] A number of the cases relating to the principles that inform the obligation are discussed in the recent case in the NSW Court of Appeal of *Fitz Jersey Pty Ltd v Atlas Construction Group Pty Ltd*.¹⁸ The same considerations were raised in a Full Court case in this court: *Re South Downs Packers Pty Ltd*.¹⁹
- [61] If it is established that there was non-disclosure in obtaining the second search order, the plaintiff submits that, in any event, the relevant non-disclosure must be of sufficient gravity or materiality that it could have affected whether the order was granted in the first place, relying on *Palaris Mining Pty Ltd v Short*.²⁰
- [62] That case does not specifically support the contention, which should not be accepted as a test for whether a non-disclosure is material. That does not mean trivial matters should be treated as material non-disclosure. But, the duty of disclosure is not measured as an obligation only to disclose things that could be fatal to the *ex parte* application. It is an obligation to disclose “all the material facts which [the unrepresented] party would presumably have brought forward in his defence”. That is the price for proceeding *ex parte*. What a party applying *ex parte* must do was succinctly stated by Alsop J in *Walter Rau Neusser Oel Und Fett AG v Cross Pacific Trading Pty Ltd*²¹ as follows:
- “That does not mean stating matters obliquely, including documents in voluminous exhibits, and merely not misstating the position. It means squarely putting the other side's case, if there is one, by coherently expressing the known facts in a way such that the Court can understand, in the urgent context in which the application is brought forward, what might be said against the making of the orders. It is not for the Court to search out, organise and bring together what can be said on the respondents' behalf. That is the responsibility of the applicant, through its representatives.”²²

¹⁷ (2016) 327 ALR 595, 599-600 [15].

¹⁸ [2017] NSWCA 53.

¹⁹ [1984] 2 Qd R 559, 561, 566-567 and 570-571.

²⁰ [2012] QSC 224, [39].

²¹ [2005] FCA 955.

²² [2005] FCA 955, [38].

[63] The question of what is a material fact was considered in *Savcor Pty Ltd v Cathodic Protection International APS*²³ as follows:

“The obligation is to disclose all material facts. What is a material fact is a matter which is relevant to the court’s determination. To be material, it would have to be a matter of substance in the decision making process.

In *Brink’s Mat Ltd v Elcombe*, Ralph Gibson LJ conveniently summarised the principles. His Lordship noted that ‘the material facts are those which it is material for the judge to know in dealing with the application as made: materiality is to be decided by the court and not by the assessment of the applicant or his legal advisers.’ His Lordship observed that the applicant must make proper enquiries before making an application. If a material non-disclosure is established the court would be astute to ensure that the plaintiff obtaining an *ex parte* order without full disclosure is deprived of any advantage he may have derived, and further that whether a fact not disclosed ‘is of sufficient materiality to justify or require immediate discharge of the order without examination of the merits depends on the importance of the facts to the issues which were to be decided by the judge on the application.’ His Lordship pointed out that the innocence or otherwise of the non-disclosure and the failure to understand its relevance are important factors to take into account.”²⁴

Risk of destruction in this case

[64] As previously summarised, the statement of claim alleges copying by the defendants of files including, by inference, those listed in Table 2 to the VFS first report. However, the allegation of copying was and is much wider, including the entire contents of a folder entitled “AAAA TBQ” containing analyses of potential new work for the plaintiff covering many years of work and including sensitive details about customers, suppliers, supplier pricing information, tenders, offers and margins and details of all the plaintiffs future work.

[65] The defence and counterclaim did not directly respond to the allegation that the defendant had copied all the classes of files or documents identified in the VFS first report and the VFS second report, but it did allege that the data backed up by the defendants was no longer held by the defendants or any of them and had not been utilised by the defendants or any of them in the establishment or conduct of their business.

[66] It is important to keep in mind that from 17 July 2018, there was no dispute that the second and third defendants had retained copies of their email container files, in total amounting to up to 87,000 emails together with any attachments. Nor was there any apparent question that the plaintiff had access to those email container files, emails and attachments, whether from the original files maintained on the plaintiff’s servers or from the copy on the USB device sent by the defendants’ solicitors to the plaintiff’s solicitors. The risk of destruction of those files did not justify an application for a search order.

²³ (2005) 12 VR 639.

²⁴ (2005) 12 VR 639, 650 [35]-[36].

- [67] As well, the defendants had denied that they had kept copies of other electronic (and impliedly hard copy) documents of the plaintiff. It was in this context that the plaintiff sought and obtained the VFS first report and the VFS second report as to the electronic documents by examining the second and third defendants' work computers.
- [68] The VFS first report stated that there were no records that directly indicated that data was copied from the second defendant's work computer to any relevant USB device. That is, the records did not provide direct evidence of copying to any external drive, during the period of about two months before termination of the second and third defendants' employments.
- [69] On 16 August 2018, on the hearing of the application for the first search order, the plaintiff's written submissions stated:
- "It has very recently emerged, from the evidence of Mr Hains, that **in the days leading up to electing to leave his employment on 22 December 2017** [the second defendant] **copied a variety of confidential documents to external drives connected to his laptop.**" (emphasis added)
- [70] The written submission also attached a chronology that stated:
- "19-Dec-17 Gablonski copies confidential documents relating to Vale expansion** to a Seagate backup plus drive"
- [71] The latter statement was said to be supported by paragraph 3.16 of the VFS first report.
- [72] On 16 August 2018, the plaintiff also orally submitted to the court in support of the application for the first search order, that:
- "the Hains report... **proves that one or other of the respondents copied documents, other than simply emails, confidential to Berg, to USB drives during the last weeks of their employment**" (emphasis added).
- [73] However, the VFS reports did not prove any of those matters in relation to the documents listed in Table 2 of the VFS first report. They proved that files or documents located on an external USB drive or drives (but created and last modified at times before the end of October 2017) had been accessed by the user (presumably the second defendant) of the second defendant's work computer during the last days of his employment.
- [74] The shade of colour that attaches to evidence that an employee copied an employer's documents in making preparations to leave during the last days of their employment for a competitive position is quite different from evidence that an employee may have copied work documents to a backup device in the course of the employment from time to time over a period of previous years. That is more so when the employee expressly alleges (as the second and third defendants did here) that they were required to backup documents as part of their employment.
- [75] At the hearing of the application for the first search order, and by implication on the hearing for the second search order, the plaintiff emphasised the risk of destruction or concealment. It positively submitted that the defendants had deceived their solicitors that they did not have the documents referred to in Table 2 of VFS first report.

- [76] Of course, at that time, no question had been raised by the plaintiff's solicitors with the defendants' solicitors whether there were not any other documents.

Risk of damage

- [77] One of the safeguards against making a search order is that an applicant must satisfy the court that the potential or actual loss or damage to the applicant will be serious if the search order is not made.²⁵ The plaintiff alleged in the statement of claim that it had lost business to the first defendant, but the only instance of that referred to in the statement of claim was the loss of the Koniambo contract.

- [78] The subject matter was expressly raised by the court on the hearing of the application for the first search order. The Koniambo contract was relied upon, among other things. The plaintiff submitted that:

“...**apart from the... Koniambo material...** we are not in a position to say here is the extent to which you have used our material.” (emphasis added)

- [79] As previously stated, after the first search order was made, the plaintiff served the statement of claim.

- [80] On 30 August 2018, the defendants' solicitors wrote to the plaintiff's solicitors requesting production of the VFS reports referred to in paragraph 20 of the statement of claim.

- [81] On 4 September 2018, the plaintiff's solicitors provided an incomplete copy of the VFS first report, because it did not include Annexure 3, without any explanation for doing so.

- [82] On 5 September 2018, the defendants filed and served their defence and counterclaim, including paragraph 21, as previously summarised.

- [83] On 20 September 2018, the plaintiff applied for the second search order. The written submissions relied on provided that:

“...**there has been no relevant change** in any of the circumstances, or evidence, which led... to [the first search order].” (emphasis added)

Non-disclosure

- [84] No further disclosure of material facts was made on the hearing of the application for the second search order. The subject was not even mentioned. No reference was made to the defence that had been filed and served,²⁶ or the order made on 24 August 2018 that the parties make disclosure of documents by 22 October 2018.

²⁵ *Uniform Civil Procedure Rules 1999 (Qld)*, r 261B(b).

²⁶ Curiously, the solicitor for the plaintiff, in explaining why no reference was made to the defence on the hearing of the second application relied, inter alia, on the fact that a physical copy had not been served. However, *Uniform Civil Procedure Rules 1999 (Qld)*, r 112(1)(f)(iii) authorises service by emailing a document not required to be served personally to the solicitor's email address.

- [85] Had the second and third defendants been present at the hearing of the first search order application or the second search order application, in my view, they would have brought forward that:
- (a) there was no risk of destruction of any relevant copies of the work email containers of the second defendant and third defendant, including relevant emails and attachments because the plaintiff had both the original of those containers and documents on its system and the copies provided by the defendants' solicitors of what the defendants had retained;
 - (b) the VFS reports did not prove any copying by either the second defendant or the third defendant in the last weeks of their employments of the kind alleged by the plaintiff; and
 - (c) the defendants alleged in correspondence (and by the time of the second search order in the defence) that there had been a relevant policy requiring the second and third defendants to backup copies of documents they were using and they had done so over a number of years; and
 - (d) the evidence read on the hearing of the application for the interlocutory injunction on 8 June 2018 included the affidavit of the second defendant sworn on 1 June 2018 and the affidavit of Vincent Baert sworn 28 May 2018 where the deponent said that it was he, on behalf of Koniambo, who contacted the second defendant via his LinkedIn profile.

Material non-disclosure

- [86] The points of possible non-disclosure in applying for the second search order argued by the defendants included that:
- (a) the expert evidence of the VFS first report proved access by the user of the second defendant's work computer to an external device or devices and the names of the files or documents on the external device or devices referred to in Table 2, but did not prove copying by the second defendant of any of those files in the days before he left the plaintiff's employment;
 - (b) the defendants had positively alleged in correspondence and in the defence and counterclaim that the plaintiff authorised the backup copying of files; and
 - (c) there was at least prima facie evidence adduced on the hearing of the interlocutory injunction application that the "Koniambo transaction" referred to in the statement of claim was not brought about as a result of contact made by the defendants with Koniambo by the misuse of confidential information but as a result of a representative of Koniambo contacting the second defendant.
- [87] In my view, these were facts that should have been disclosed. On 16 August 2018, the court expressly raised the question to the plaintiff whether the other side might have "overlooked something". The plaintiff did not disclose anything along the lines of what, in my view, the second and third defendants would have said had they been present.

Discretionary factors

- [88] Next, the plaintiff submits that even where there has been a failure to make full and frank disclosure in obtaining a search order *ex parte*, the court has a discretion whether to set aside the order or not and in exercising its discretion, the court should have regard to “all the circumstances of the case including the importance of the mis-statements and non-disclosure... the applicant’s culpability and the merits of its case otherwise” relying on *Gold Ribbon (Accountants) Pty Ltd (in liq) v Sheers*²⁷ and *Palaris Mining Pty Ltd v Short*.²⁸
- [89] In *Palaris*, Applegarth J followed the relevant principles as discussed by Holmes J in *Gold Ribbon* and concluded:
- “Discharge of *ex parte* orders that are made in circumstances in which there has been a failure to make full and frank disclosure of material facts is not automatic. In deciding whether to exercise the discretion, regard should be had to all the circumstances of the case, including the degree and extent of the culpability with regard to non-disclosure or misrepresentation. It may be added that the discharge of an *ex parte* order does not prevent a fresh application being heard and determined in the light of all relevant facts.”²⁹
- [90] For the purpose of this case, I am prepared to follow that statement of principle, which is supported by intermediate appellate court authority in *Savcor*³⁰ and (less strongly) *Brink’s Mat*.³¹
- [91] However, it should not be overlooked that neither *Gold Ribbon* nor *Palaris* referred to other relevant decisions, including that of the Full Court in *Re South Downs Packers Pty Ltd*.³² A question discussed but not resolved in that case is whether there remains “a general rule that peremptory dissolution is the ordinary consequence of obtaining an injunction by *ex parte* application at which material facts are not disclosed”.³³ McPherson J thought that there was, relying on *Cameron v Cole*,³⁴ where Rich J said that, “If this principle be not observed, the person affected is entitled, *ex debito justitiae*, to have any determination which affects him set aside”. But *Cameron v Cole* was a case where a party entitled to service had not been served or given notice, so its specific relevance to an *ex parte* injunction may be doubted. As well, McPherson J recognised the existence of an exception as stated by Isaacs J in *Thomas A Edison v Bullock*, “that is compelled by the necessity of the occasion”.³⁵ On the other hand, neither of

²⁷ (2003) 1 Qd R 683, 694-695 [51]-[54].

²⁸ [2012] QSC 224, [19], [37]-[39].

²⁹ [2012] QSC 224, [39].

³⁰ (2005) 12 VR 639, 648-650 [28]-[34].

³¹ [1988] 1 WLR 1350, 1357.

³² (1984) 2 Qd R 559.

³³ (1984) 2 Qd R 559, 570.

³⁴ (1944) 68 CLR 571, 589.

³⁵ (1984) 2 Qd R 559, 570.

the other members of the Full Court reasoned in the same way, Connolly J saying that such a rule “seems... to be somewhat inflexible and not to accord with modern views on the exercise of the judicial discretion”.³⁶ Campbell CJ agreed with those reasons.³⁷

[92] However, in the same vein as McPherson J’s views, the Full Court of the Federal Court in *Town & Country Sport Resorts (Holdings) Pty Ltd and ors v Partnership Pacific Ltd*³⁸ stated the relevant principle in the terms as set out above from *Thomas A Edison*, including that an order obtained without full disclosure “must invariably fail” and both *Thomas A Edison* and *Town & Country Sports* were referred to in *Aristocrat Technologies* without any qualification on this point.³⁹ As well, I note that the current edition of *Meagher, Gummow and Lehane’s: Equity, Doctrine and Remedies* treats this point as unresolved.⁴⁰

[93] The applicant submits that it is important for the Court to take into account material that the execution of the search order has brought to light and subsequent evidence as bearing on whether it was appropriate for the search order to be made with the benefit of hindsight. I do not accept that submission, in general terms, else a party in default on the obligation of disclosure of material facts will be relieved from non-disclosure if the search produces something useful. If that were the law, parties and the Court would be dragged more frequently into significant collateral disputes about whether what is produced on the search is significant enough, as has occurred in this case.

[94] It was submitted by the plaintiff that the decision in *WEA Records Ltd v Visions Channel 4 Ltd*⁴¹ and cases that follow it⁴² are to a contrary effect. In *WEA Records*, the Court of Appeal said:

“If following the grant of an *Anton Piller* order the evidence shows that the order was justified, as it does in the instant case, the fact that the evidence on the ex parte application was not as strong as it ultimately became does not, in **the absence of** mala fides or of **some material non-disclosure**, provide a ground for challenging the order.” (emphasis added)

[95] A number of points should be made about that statement. First, in terms, it excepts a case of material non-disclosure. Second, there was no allegation of material non-disclosure in *WEA Records*. Third, *WEA Records* was a case where the defendants were actively engaged in making and selling unauthorised copies of films made by way of what is popularly known as

³⁶ (1984) 2 Qd R 559, 567.

³⁷ (1984) 2 Qd R 559, 560.

³⁸ (1988) 20 FCR 540.

³⁹ (2016) 327 ALR 595, [15].

⁴⁰ Heydon, Leeming and Turner, *Meagher, Gummow and Lehane’s: Equity Doctrine and Remedies*, 5 ed (2014), [21-425]

⁴¹ (1983) 1 WLR 721.

⁴² *Braggs Electrics Pty Ltd v Gregory* [2010] NSWSC 1205, [11]-[17]; *Director of Public Prosecutions (DPP) (Cth) v Kamal* (2011) 248 FLR 64, [119]; *Global Medical Solutions Australia Pty Ltd v Axiom Molecular Pty Ltd* [2013] NSWSC 86, [46].

“video piracy” and the *ex parte* application and order were made in circumstances of urgency. Similarly, other cases relied on by the plaintiff are not cases of material non-disclosure.⁴³

- [96] The plaintiff relies on the execution of the second search order as producing “a large number of computer files containing relevant search terms” that remain on the disputed list of documents obtained as a result of execution of the second search order, that are still subject to an unresolved application for access. However, I am unable to resolve anything about those documents on the hearing of this application. The documents are not before me.
- [97] Second, the plaintiff relies on the existence of approximately 25 physical documents seized during the execution of the second search order as documents the property of the plaintiff. Those physical documents were located mostly among documents in archive or document storage boxes at the second defendant’s residence during the search.
- [98] Third, the plaintiff relies on a few further electronic documents, from the second defendant’s computerised devices, that were previously on the disputed list of documents, that the defendants have accepted are copies of the plaintiff’s documents.
- [99] On the hearing of this application, the defendants relied on an affidavit of the second defendant exhibiting a schedule identifying the documents in the last two classes, opining as to their significance or potential commercial significance, or lack of it, and dealing in the text of the affidavit with associated points. The plaintiff’s affidavit material, on the other hand, disputes the alleged lack of commercial significance of most of the documents. That is not a matter I can finally resolve on the hearing of this application. However, I have read the documents and the affidavits describing them and their potential significance on both sides of the case.
- [100] One of the documents relied on by the plaintiff entitled “Pipeline/Opportunity Summary” was formerly item 25 on the disputed list. That was a document prepared by the second defendant at the request of the plaintiff’s director shortly prior to the termination of the second defendant’s employment. The document is in four pages in the form of dot points set out under the sub-headings of client names, identifying outstanding requests for quotes, the state of negotiations, existing work as at that date, with comments as to progress and as to the client generally. The affidavit evidence of the plaintiff’s director and the second defendant conflicted as to its potential significance. As previously stated, it is not satisfactory to resolve any such question in a final way on the hearing of this application. However, my reading of the document tends to suggest that it is not highly commercially sensitive information, but a summary of the sort that the second defendant might have been expected to produce on leaving his employment as to work that was in the pipeline and any further opportunities. That is to say it contains information that the second defendant knew as at the termination of his employment and would be likely to remember to a significant extent. Notwithstanding that, it was described by the plaintiff’s director as a “blueprint as to how the plaintiff conducts and grows its business”, a somewhat curious description. It is not suggested that the document was not one already in the plaintiff’s possession before execution of the search order.

⁴³ For example, *Braggs Electrics v Gregory* [2010] NSWSC 1205, [20].

- [101] In the way that the application was argued orally, the other particular item of some significance relied on by the plaintiff is a document in the form of a spreadsheet printout of contacts for customers of the plaintiff, identifying the contact name, the organisation, the contact's title and the contact's email address and phone numbers. It is the sort of customer list that commonly forms the subject of a dispute where a former employee leaves an employer's business. *Prima facie* it is a significant document. However, the second defendant by his affidavit said that it was a document that had been overlooked by him as being among other documents in the relevant box and not used in any way for the purpose of the defendant's business. Again, it is not possible on the hearing of this application to resolve that question finally.
- [102] Summarising, the plaintiff's position is that if the execution of the search order produced documents to which it was entitled as its property or physical or electronic documents which it was entitled to have removed from any of the defendants' electronic devices, that is a sufficient reason to refuse the application to set aside a second search order on the ground of material non-disclosure, in the exercise of discretion. In my view, that conclusion does not follow as of course, and is not measured in the way that the plaintiff seeks to do so by identifying the number of documents or the number of pages of those documents, without establishing the significance of the documents in terms of their misuse and the risk of destruction in the absence of the challenged search order. On the hearing of this application, I am not generally satisfied that the significance of the documents is such that I am in a position to make findings of the kind sought by the plaintiff that would lead to the dismissal of the application in the exercise of the Court's discretion because of what the search has produced.
- [103] In short, on the hearing of this application, the positions of the parties are not clearly established as to the significance of the documents which were produced as a result of the execution of the second search order. For the plaintiffs, the contention is not established that it can be shown that the defendants would not have produced or removed from their computer devices documents of real significance, or that any failure to do so was not inadvertent. For the defendants, it is not established that documents of the plaintiffs that were retained were of no real significance or that any failure on their part to produce or remove such documents was inadvertent.
- [104] It follows, in my view, that the application to discharge a second search order should not be dismissed as a matter of discretion because of what was seized on the execution of the order.

Order to be made

- [105] A review of the cases in which an application to discharge a search order is made shows that there a number of relevant considerations that occur from time to time. One point (that is not limited to search orders as such) is that if the order is fully executed, there may be little point in an order that sets aside an *ex parte* search order *ab initio*, or in discharging such an order in future where nothing remains to be done.⁴⁴

⁴⁴ *Fordyce v Ho* [2015] NSWCA 240, [12]; *Brags Electrical Pty Ltd v Gregory* [2010] NSWSC 1205, [17] and [36]; *JC Techforce Pty Ltd & another v Pearce and others* (1996) 138 ALR 522, 529-530.

- [106] However, there may be a number of reasons why it is still appropriate to do so. First, the discharge of the order will bring an end to ancillary order proceedings such as applications for access to or return of the disputed list items because it usually results in the return of the seized things to the party from whom they were seized. Second, a discharge order may result in an order for the respondent to pay compensation for any damages suffered by reason of the order having been wrongly made on the undertaking as to damages.⁴⁵ Third, a discharge order may be a basis, at least in part, to decide the question of the costs of the parties relating to obtaining the search order, execution of it and the proceeding to discharge the order and any ancillary orders.
- [107] But, in addition to these points, a discharge order vindicates the court's requirement that an applicant for an *ex parte* injunction by way of search order must disclose the material facts. If there is no sanction for non-compliance, the obligation is one that has no meaning and applications for search orders are not likely to be confined to circumstances that justify the extraordinary remedy that it is. As was said in *Brink's Mat* by Ralph Gibson LJ:
- “The rule that an *ex parte* injunction will be discharged if it was obtained without full disclosure... also serves as a deterrent to ensure that persons who make *ex parte* applications realise that they have this duty of disclosure and of the consequences (which may include a liability in costs) if they fail in that duty.”⁴⁶
- [108] Another point is that a number of cases discourage an application to discharge a search order because of the collateral disputes the application requires the court to decide without being able to finally resolve all disputed questions of fact. Some cases go so far as to suggest that the application to set aside and any order for compensation on the undertaking as to damages should be heard with the trial of the proceeding.⁴⁷ In my view, there is no general rule of that kind,⁴⁸ although the court should be astute to avoid permitting the parties to engage in disproportionate disputes in collateral ancillary proceedings.⁴⁹
- [109] A third point raised in some cases is that where the documents seized under a search order will have to be disclosed, in any event, there is no point in ordering that they be returned to the party from whom they were seized. I do not share this view, expressed as a matter of generality. The process of production of lists of seized documents, followed by a “return” list of documents to be returned to the defendants, a “no objection” list of documents to be provided to the plaintiff, and a “disputed” list of documents for subsequent decision on an application for access is expensive, time consuming and likely to produce further disputes. That is what has happened in this case. At this stage, there are eight reports to the court by the independent solicitor (and numerous reports of the “independent” computer expert) dealing with the progress of the processes of executing the first and second search order and

⁴⁵ *Lock International plc v Beswick* [1989] 1 WLR 1268, 1268.

⁴⁶ *Brink's Mat Pty Ltd v Elcombe* [1988] 1 WLR 1350, 1358.

⁴⁷ *Dormeuil Freres S.A. v Nicolian International (Textiles) Ltd* [1988] 1 WLR 1362, 1370.

⁴⁸ For example, see *Lock International plc v Beswick* [1989] 1 WLR 1268, 1285.

⁴⁹ For example, *Booker McConnell plc v Plascow & ors* [1985] RPC 425, 439.

intended to provide evidence for resolving the disputes as to access to documents that are still disputed.

- [110] On the other hand, where the seized things are documents that will have to be considered in order for a party to make disclosure, and there is no other disadvantage to the party from whom they were seized in the documents being delivered to that party's solicitor for that purpose, the cases support an order of that kind as appropriate, and as having the secondary effect of protecting against any remaining risk that the party from whom they were seized destroying the documents.⁵⁰
- [111] In my view, that is the order that should be made in the present case. The second search order should be set aside and, with one qualification, the things seized and documents should be returned to the defendants' solicitors and the independent solicitor and any computer forensic expert he has retained should be discharged. I note that the expert in question in this case was the same as previously retained by the plaintiff to produce the VFS reports, which is not usually desirable.
- [112] The qualification is that the independent expert should be permitted to keep the relevant copy or copies of the data used by him to produce the reports that have been provided to date to the independent solicitor, on the condition that those copies are not to be used by him or further disclosed to the plaintiff or plaintiff's solicitors, and he is not to make further reports in the proceeding without an order of the court authorising the same.
- [113] I will hear the parties before making any order as to costs.

⁵⁰ *Singtel Optus Pty Ltd v Almad Pty Ltd* [2011] NSWSC 492, [71]-[73]; *Imerman v Tchenguiz & ors* [2011] 2 WLR 592, 639-640 [149]. See also Gee, *Commercial Injunctions*, 6 ed (2016), 634-635.