

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
PATENTS COURT

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 11/04/2006

Before :

MR JUSTICE PATTEN

Between :

BSW LIMITED	<u>Applicant</u>
- and -	
BALLTEC LIMITED	<u>Respondent</u>

Mr Thomas Moody-Stuart (instructed by **Boodle Hatfield**) for the **Applicant**
Mr James St.Ville (instructed by **Maclay Murray & Spens**) for the **Respondent**

Hearing dates: 20 - 22 March 2006

Judgment

Mr Justice Patten :

1. Introduction

This is an application for the pre-action disclosure of six classes of document under CPR 31.16. The applicant BSW Limited ("BSW") is a private limited company which was incorporated in February 1994. Its original shareholders were Mr Owen Walmsley and Mr Robert Emmett who each owned half of the issued share capital. BSW was the successor to a partnership between Mr Walmsley and Mr Emmett formed in July 1983 which traded under the name of BSW Design & Engineering. They both have a background in mechanical engineering and met about 40 years ago while working for a company called Greenbank Engineering. Later they worked together for ICI and for Vickers in Barrow.

2. Mr Emmett served an engineering apprenticeship with English Electric plc in Accrington and has qualifications in mechanical engineering from Blackburn Technical College. He became a junior draughtsman at English Electric designing specialist tools for use in the aircraft industry. At Greenbank Engineering he was involved in designing a variety of machinery including dryers, conveyors, hydraulics and pneumatics. In 1976 while at Vickers he helped to design what is described as a haul down system for repairing underwater pipelines. The evidence therefore indicates that he has had wide experience in designing a range of machines and other mechanical components.
3. In 1983 he formed the partnership with Mr Walmsley and they became engaged on a project for British Nuclear Fuels designing specialist equipment for mechanical

handling inside nuclear reactors. It was at this time that they also decided to look into the possibilities of designing a pipe handling system which could be used in the offshore oil industry, to lift pipes from the sea bed. To this end, Mr Walmsley came up with the idea of using what is described as ball and taper technology

4. The ball and taper technology for use in underwater tools typically consists of a series of balls located in tapers on a central mandrel and held in place by an outer ball cage. When pressure is exerted on the lifting eye and the mandrel is pulled out of its receptacle the balls are forced outwards down the tapers and jam against the receptacle. This system has been found to be extremely strong and effective. The prototype was manufactured in 1983 and pipe lifting tools incorporating what has become known as the ball grab system were designed and supplied by BSW Design and Engineering from about 1985 onwards to a variety of customers including Mobil, British Gas and Shell. The ball and taper technology has been in existence in other applications since the 1930s. But Mr Emmett and Mr Walmsley have, on the evidence, pioneered its use in this particular field.
5. In 1994 the partnership business was taken over by BSW. The company continued to design and supply ball grab tools for use in pipe laying and pipeline repair, but in 1995 they began to produce mooring connectors for anchoring oil rigs and other offshore installations using the same technology.
6. In September 2001, Mr Emmett and Mr Walmsley agreed to sell a majority shareholding in BSW to Arnlea plc, a company owned and controlled by Mr Ian Suttie. Mr Walmsley then retired from the business. Mr Emmett's evidence is that Mr Suttie adopted an aggressive approach to the management of the company and that there were changes in staff. Mr Ian Brown, who had joined BSW from Shell and who came up with the idea of using ball grab technology in the mooring connectors, fell out with Mr Suttie and was replaced as managing director by a Mr Desmond Hatfield. Allegations are made in the evidence that Mr Hatfield's aim was to remove Mr Emmett from the business and that he was excluded from meetings and marginalised. He says that he was forced to leave BSW's employment, which he did on 28 February 2004 and was only paid to the end of that month. He resigned as a director of BSW in July 2004.
7. Shortly after his resignation on 23 July 2004, the Respondent company Balltec Ltd ("Balltec") was incorporated. The directors and shareholders are Mr Emmett and Mr Graham Halstead, whose company H.B Halstead & Sons Ltd were the sub-contractors who manufactured the tools supplied by BSW. According to Mr Emmett a disagreement had occurred between Mr Halstead and Mr Suttie over payment terms.
8. Balltec now trades in direct competition with BSW. It offers for sale a similar product range which includes both pipe lifting tools and mooring connectors which utilise the ball grab technology. In his first witness statement Mr Green, the general manager of BSW, says that as a result of information obtained from its customers BSW has good reason to believe that the activities of Balltec have crossed the line from fair competition into something more serious. By this he means that Balltec has infringed the unregistered design rights of BSW in its products by selling products which incorporate identical design features; that it has infringed BSW's copyright in the design drawings for its products by copying these drawings and using them in

order to obtain the certification of its own products; and that it has infringed two of BSW's patents.

9. The infringement claims (at least in respect of design right and copyright) are based largely on the shortness of the interval between Mr Emmett ceasing to be a director of BSW in July 2004 and the subsequent certification and manufacture of at least a pipeline recovery tool in September 2004. Mr Green's evidence is that Balltec, through Mr Emmett, could not have got to that stage within a period of no more than two months, unless Mr Emmett (who was the designer involved) either commenced work on his designs much earlier whilst still a director of BSW, or alternatively, used BSW's designs and drawings in order to produce the tool. BSW therefore allege (as an alternative to the claims for design right and copyright infringement) that Mr Emmett acted in breach of his fiduciary duty to the applicant and that he and Balltec are liable to account for the profits which they have made.
10. Mr Emmett's evidence is that he did no work at all on the designs for Balltec's own products until after he had ceased to be a director of BSW and that none of his designs infringed any design right vested in BSW. By the same token, he says that he used his own design drawings in order to gain the necessary certification for the Balltec designs. It is said that he is an experienced draughtsman (which he clearly is) who has the ability to work quickly and that all the Balltec designs are new and different. In a witness statement made by Mr Christopher Woodruff, the solicitor at Messrs Maclay Murray Spens who act for Balltec in these proceedings, he says that he has been told by Mr Emmett that the new designs were created from blank pieces of paper and that neither Mr Emmett nor Balltec had any of BSW's plans. Mr Emmett says in his own witness statement (which was admitted late in the proceedings) that he commenced work on the designs after 23 July 2004 and that he worked from first principles. The design work was underway at the beginning of August and resulted in a complete 26 inch pipe line recovery tool by the end of September. This was tested on 29 September and a design for a mooring connector was produced and sent for a computer based finite element analysis (FEA) at the end of August 2004. He therefore rejects both the claims for infringement and the suggested impossibility of his having produced the designs in the time available from which the inferences of breach of fiduciary duty or infringement are derived.
11. It will be necessary for me to analyse the evidence relied on by BSW in support of its belief that it may have a claim against Balltec. But Mr Moody-Stuart on behalf of BSW accepts that it has no direct evidence as things stand, on which to base either of its alternative claims, or to particularise the allegations of design right infringement and breach of copyright. None of its customers, nor any third parties, has provided documentary evidence to support the inferences drawn, nor has it been possible to gain access so as to inspect any of Balltec's products in order to make a comparison. BSW makes this application for pre-action disclosure on the basis that the design and other drawings relating to Balltec's 2004 product range will reveal whether there is any substance in its belief that the designs either originated from work carried out prior to 23 July 2004 or involved the use of BSW's own designs and design drawings. If the documentation confirms Mr Emmett's version of events then, says Mr Moody-Stuart, further litigation will be avoided and costs saved. For its part, Balltec resists any pre-action disclosure of the kind sought. It stands by Mr Emmett's evidence that it used new designs created after July 2004 and contends that disclosure of its designs

will cause it irreparable prejudice because it will give BSW access to its design material and sight of the improvements in design which it has introduced. The application, Mr St Ville submits, is a classic fishing expedition based on nothing more than speculation and there is no real foundation even for BSW's alleged fears. It represents, he says, the culmination of a long and bitter campaign by BSW against its former director and his new company which is designed to undermine Balltec's business in the eyes of its potential customers by making unjustified allegations of infringement. It is little more than a spoiling tactic by a commercial rival.

CPR 31.16

12. This application puts into sharp focus the question of whether and in what circumstances a would be claimant who is unable to plead and prove its case on the evidence currently available to it, may seek to employ the powers of the court under CPR 31.16 in order to discover whether it does in fact have a good cause of action.

13. CPR 31.16 provides as follows:

“(1) This rule applies where an application is made to the court under any Act for disclosure before proceedings have started.

(2) The application must be supported by evidence.

(3) The court may make an order under this rule only where-
(a) the respondent is likely to be a party to subsequent proceedings; (b) the applicant is also likely to be a party to those proceedings; (c) if proceedings had started, the respondent's duty by way of standard disclosure, set out in rule 31.6, would extend to the documents or classes of documents of which the applicant seeks disclosure; and (d) disclosure before proceedings have started is desirable in order to-(i) dispose fairly of the anticipated proceedings; (ii) assist the dispute to be resolved without proceedings; or (iii) save costs. ”

14. The statutory basis for the rule is s.33(2) of the Supreme Court Act 1981 (“the 1981 Act”) which provides as follows:

“On the application, in accordance with rules of court, of a person who appears to the High Court to be likely to be a party to subsequent proceedings in that court, the High Court shall, in such circumstances as may be specified in the rules, have power to order a person who appears to the court to be likely to be a party to the proceedings and to be likely to have or to have had in his possession, custody or power any documents which are relevant to an issue arising or likely to arise out of that claim-(a) to disclose whether those documents are in his possession, custody or power; and (b) to produce such of those documents as are in his possession, custody or power to the applicant...”

Until 1998 the power to order pre-action disclosure was limited to cases involving death and personal injury, but Lord Woolf in his 1996 report Access to Justice: Final Report to the Lord Chancellor on the civil justice system in England and Wales recommended the extension of the power to cover all cases. This recommendation was given effect to by article 5(a) of the Civil Procedure (Modification of Enactments) Order 1998 (SI:1998/2940).

15. In *Rose v Lynx Express Ltd* [2004] EWCA Civ 447 (para 4) Peter Gibson LJ (giving the judgment of the Court of Appeal) said this:

“In our view it will normally be sufficient to found an application under CPR 31.16(3) for the substantive claim pursued in the proceedings to be properly arguable and to have a real prospect of success, and it will normally be appropriate to approach the conditions in CPR 31.16(3) on that basis.”

16. In that case a shareholder in a private company wished to bring proceedings against another shareholder who held its shares as a nominee for various interests under a limited partnership. Over time there were transfers of interests within the partnership but the nominee continued to hold the shares for the benefit of the partnership. The changes in the partnership were alleged to have triggered the pre-emption rights in the company’s articles of association. The shareholder therefore applied for pre-action disclosure against the nominee to ascertain whether there had been any relevant transfers of the beneficial ownership in the shares it held. The Judge construed the articles in a way which was fatal to the potential claim and dismissed the application. The Court of Appeal held that the meaning of the articles was a matter for trial and that the applicant’s construction was at least arguable. It made an order for the disclosure sought.
17. Apart from the passage I have quoted, the entire judgment is taken up with the construction issue and having decided that the applicant’s construction was (to use Peter Gibson LJ’s words) properly arguable, the Court of Appeal accepted that the jurisdictional threshold imposed by CPR 31.16(3) had been crossed.
18. Neither side on this application suggests that an applicant for pre-trial disclosure should have to show that it has anything more than a properly arguable case which has a real prospect of success, but it is important to be clear about what this means. The phrase “real prospect of success” is used in both CPR 13.3(1) and 24.2. In *Swain v Hillman* [2001] 1 AER 91 at p.92j Lord Woolf MR said that:

“The words “no real prospect of succeeding” do not need any amplification, they speak for themselves. The word “real” distinguishes fanciful prospects of success...they direct the court to the need to see whether there is a “realistic” as opposed to a “fanciful” prospect of success.”

In *ED & F Man Liquid Products Ltd v Patel* [2003] EWCA Civ 472 Peter Gibson LJ said that the test required there to be a case which was better than merely arguable. It must carry some degree of conviction.

19. This has echoes of the approach taken by The House of Lords in *American Cyanamid Co. v Ethicon Ltd* [1975] AC 396 which in the context of an application for an interlocutory injunction to restrain the infringement of a patent rejected the requirement that a claimant needed to establish a prima facie case of infringement. The requirement to show a prima facie case was understood as meaning that the applicant needed to persuade the Court that on the evidence available his claim would on the balance of probability succeed at the trial. By contrast, an application under the Cyanamid guidelines will be determined on the balance of convenience unless the applicant is unable to establish that he has “any real prospect of succeeding in his claim for a permanent injunction at the trial”: see *Lord Diplock at p.408 B*. This is a minimalist approach which sets the threshold at a level which does little more than exclude claims which might be characterised as frivolous or vexatious. In particular, the Court is not called upon to resolve serious issues of fact or law. This has since been adopted as the correct approach for all applications for pre-trial injunctions. In the case of freezing injunctions, it has been refined to the requirement that the applicant should demonstrate a good arguable case that he has the requisite cause of action and that there is a real risk that the defendant will dissipate his assets absent an injunction. But even the requirement to show a good arguable case stops well short of requiring the applicant to prove that he is more likely to succeed than not.
20. It is clear from the judgment in *Rose v Lynx Express Ltd* that the requirement to show a properly arguable case was the same threshold test which Peter Gibson LJ described in *ED&F Man Liquid Products Ltd*. For a claim to be properly arguable in that sense, it must have a sufficient factual basis to support it. An applicant has not made out a good or properly arguable case for breach of copyright or design right infringement if there is no credible evidence of primary facts from which one may at least be able to infer that an act of infringement is likely to have taken place. Put another way, an act of infringement must at least be one of the possible inferences or conclusions which can reasonably be drawn from the known facts as disclosed by the evidence.
21. The leading case on the exercise of the Court’s powers under CPR 31.16 is the decision of the Court of Appeal in *Black v Sumitomo Corporation* [2002] 1 WLR 1562. In *Rose v Lynx Express Ltd* this decision was not referred to by the Court of Appeal. Having decided that the applicant’s construction of the articles of association was “properly arguable” the Court of Appeal appears to have considered that the jurisdictional conditions specified in CPR 31.16 (3) had been satisfied. The only objection to the making of the order seems to have been based on the meaning to be attached to the relevant article. It was therefore unnecessary for the Court of Appeal in that case to decide whether a lower threshold than a good arguable case satisfied the requirements of CPR 31.16 (3) and how the discretion should be exercised in such circumstances. But in *Black v Sumitomo* these issues did arise for consideration.
22. Mr Black, a Canadian metal dealer, sought pre-trial disclosure in relation to a possible claim against Sumitomo arising from the unauthorised attempt by one of its managers, Mr Yasuo Hamanaka, to corner the world market in copper. In the fall-out which followed the disclosure of Mr Hamanaka’s activities, Mr Black was able to make substantial sums of money by closing his positions in May 1996, ahead of the fall in the market and selling short. But his attempts to buy more copper from Sumitomo between June and September 1996 were rebuffed as part of what he alleged was an unlawful conspiracy between Sumitomo and their advisers at Goldman Sachs to

continue to maintain an artificially high market price in order to profit themselves and to injure other participants in the market. The intended claim was one for the additional profits which Mr Black would have secured had the market price of copper not been supported by the strategy devised by Sumitomo and Goldman Sachs.

23. In pre-action correspondence, Mr Black's solicitors had requested documents relating to what is referred to as the China deal. This was allegedly a sham contract between Sumitomo and China for the supply of 90,000 tonnes of copper. The deal was said to constitute the best evidence of Sumitomo's continued manipulation of the copper market in the wake of the Hamanaka affair. The deputy judge (Mr Michael Brindle Q.C) ordered pre-trial disclosure of three categories of documents relating to the China deal. As part of his judgment he accepted, in accordance with the authorities on s.33(2) of the 1981 Act prior to its amendment, that the condition specified in CPR 31.16(3)(a) that the respondent is likely to be a party to subsequent proceedings was satisfied if the applicant had a reasonable basis for making a claim and that it was not necessary to establish either a prima facie case or even one which would survive an application to strike out. The claim had to be more than merely speculative or a fishing claim, but it might have a reasonable basis if "in cases where a prima facie course of action does not yet exist.. there is a reasonable basis for believing that it might do if disclosure could first be ordered." This formulation almost exactly corresponds to the way in which BSW puts its case on this application.
24. The Court of Appeal considered that the deputy judge had misdirected himself by failing to separate out the question whether the jurisdictional conditions specified in sub-paragraphs (a) – (d) of CPR 31.16 (3) had been satisfied from the exercise of his discretion as to whether or not to grant the order sought. The correct approach (which I shall endeavour to follow in this case) is to consider whether the requirements of sub-paragraphs (a) – (d) have been satisfied and then to decide whether it is desirable to make the order having regard to the three possible objectives specified in CPR 31.16 (3) (d). At paragraph 81 of his judgment, Rix LJ explained the interaction of this part of the rule:

"It is plain not only that the test of "desirable" is one that easily merges into an exercise of discretion, but that the test of "dispose fairly" does so too. In the circumstances, it seems to me that it is necessary not to confuse the jurisdictional and the discretionary aspects of the sub-rule as a whole. In Bermuda v. KPMG Lord Justice Waller contemplated (at par. 26) that sub-r. (d) may involve a two-stage process. I think that is correct. In my judgment, for jurisdictional purposes the Court is only permitted to consider the granting of pre-action disclosure where there is a real prospect in principle of such an order being fair to the parties if litigation is commenced, or of assisting the parties to avoid litigation, or of saving costs in any event. If there is such a real prospect, then the Court should go on to consider the question of discretion, which has to be considered on all the facts and not merely in principle but in detail. 82 Of course, since the questions of principle and of detail can merge into one another, it is not easy to keep the two stages of the process separate. Nor is it perhaps vital to do so, provided however that the Court is aware of the need for both stages to be carried out. The danger, however, is that a Court may be misled by the ease with which the jurisdictional threshold can be passed into thinking that it has thereby decided the question of discretion, when in truth it has not. This is a real danger because first, in very many if not most cases it will be possible to make a case for achieving one or other of the three purposes, and

secondly, each of the three possibilities is in itself inherently desirable. 83 The point can be illustrated in a number of ways. For instance, suppose the jurisdictional test is met by the prospect that costs will be saved. That may well happen whenever there are reasonable hopes either that litigation can be avoided or that pre-action disclosure will assist in avoiding the need for pleadings to be amended after disclosure in the ordinary way. That alternative will occur in a very large number of cases. However, the crossing of the jurisdictional threshold on that basis tells you practically nothing about the broader and more particular discretionary aspects of the individual case or the ultimate exercise of discretion. For that, you need to know much more: if the case is a personal injury claim and the request is for medical records, it is easy to conclude that pre-action disclosure ought to be made; but if the action is a speculative commercial action and the disclosure sought is broad, a fortiori if it is ill-defined, it might be much harder.

.....

85 In effect, the Judge never stood back, having dealt with the jurisdictional thresholds, and asked himself whether this was a case where his discretion should be exercised in favour of disclosure. It cannot be right to think that, wherever proceedings are likely between the parties to such an application and there is a real prospect of one of the purposes under sub-r. (d) being met, an order for disclosure should be made of documents which would in due course fall within standard disclosure. Otherwise an order for pre-action disclosure should be made in almost every dispute of any seriousness, irrespective of its context and detail. Whereas outside obvious examples such as medical records or their equivalent (as indicated by pre-action protocols) in certain other kinds of disputes, by and large the concept of disclosure being ordered at other than the normal time is presented as something differing from the normal, at any rate where the parties at the pre-action stage have been acting reasonably.”

25. In paragraphs 59-68 of his judgment, Rix LJ gives a useful and comprehensive account of the earlier authorities on s.33(2) which caused the deputy judge to formulate the threshold test quoted earlier. It is not, I think, necessary for me to repeat this exercise in any detail. Section 33 (2) in its original form provided that:

“On the application, in accordance with rules of court, of a person who appears to the High Court to be likely to be a party to subsequent proceedings in that court in which a claim in respect of personal injuries to a person or in respect of a person's death is likely to be made, the High Court shall . . . ”

In *Dunning v United Liverpool Hospitals' Board of Governors* [1973]1 WLR 586 Lord Denning MR interpreted the words “likely to be made” as meaning no more than “may” or “may well be made” depending on the outcome of the disclosure. In *Shaw v Vauxhall Motors Ltd* [1974] 1 WLR 1035 he repeated that view. “One of the objects of the section”, he said, “is to enable the plaintiff to find out before he starts proceedings whether he has a good cause of action or not. That object would be defeated if he had to show in advance that he had a good cause of action before he saw the documents”.

26. The approach taken in those cases influenced the deputy judge in *Black v Sumitomo Corporation* in deciding what jurisdictional hurdle had to be overcome under CPR

31.16(3)(a). In the Court of Appeal it was accepted that the change in the wording of s.33(2) made these authorities of much less value on that question. But they do remain useful in part on the issue of discretion. Rix LJ (at para 68) said this:

“What, however, these authorities on the unamended section in my judgment reveal, and usefully so, is as follows. First, that at any rate in its origin the power to grant pre-trial disclosure was not intended to assist only those who could already plead a cause of action to improve their pleadings, but also those who needed disclosure as a vital step in deciding whether to litigate at all or as a vital ingredient in the pleading of their case. Secondly, however, that (as what I would call a matter of discretion) it was highly relevant in those cases that the injury was clear and called for examination of the documents in question, the disclosure requested was narrowly focused and bore directly on the injury complained of and responsibility for it, and the documents would be decisive on the conduct or even the existence of the litigation. Thirdly, that on the question of discretion, it was material that a prospective claimant in need of legal aid might be unable even to commence proceedings without the help of pre-action disclosure.”

27. Under s.33(2) in its amended form, the Court has a discretion to order pre-action disclosure by a person who appears to be likely to be a party to the proceedings. This jurisdictional requirement is given effect to in CPR 31.16 (3)(a)(b). The deletion from s.33(2) of the requirement to show that a claim “is likely to be made” in favour of a requirement merely that the respondent is likely to be a party to such proceedings, cannot have been intended to impose a higher jurisdictional threshold in terms of establishing an arguable case and it is therefore obvious why the deputy judge considered that the old authorities on the un-amended s.33(2) were useful in establishing the maximum which the applicant had to show. Rix LJ interpreted the new test laid down by the amended sub-section as meaning “no more than that the persons concerned are likely to be parties in proceedings if those proceedings are issued”: see paragraph 71. “Likely” in this context was to be given the meaning ascribed to it by Lord Denning in *Dunning*: i.e. “may well”. The jurisdictional threshold, he said, is not intended to be a high one. Concerns about the width and effect of the disclosure sought are to be considered as matters going to discretion: see paragraph 72.

The present application

28. Balltec began trading in competition with BSW in about September 2004. The company (as indicated earlier) was incorporated on 23 July 2004 and Mr Emmett and Mr Halstead were appointed directors on that day. Both companies supply equipment to customers in the offshore oil and gas industry which include the mooring connectors and pipeline recovery tools that incorporate the ball and taper technology described earlier. The premise upon which BSW bases its allegations of design right, copyright and patent infringement, is that it would have been impossible for Mr Emmett and Balltec between 23 July and the end of September 2004 to have designed and produced a range of products incorporating ball and taper technology without copying BSW’s existing designs. In his witness statement Mr Brian Green, BSW’s

general manager, says that his company has attempted to obtain information about the precise nature of the products being manufactured and sold by Balltec and their solicitors, Boodle Hatfield, have written to Balltec's solicitors, Maclay, Murray Spens, requesting sight of the relevant drawings and inspection of the products. This has been refused on the grounds that the product details are commercially sensitive. As indicated earlier they have also asserted that Balltec's designs are entirely new and have been created from first principles using what they describe as a clean sheet of paper. The allegations of copying and infringement have been denied.

29. BSW has also contacted some of its customers who have dealt with Balltec. Although they have provided comments on the Balltec products, they have not been prepared either to disclose drawings or to produce detailed photographs.
30. BSW says that it has made this application in order to find out whether its belief that its designs have been copied is well founded. If this belief turns out to be correct, the application will allow the parties to focus on the dispute and will make any subsequent proceedings more cost effective. If no evidence of copying is found, then the need for proceedings will be avoided.
31. As things stand therefore BSW's concerns about possible infringement rest almost exclusively on what I shall refer to as the timing point. In his witness statement Mr Green refers to a number of customer purchases of Balltec products in late 2004 to make good his point that Balltec was offering completed products to customers by the end of September of that year. He says that from about September 2004 various customers of BSW were approached by Balltec as alternative suppliers. Some of these contacts resulted in orders for Balltec. So, for example, in December 2004, Technip Offshore UK Ltd informed BSW that it had placed an order for pipeline recovery tools with Balltec in preference to BSW. The other examples of successful bids given are:
 - i) an order for a Q4149 18 inch section pile follower tool by Technip Offshore Inc on or about 25 October 2004;
 - ii) an order for a 7 inch/12 inch pipe follower tool by Technip Houston on or about 1 November 2004; and
 - iii) an order for a series 1 type mooring connector by Intermoor Ltd on or about 31 December 2004.
32. In other cases BSW has been successful in obtaining the order despite competition from Balltec although it has had in some cases to lower its contract price to do so. The example given of this is an invitation from Technip Offshore Inc Houston to tender for the supply of a sub-sea mooring connector for use in a project in Angola. This is described as the Total Dalia UFL project, for which the main contractor was Technip France. Mr Green says that he met with Technip France representatives in Paris on 8 September 2004 to discuss the project and was told that Balltec had attended a similar meeting the previous day. He says that the Balltec representatives (Mr Brown, Mr Emmett and Mr Halstead) had offered to supply products "identical" to those available from BSW and had made other disparaging comments about BSW's product range. They had also claimed to have designed an entirely new mooring connector.

33. Mr Green was sent by Technip France a copy of the minutes of the meeting between them and Balltec held on 7 September 2004. These minutes refer to the Dalia UFL project. Under the heading “Scope of supply” the minutes record this:

“BV classification approval in principle anticipated to be received this week. Balltec to confirm when approval received. Final type approval from BV estimated to be available by end of October”

34. Mr Green explains that the reference to BV is a reference to Bureau Veritas, which is one of a number of classification societies which check that certain industry standard technical requirements have been complied with in relation to products for use in the offshore industry. The other main societies are American Bureau of Shipping (“ABS”) and Det Norske Veritas (“DNV”). Accreditation is necessary in order for the products to become available commercially. This takes two forms. It is necessary to obtain approval for the design itself and also accreditation of the producer’s internal management system. The reference in the minutes to BV classification approval in principle is, he says, to design approval for the product. This was to be received by 14 September. Final type approval was anticipated by the end of October 2004. Mr Green says that for Balltec to be able to obtain BV type approval between 23 July and 14 September it would have had to have used BSW’s drawings, both in the design of the product and also as part of the application for accreditation.

35. The latter may give rise to a claim for copyright infringement in addition to any claim for infringement of BSW’s design right. In support of this Mr Green also refers in paragraph 33 of his witness statement to a conversation which he had on 14 July 2005 with Mr Frank Legerstee, the Dalia project manager at Bureau Veritas, after BSW had been awarded the contract. Mr Legerstee is alleged to have said:

“...Balltec had simply provided him with their documents submitted to DNV, upon which DNV had been content to grant approval. On that basis Mr Legerstee had been content to grant BV approval in principle to Balltec. He said that the drawings submitted for the DNV approval looked like BSW’s drawings but it was not part of his remit to consider intellectual property matters and potential disputes between companies.”

36. Further evidence of the use made of BSW’s existing designs is said to be provided by paragraph 4 of the minutes of the 7 September meeting with Technip France. The relevant part states:

“Description of mooring connector

Design is complete and only optimization is required. Design of O ring on male tool which provides the environmental seal against the female section after docking has been redesigned to ensure problems encountered with seal displacing are not encountered.”

The reference to the problems encountered with seal displacing is believed by Mr Green to be a reference to BSW’s O ring and the problems which were encountered

by BSW in relation to the O ring on another earlier project. This led to the O ring being replaced and re-designed. The minutes show, he says, that Balltec has made use of this information and has simply continued as if they were part of BSW.

37. The other matters relied on by Mr Green are all based on statements made by BSW customers. None of the makers of the statements has produced a witness statement either confirming the accuracy of the comments attributed to them, or the source or basis of their information. In paragraph 39 of his witness statement Mr Green refers to a meeting which took place between representatives of Balltec and a company called Varco. A representative of Varco is quoted as having stated in an e-mail to BSW on 29 September 2004 that “Balltec has also contacted us and is providing us with the same things”. Later in March 2005 another representative of Varco is said to have told one of BSW’s contacts in the USA that what Balltec was offering was “identical to a Ballgrab – it’s a copy”. There is no confirmation of the terms of this 2005 conversation from those named, but the 29 September e-mail is exhibited. It is an invitation from Varco to BSW to quote for a module handling tool. What it says is:

“I look forward to receiving a quote and a simple drawing of the proposed part from you.

Balltec has also contacted us and is providing us with the same things.”

The reference to “the same things” must be a reference to the quote and the drawing and the second sentence is, I think, taken out of context in Mr Green’s witness statement.

38. Another example of suggested copying is based on what Mr Veillard of a company called Stolt is said to have told Mr Gavin Cleator, BSW’s former sales manager, in February 2005. He is quoted as having said that Balltec was offering “identical products” in the form of mooring connectors. Mr Veillard subsequently told Mr Green that he had been invited to inspect a test rig created at Balltec’s premises and to view tests of the mooring connector which was going to be supplied to Intermoor. This is relied on as further evidence that Balltec had at an early stage obtained certification for its mooring connectors using copies of BSW’s designs.
39. The other matter referred to by Mr Green is the Offshore Technology Conference (“OTC”) which took place in Houston in May 2005. BSW took photos of some of the pictures displayed on Balltec’s stand and obtained copies of some of its sales literature. Included in this is a photograph of what is said by Mr Green to be a test being carried out on a Series II type mooring connector. The test was necessary, he says, in order to submit the results to the accreditation authorities in order to obtain product approval. He links these photographs of the test rig to the minutes of the 7 September meeting between Balltec and Technip France and the reference in paragraph 2 (quoted above) to classification approval in principal (sic) being received that week. This would indicate, he says, that the test rig photo was taken prior to 7 September 2004 which would mean that the Series II connector had to have been designed and produced within little more than a month. This would have been impossible unless Mr Emmett either designed and arranged for the testing of the connector whilst still at BSW or after July 2004 used BSW’s own designs. In the case

of the Series II connector, it had taken BSW over a year to produce a design. In paragraph 48 of his witness statement he says that he was told that Mr Emmett had tested a mooring connector in Norway which is where DNV, one of the accreditation authorities, is based.

40. Balltec's response to this evidence is contained in the witness statement from Mr Christopher Woodruff and in the witness statement from Mr Emmett which I indicated that I required so that certain matters could be verified by a statement of truth from him. Mr Woodruff's evidence is based on what Mr Emmett and Mr Halstead have told him. There is no confirmatory witness statement from Mr Halstead himself.
41. Mr Woodruff's evidence (and this is common ground) is that ball grab designs have been in existence for more than twenty years. He says that Mr Emmett is one of, if not the best, known designers of such devices in the industry and is known as "Ballgrab Bob". He has an ability to design quickly and a number of examples of this are given relating back to the time when he worked for Vickers and ICI. As I mentioned earlier in this judgment, Mr Emmett and his former partner Mr Walmsley developed the use of ball and taper technology in pipe-lifting tools in the early 1980s and until his departure from BSW he was its principal designer. From 1995 onwards, the same technology was applied in the manufacture of mooring connectors.
42. In paragraph 54 to 55 of his witness statement, Mr Woodruff says that Mr Emmett and Mr Halstead appreciated that they could not use BSW's designs and therefore decided to look at the tools afresh and came up with different designs. He says that:

"The above ideas were created from blank pieces of paper. Mr Emmett and Balltec did not have any of BSW's plans. Mr Emmett has explained to me that they set out to make a new design which was more effective from a blank sheet of paper. Mr Halstead has explained to me that he and Bob Emmett are both very experienced engineers and more than capable of coming up with brand new ideas and ways of doing things, because that is what they do all the time. There was no difficulty in them designing from a blank piece of paper and that is what they did."

43. Since Mr Emmett left BSW Mr Suttie is alleged to have conducted a campaign of intimidation against BSW's former employees and against Balltec. Examples are given of the use of private detectives to follow Mr Brown and Mr Emmett, the photographing of Balltec's premises and the disparaging of Balltec to its customers. The present allegations of infringement are said to be the culmination of this process and no more than an attempt to ruin Balltec's business. In relation to those allegations, Mr Woodruff denies any infringement of BSW's IP rights or that Mr Emmett carried out any preparatory design work for Balltec prior to his resignation as a director of BSW on 23 July 2004. The accuracy of Mr Green's evidence is challenged in a number of respects.

i) Technip France

44. Mr Emmett says that he did not say to Technip that they could supply products “identical” to those produced by BSW. What he said was that Balltec could supply tools which would do the same job. The minutes of 7 September 2004 are inaccurate where they refer to Balltec having applied for BV classification approval in principle. The application made to BV was for what is described as a case approval in principle. This, according to the evidence, is an approval based on a finite element analysis (FEA) carried out by DNV using a computer model of the design. This was a fatigue analysis which did not involve a physical test of the product.

45. Balltec has not obtained type approval, but only case approval for specific tools. An FEA report on the mooring connector to be used in the Dalia project was obtained on 19 October 2004 based on an application submitted on 30 August 2004. The FEA report was then submitted to BV to obtain case approval in principle. BSW obtained the order for the Dalia project before this could be granted.

ii) **Stolt**

46. Mr Cleator has provided a witness statement which deals with what Mr Veillard is alleged to have said to him about BSW and Balltec offering identical products. He says that all that Mr Veillard was saying was that BSW and Balltec offered mooring connectors which achieved the same object and both employed ball and taper technology. He did not suggest Balltec’s connector was a copy.

iii) **The Houston Conference**

47. Balltec denies that the photographs of the test rig displayed at the Houston conference showed tests being carried out on a mooring connector. Mr Emmett in his witness statement has produced various recent e-mails between himself and Mr Rikard Tornquist of DNV in which Mr Emmett has asked for comments from DNV on the allegation by Mr Green that the test rig shown in the photographs at the OTC belonged to DNV and was used to test a mooring connector in 2004. Mr Tornquist was supplied with copies of the photographs relied on by Mr Green. He has confirmed that the rig in the pictures does not belong to DNV. Mr Emmett’s evidence is that the photos used at the OTC show a test rig which was erected at Balltec’s own premises at Carnforth in March 2005. The photos were taken in April of that year.

48. He says that he did not design or arrange for the testing of a connector whilst still at BSW. To support this, he has produced a letter from Mr Andrzej Seredneiki, the principal engineer at DNV which states that Mr Emmett was present at the fatigue testing of a full scale prototype of a BSW mooring connector at DNV in 2002, but that DNV has not carried out any testing for Mr Emmett personally between 2003 and July 2004 outside of the BSW contract. The original draft of this letter sent to Mr Emmett by Mr Seredneiki contained the following paragraph:

“Also, we certify that DNV has never tested in our Laboratory at Hovik any BREM Mooring Connectors designed by Balltec Ltd. However, DNV did run FEM analyses of the mandrel, receptacle and pin for the 600 tonnes rated BREM Mooring Connector.”

49. No date was given for the FEM test on the connector components, but Mr Emmett says that he asked Mr Serednicki to change the letter to confine it to dealing with the allegation by Mr Green that testing for a Balltec product had been arranged before July 2004. What, however, Mr Serednicki's draft does suggest is that some FEM testing on components took place after that date. This would be consistent with the Technip minutes of 7 September 2004 and Balltec's explanation that there was a computer test on a connector in August or September 2004. Mr Emmett says in his witness statement that the design work on the mooring connectors and pipeline recovery tools began at Balltec after 23 July from first principles and resulted in a complete 26 inch pipeline recovery tool by the end of September, which was tested on 29 September. A design for a mooring connector was produced by the end of August 2004 and sent to DNV for FEA testing.

Infringement

50. This then is the evidence relied on to support BSW's belief that its rights may have been infringed or that Mr Emmett may have committed breaches of fiduciary duty towards the company prior to ceasing to be a director. But before turning to the application it is important to identify what intellectual property rights are actually relied on by BSW.

i) **Patents**

51. The two UK patents which are said to be relevant are numbers 2155577 and 2367107. The first expired on 19 March 2005 and would at most support a claim for damages. The relevant claim describes the invention as:

"1. A connector or clamp comprising a body having an axis and providing surface means inclined to the axis, movable elements engageable with the surface means and extending through a support for the elements for engagement with a surface of an elongate member, the elements engaging the surface means when the member is clamped, the movable elements being arranged for axial and radial movement relative to the support and annular sealing means engageable with the member."

This is one of the patents applied for and registered by Mr Walmsley and Mr Emmett and subsequently transferred to BSW. There is no indication in Mr Green's witness statement as to how it may have been infringed by any of Balltec's products.

52. Patent number 2367107 is a patent for an underwater tool. Claim 1 in this specification describes the invention as:

"A tool for use under water comprising a sealing device wherein a piston which is movable within a chamber, is capable of causing compression of a seal member; characterised in that a first valve actuated inlet to the chamber at a first end of the piston allows external water pressure to act

on the piston to compress the seal member; and in that a second valve actuated inlet to the chamber at an opposing end of the piston allows the external water pressure to act on the piston to release the seal member.”

53. In his witness statement Mr Green refers to one of the leaflets obtained from the Balltec stand at the OTC. The relevant page has a picture of various tools which are then described in general terms. Below that the leaflet says that “de-watering and pig-catching accessories are available”. Mr Green says that in order to “de-water” a seal is required and that he believes that the seals being used infringed the patent. He goes on to say that he understands that BSW’s sub-sea seal has been modified over the years and that customers have told him that Balltec have problems with their seal and that a sub-sea seal failed during a test of a 26 inch pipeline connector. From this he infers that Balltec has copied and infringed the patent.
54. Balltec’s case is that they have only manufactured one 26 inch connector which was for Technip and that this did not have a seal. There is also evidence that the recovery tool tested at Balltec’s premises in Carnforth on 29 September 2004 had no seal. Two witnesses who attended that test (Mr Mark Salisbury and Mr Graham Vincent) confirm this. Mr Woodruff says that UK Patent 2367107 relates to a sub-sea seal used to seal underwater pipelines in order to allow the water to be evacuated from them. BSW use a type of seal known as a down-hole packer which was ordered from a company called OEM Components. The patent is for a mechanism that squeezes the seal so that it deforms outwards so as to seal the inside surface of the pipe. The patent is for the mechanism not for the seal alone and Balltec’s case is that there is no evidence that any of its tools employs such a mechanism.
55. In the minutes of the meeting of Technip France of 7 September 2004 about the mooring connector for the Dalia project, there is the reference (quoted earlier) to the problem of seal displacing. The terms of the minutes suggest that this is a rather different function from the subject matter of a patent and in his second witness statement Mr Green appears to modify his complaint and his evidence by saying that the real issue is the application of the sub-sea seal to pipeline recovery and de-watering exercises rather than mooring connectors. However, there is no indication that he has any basis for believing that the Balltec 26 inch pipeline recovery tool tested in September 2004 utilised the sub-seal mechanism and Mr Salisbury and Mr Vincent say that the product did not incorporate a seal.

ii) **Design right**

56. BSW relies upon the design right subsisting in its designs for the series I, series II and series III mooring connectors. Mr Green’s evidence is that these designs were created between 2001 and 2004 by its design team which included Mr Emmett. The difference between the three series of connectors are simply size and load capacity.
57. Exhibited to Mr Green’s first witness statement is a schedule of BSW’s drawings which he says may have been used or copied without permission. Not all of the drawings on the schedule are dated, but those that are have dates between March 2001 and May 2004. They all appear to relate to particular components such as the mandrel, spring tubes, locking flanges, a ball-cage and various pins. There is only one general arrangement drawing. None of the drawings is exhibited.

58. Design right protection is only available in this case for designs made available for sale or hire after 1996: see *Copyright, Design & Patents Act 1988 s.216(1)(b)*. BSW was incorporated in 1994 and inherited most of the design and other IP rights belonging to the partnership between Mr Emmett and Mr Walmsley. The evidence is that the use of ball and taper technology in mooring connectors originated in 1995 although the technology was in use from the 1980s. There is, therefore, an issue as to whether all the designs in the drawings in the schedule post-date 1996, but for the purposes of this application I am content to assume that most of them do.
59. Mr Green says that design right subsists in the shape and configuration of the internal parts of the mooring connectors such as the mandrel. He gives as a particular example, the ball races in the mandrel itself. These are what he describes as a series of precisely shaped ramps in which the ball travels to allow the grab to carry out its function. One aspect of the ball races is the incorporation of a 0.32mm dimple in the ball assembly pocket which allows compressed air to be channelled behind the balls so as to free them if they come trapped.
60. There is an issue as to whether the addition of this dimple was in fact part of any relevant design. Mr Woodruff says that it was added accidentally by Mr Halstead as part of a change in the manufacturing process when he decided to alter the type of tools used to machine the pockets and slots. But over and above this there is, of course, the limitation on the scope of design right contained in s.213(3) of the 1988 Act, which does not permit design right to subsist in:

“(b) features of shape or configuration of an article which--

(i) enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function, or

(ii) are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part,”

61. On any view a significant part of the mandrel and the other working components of the connectors is likely to fall within this restriction. The evidence contains no precise identification of the aspects of the design relied on and Mr St Ville submits that it is incumbent on BSW to identify which features of which components they claim design right in. Simply to exhibit a list of drawings gives Balltec and the Court no opportunity to judge whether there is even an arguable claim to design right in any of the designs. The dimple, he says, is a good example of a feature for which no protection can be claimed.
62. To some extent this point is conceded. Mr Green (in para 18 of his first witness statement) accepts in terms that the burden rests upon BSW to define precisely the aspects of shape and configuration upon which it relies. This may, he says, be done by reference to the article which is alleged to be infringed. But in order properly to define BSW's case against Balltec it is important to obtain access to details of the Balltec products complained of. I am bound to say that I do not follow this. The disclosure of Balltec's own designs will not assist BSW to identify what it relies on in its own designs as justifying design right protection. At most it will indicate where

similarities between its and Balltec's designs exist. In the recent decision of the Court of Appeal in *Dyson Ltd v Qualtex (UK) Ltd* [2006]EWCA Civ 166 Jacob LJ gave some general guidance as to how design right cases should be run:

“First it will be important that the claimant should identify with precision each and every “design” he relies upon. Just claiming design rights in parts, for instance, will not do – each aspect said to constitute a “design” should be spelt out. This will focus minds from the outset. Well-advised claimants will confine themselves to their best case “designs.” In principle the defendant should then plead to each, raising challenges to originality or alleging commonplace and saying, if it is so contended, that one of the exclusions of must-match or must-fit apply. There may be cases where, either by agreement at that early stage, or by application to court pre-defence, the issues can be limited to sample issues even at that stage.”

63. BSW could have done that, but has not done so. There is no reciprocal disclosure of its own designs. It does not need the disclosure sought to make out its claim of design right. But it does need it to be able to establish and plead an allegation of infringement. As things stand it has no evidence of that.

iii) **Copyright**

Copyright is asserted by BSW in each of the scheduled drawings and there is no challenge as such to that on this application. But the potential for a claim for copyright infringement is limited. Although BSW has copyright in its drawings, it is not an infringement of copyright in a design document to make an article to the design or to copy an article made to the design: see s.51(1) of the 1988 Act. This is in contrast to the provisions on design right where the owner of the design right has the exclusive right to reproduce the design for commercial purposes by making articles to that design: see s.226(1). Therefore, BSW accept that the claim to copyright infringement is limited at most to the possible reproduction of its drawings for testing purposes in order to gain accreditation for the products. There is no evidence of this and as explained earlier the case rests on the premise that Balltec could not have produced designs for either a pipeline recovery tool or a mooring connector by August or September 2004 without copying its designs unless the design work had begun before July of that year.

Pre action disclosure

64. The six classes of documents sought relate to:
- i) the pipeline recovery tool designed by Balltec on 29 September 2004;
 - ii) the mooring connector design referred to in the minutes of the meeting with Technip France on 7 September 2004;
 - iii) the design of the Q4149 18 inch suction pipe follower tool supplied to Technip Offshore Inc in October 2004;

- iv) the design of the 7 inch/12 inch pipeline recovery tool supplied to Technip Offshore Inc on or before 1 November 2004;
 - v) the design of the Series I mooring connector supplied to Intermoor on or about 31 December 2004; and
 - vi) the testing of the design of a Series II connector as shown on the photographs displayed at the Houston Conference.
65. In the case of classes (i), (iii), (iv) and (v) where it is suggested that a tool was both designed and supplied BSW seek disclosure of all design drawings, all correspondence and drawings submitted to any accreditation authority to obtain approvals for the product and the product itself. In classes (ii) and (vi) what is sought are any test documents, test witness reports, design drawings for the product being tested, photographs taken at the test and in the case of class (ii) alone, all correspondence and drawings submitted to BV and DNV by Balltec.
66. The claim for patent infringement seems now to be directed to pipeline recovery tools and would therefore be limited to classes (i) and (iv). As already explained, the design right claim is not particularised but the only example given relates to a mooring connector. If limited in this way, only classes (ii), (v) and (vi) would be relevant. The copyright infringement claim is more general and applies to each class in relation to the drawings submitted to the accreditation authority. Likewise, all six classes of document are potentially relevant to the alternative claim for breach of fiduciary duty insofar as they reveal the date or dates on which the relevant design work began.
67. I should mention at this stage that Mr Moody-Stuart accepted that class (vi) is probably unnecessary as a separate category of disclosure if the pictures of the test rig displayed at the OTC were in fact pictures of a mooring connector being tested in 2004 as alleged by BSW. This is because the only evidence of a 2004 mooring connector being tested in 2004 is that provided by the minutes of the 7 September 2004 meeting and the design drawings relating to that test are already sought under class (ii) and class (v) (if different). If, of course, Balltec is right and the photographs show the 2005 testing of a pipeline recovery tool, then they are of only marginal relevance. The premise on which this application is based is that designs produced in the period up to September and October 2004 could not have been produced or tested in that time without copying. When one gets into 2005 the basis for that inference really disappears.
68. I turn then to the conditions which have to be satisfied under CPR 31.16 before the Court can consider exercising its discretion in favour of making a disclosure order.
- CPR 31.16(3) (a) and (b): “likely to be a party”**
69. Clearly, if proceedings are commenced for patent, design right or copyright infringement, BSW will be the claimant and Balltec the defendant. The position in relation to the alternative claim for breach of fiduciary duty is less clear. Primary liability for breach of fiduciary duty would fall on Mr Emmett personally who is not a party to this application and against whom no disclosure is sought. Balltec did not exist before his directorship ceased and could therefore only be liable if it

subsequently appropriated designs, which by reason of having been produced during the period of Mr Emmett's directorship, could be regarded as the property of BSW. No argument has been advanced by Mr St Ville that Balltec could not become liable in this way and I propose therefore to assume (without deciding) that the company would be a potential defendant to any proceedings for an injunction or account based on an allegation of breach of fiduciary duty.

70. The more difficult question is the second of the two questions identified under this head in *Black v Sumitomo* which is whether the jurisdictional threshold of establishing a potential claim has been crossed. This forms a substantial part of Balltec's objection to the order sought. Mr St Ville criticises the applicant's evidence on two grounds: first that it does not (at least in relation to design right) establish what rights (if any) are alleged to have been infringed and secondly that there is really no evidence to support any arguable case on infringement or for breach of fiduciary duty.
71. I have already summarised the principal points of contention in the evidence and I can, I think, deal with this aspect of the case quite shortly. There clearly has been no proper specification of the design right claim, nor is there any evidence to substantiate the allegation that the pipeline recovery tools incorporate or incorporated either of the patents. More generally, the allegations of infringement are not based on any direct evidence in the form of drawings or specifications indicating the use of BSW's designs and or even any credible evidence from third parties such as the accreditation agencies to the effect that BSW's designs have been used. The evidence, such as it is, consists of uncorroborated statements from customers to the effect that the products are similar or that they do the same thing and more specific evidence of the order or supply of particular products in late 2004 and the testing of a mooring connector in either late August or September of that year. From this the Court is invited to infer that Mr Emmett would have been unable, due to the lack of time available, to have produced independent designs of the mooring connector and other tools without either copying the relevant BSW designs, or having started the design process much earlier than the end of July.
72. I am not at all persuaded that the remarks attributed to customers about the similarities between the product ranges forms any proper evidential basis for the allegations of infringement which are made. They do not identify any particular part of any particular product which is said to be identical and it is, of course, true that both product ranges intentionally compete with each other in the same market for the same tools. To say that the products do the same thing or are similar or identical tells one little or nothing about their design.
73. During the course of the application, Mr Moody-Stuart accepted that as things stand, his clients could not prove or plead their case on infringement or breach of fiduciary duty. The evidence was designed to indicate why they had concerns and what the base of those concerns was. But he accepted that he could not produce direct evidence of infringement. The most that his evidence does is to establish the timescale within which Balltec appears to have been able to design, manufacture and test its products and BSW invites the Court to infer (as BSW has done) that infringement or breach of fiduciary duty must have taken place.
74. Even this is not without its difficulties. There is really nothing to contradict Balltec's own evidence that the Houston OTC photos were of a vertical test rig used in 2005 to

test a mooring connector and that the only physical testing which took place in September 2004 was of the 26 inch pipeline recovery tool. Mr Emmett says that he worked on designing the recovery tool and mooring connectors after 23 July 2004 and did not utilise or copy any of BSW's designs. By the end of August they had a design for a mooring connector and had produced and tested the pipeline recovery tool by the end of September. Mr Emmett says that his experience as a designer in this field enabled him to work quickly and there is evidence from other witnesses who attest to his ability to design at speed. This is challenged by BSW who say that it took them over a year to produce their design for a mooring connector. But there is no evidence from any designers in the field to say that the timescale suggested by Mr Emmett is impossible nor could there be. The highest it can be put is to suggest that it is improbable but even that is based on Mr Green's assessment rather than that of an expert designer.

75. In these circumstances it is really impossible to describe the application as anything but speculative and but for the authorities on s.33(2) of the 1981 Act prior to amendment, I would have been doubtful whether the jurisdictional threshold had been crossed in this case. But having regard to those authorities and the way in which Rix LJ approached this question in *Black v Sumitomo Corporation*, I am not convinced that I should reject the application on the basis that the requirements of CPR 31.16(3) (a) and (b) have not been complied with. It seems to me that my assessment of the strength of the concerns expressed by BSW is primarily relevant to the issue of discretion.

CPR 31.16 (3) (c): “duty by way of standard disclosure..would extend to the documents

76. The second requirement is that Balltec would be required to make standard disclosure of all the documents sought were any proceedings to be commenced. The Court may not order disclosure of a wider class of documents. This therefore requires me to take a cautious and principled view of what the issues in any subsequent proceedings are likely to be. In one sense, sub-rule (c) is therefore at odds with the low threshold test set for sub-rules (a) and (b) because it does require the Court to formulate the claim and seemingly to extract from the evidence the causes of action which appear to be viable. If the purpose of pre-action disclosure is to allow a party to see whether it has a cause of action and what it is, it is difficult in advance of the disclosure itself to determine what the limits of any standard disclosure should be.
77. The requirement to limit disclosure to what would be standard disclosure in any subsequent proceedings must therefore be based on the premise that the suspected course of action is found to exist. But even on this test it is still necessary for an applicant to identify what its claim is likely to be. In the present case, the issue between the parties which will be resolved by disclosure is not the extent of BSW's intellectual property rights but whether they have been infringed. But the absence of any specification of the design rights claimed makes it impossible to satisfy this limb of CPR 31.16, at least in relation to the design right claim. I would not therefore be prepared to order disclosure of classes (1) and (4) of the documents sought if they were relevant only to the design right claim.

CPR 31.16(3)(d): “desirable”

78. The three stated purposes in this sub-rule are alternatives. Rix LJ (in the passage quoted earlier) said that it is necessary to be satisfied that there is a real prospect in principle of one of the three possible objectives being achieved. The first (dispose fairly of the anticipated proceedings) is not relevant to this case. Only (ii) (assist the dispute to be resolved without proceedings) and (iii) (save costs) are material. Any saving of costs must depend on whether or not proceedings are avoided by the disclosure sought and what I think I have to be satisfied about is that by ordering disclosure now BSW will not commence proceedings if (as Balltec contends) no infringement or breach of duty is found to have occurred.
79. There is, I think, the implication in some of the solicitors’ correspondence and evidence that BSW is bent on litigation regardless as simply another way of damaging what it regards as a serious competitor. But if the disclosure sought were ordered and did not support any of BSW’s possible claims, it is difficult to see how it could avoid any subsequent action for infringement or breach of duty being struck out. In these circumstances, the conditions contained in sub-rule (d) are, I think, satisfied.

Discretion

80. I turn then to the question of whether I should as a matter of discretion make the order sought. At one level the case for disclosure can be put very simply. If Balltec and Mr Emmett are, as claimed, innocent of any infringement or breach of duty, then there can be no harm in ordering disclosure. It will clarify the position and avoid unnecessary litigation. Both parties can then be left to compete on equal terms. Obviously, in the context of a claim for personal injury, that type of reasoning might be compelling. The applicant knows that he has suffered physical harm as a result of the activities of the respondent. His condition is a fact. What may be in dispute are issues of liability or causation which the relevant medical or other records are likely to clear up. The disclosure is limited and highly focussed and has no other implications for the respondent other than to confirm his responsibility or lack of it for the injury which has been suffered.
81. But even in that context the Court has warned against ordering pre-action disclosure “to encourage fishing expeditions to enable a perspective plaintiff to discover whether he has in fact got a case at all”: see *Shaw v Vauxhall Motors (supra) per Buckley LJ at p.1040E*. Similarly, in *Black v Sumitomo Corporation* Rix LJ emphasised that the broader and more diffuse the issues the less likely it will be that an order should be made. The claim in that case was described as “speculative in the extreme”. Two paragraphs in the judgment of Rix LJ are particularly apposite:

“92In such circumstances, unless there is some real evidence of dishonesty or abuse which only early disclosure can properly reveal and which may, in the absence of such disclosure, escape the probing eye of the litigation process and thus possibly all detection, I think that the court should be slow to allow a merely prospective litigant to conduct a review of the documents of another party, replacing focused allegation by a roving inquisition.

...

...

95 In my judgment, the more focused the complaint and the more limited the disclosure sought in that connection, the easier it is for the court to exercise its discretion in favour of pre-action disclosure, even where the complaint might seem somewhat speculative or the request might be argued to constitute a mere fishing exercise. In appropriate circumstances, where the jurisdictional thresholds have been crossed, the court might be entitled to take the view that transparency was what the interests of justice and proportionality most required. The more diffuse the allegations, however, and the wider the disclosure sought, the more sceptical the court is entitled to be about the merit of the exercise.”

82. For the reasons already indicated I do regard this as a speculative claim in which BSW has based its apparent concerns on uncorroborated statements of impression and a theory about the time taken to design the tools which is unsubstantiated by reference to the evidence of any experienced designers in this field. To this lack of substance has to be added a lack of focus at least in relation to the design rights for which protection is sought. In the case of the allegations of patent infringement there is nothing to support the suggestion that the protected invention may have been incorporated into the pipeline recovery tool and the allegation that the valid patent formed part of the mooring connector has not been persisted with. None of the accreditation authorities appear to have been approached about the alleged use of BSW’s plans to obtain approvals and again the allegation of copyright infringement is little more than a theory based on the timing point. On this basis what is sought is the complete and comprehensive disclosure of Balltec’s design drawings and the inspection of a wide range of its products to which they relate.
83. Disclosure of commercially sensitive material is a necessary part of litigation in this Court and there are commonly used procedures in the form of confidentiality clubs and the like which are employed to limit the recipients of such disclosure and its analysis for the purposes of resolving the issues in dispute. Some disclosure to the parties themselves is necessary and inevitable for the litigation process to operate. Similarly, evidence may be available to support design right and copyright infringement on the basis of which wider disclosure of other sensitive material may be required. But to allow CPR 31.16 to become a means of examining a competitor’s otherwise secret designs on the basis that some kind of infringement might have occurred cannot in my view be permissible unless there is at least a clear and convincing evidential basis for the belief that acts of infringement may have taken place and the Court can be satisfied that the pre-action disclosure sought is highly focussed. Otherwise, the potential for abuse is obvious. To say that one can establish the usual confidentiality club is not an answer in itself to the objection that there is no basis for being required to offer up the confidential material in the first place.
84. In order to meet the objection based on confidentiality, Mr Moody-Stuart said that BSW would be happy to accept the appointment by the Court of an independent

expert to whom the papers could be delivered and who would conduct the exercise of comparing Balltec's designs and drawings with the relevant drawings and designs of BSW. He would produce a report listing any similarities which might be the product of copying and would summarise any evidence indicating the date of design work carried out prior to 23 July 2004. His report (but not the documents on which it is based) would be made available to the parties' solicitors. The solicitors for BSW would then have to decide whether the similarities identified could forward a claim for infringement and it would then be for the Court to decide whether the designs with similar design features should be released to BSW or its solicitors.

85. This procedure (and there could be variants of it) would obviously avoid Balltec's designs being disclosed to BSW unless the expert had first identified at least some recognisable similarity between the two sets of designs. But it would involve the Court relying on the expert to make a judgment about the issue of infringement without the Court being seized of the material or having the benefit of the parties' observations on it. If the expert did identify similarities which called for explanation, it is difficult to see how the Court could conduct a further hearing about disclosure without giving both parties the opportunity of commenting on his conclusion by reference not only to Balltec's designs but also to the design drawings of BSW to which the Balltec drawings turned out to be similar. In these circumstances difficult questions would inevitably arise as to whether and on what basis each party should see the designs and the hearing could rapidly develop into a mini trial of the case on infringement, during which the disclosure objected to would have to take place.
86. Although the suggestion of using an expert in this way has some superficial attractions, it is on analysis not an answer. The power under CPR 31.16 has to be exercised with a view to deciding whether or not pre-action disclosure should be granted to BSW. I am far from convinced that I can overcome what I regard as a real objection to the grant of the relief sought by in effect re-writing the rule so as to introduce a quite different procedure designed to allow me (through the expert) to look at the documents to see whether they are potentially incriminating before deciding on whether to make the orders actually sought. That seems to me to lie outside the scope of CPR 31.16 and would lead in almost every case to invitations being made to the Court to intervene in the adversarial process by in effect ignoring the evidence and looking to see if the documents sought did in fact reveal what was alleged. I do not consider that the Court has any power to do this. The proper course to adopt is to exercise the discretion under CPR 31.16 in accordance with the principles outlined in this judgment and then if disclosure is appropriate to order it. At that stage any issues of confidentiality which are not fatal to the exercise of the discretion in favour of the applicant can be addressed.

Conclusions

87. For the reasons set out earlier I am not persuaded that it would be a proper exercise of my discretion to order the disclosure sought in this case. I propose therefore to dismiss the application.

