



Neutral Citation Number: [2019] EWHC 2518 (QB)

Case No: CR 2019-326

IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 27/09/2019

Before :

SENIOR MASTER FONTAINE

Between :

Productivity-Quality Systems Inc

**Claimant/
Applicant**

- and -

Cybermetrics Corporation

Defendant

-and-

-Jeffrey Aughton

Third Party

Quentin Cregan (instructed by **mfg Solicitors**) for the **Claimant**
Christopher Hall (instructed by **Brabners**) for the **Third Party**

Hearing date: 5 September 2019

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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SENIOR MASTER FONTAINE

Senior Master Fontaine:

1. This was the hearing of an application by the third party/respondent (“Mr Aughton”) to set aside or stay my order of 16 July 2019; alternatively, to transfer the application to Mr Justice Birss at the hearing of the case management conference before him on 30 September 2019 in proceedings in the Business and Property Court of the Birmingham District Registry. My order of 16 July 2019 required Mr Aughton to produce documents and attend for oral examination by deposition pursuant to an application made by the Claimant/Applicant (“PQ”) dated 23 April 2019 pursuant to a letter of request from the Honourable Judge Walter H Rice of the United States District Court for the Southern District of Ohio Western Division at Dayton (“the Ohio court”) dated 8 January 2019 (“ the letter of request”).
2. The following witness statements were before the court at the hearing:
 - i) first witness statement of Thomas Anthony Esler dated 18 April 2019, on behalf of PQ in support of the application dated 18 April 2019;
 - ii) first witness statement of Matthew James Ross dated 2 August 2019 on behalf of Mr Aughton in support of the application dated 2 August 2019;
 - iii) second witness statement of Thomas Anthony Esler dated 28 August 2019 on the behalf of the Applicant in response to the application dated 2 August 2019.

Summary of the background, derived from the letter of request and the evidence

3. Mr Aughton worked for PQ’s UK subsidiary company Productivity-Quality Systems (Europe) Ltd (“PQ Europe”) for some 25 years until 2015. Both PQ and PQ Europe are software companies and Mr Aughton was formerly employed as a software developer. Mr Aughton was responsible for producing software that assisted with an industrial technique known as statistical process control or ‘SPC’. Since he left PQ Europe Mr Aughton has established a company, Factoria Ltd, (“Factoria “) which has marketed software products in the field of SPC under the name of InSPC in competition with PQ/PQ Europe.
4. PQ has brought proceedings against a customer of Factoria, Cybermetrics Corporation (“Cybermetrics”) in the Ohio court (“the US proceedings”) and the letter of request was made in those proceedings. In summary PQ’s claim in the US proceedings is that Mr Aughton, when employed by PQ Europe, authored a piece of software known as ProSPC for PQ, that Factoria’s software InSPC is a copy of ProSPC, and that Cybermetric’s use of InSPC is an infringement of copyright and a breach of confidence. Other PQ software is also referred to. In the UK, PQ Europe issued a claim against Mr Aughton and Factoria on 14 September 2018 for breach of confidence and infringement of copyright, to which PQ was subsequently added as a second claimant. The Particulars of Claim allege that PQ and/or PQ Europe was the owner of copyright and confidential information in a range of SPC software, and that Mr Aughton and Factoria have infringed their copyright and misused the confidential information, and that Mr Aughton is in breach of contract, in the creation of InSPC.

Summary of the application by Mr Aughton

5. On behalf of Mr Aughton it is said that the court should set aside the order of 16 July 2019 on the following grounds:
 - i) that the order is oppressive for the following reasons:
 - a) It has a potentially chilling effect on fair and lawful competition and engages directly issues of unlawful restraint of trade and the need to protect a former employee against oppression and harassment from his disgruntled former employer;
 - b) The Particulars of Claim in the UK proceedings as originally pleaded was defective, in that it failed to provide a proper basis for the claim and was held by HHJ Barker QC to be abusive. An unless order was made requiring PQ Europe to apply for permission to amend its statement of case in default of which the claim would be struck out. This suggests that PQ Europe had no proper basis to bring the claim and are seeking the evidence from Mr Aughton in the US proceedings for an improper collateral purpose, namely, to bolster its claim against Mr Aughton and Factoria in the UK. The letter of request and order of 16 July 2019 are of similarly unfocused breadth to the claim which HHJ Barker QC held to be abusive.
 - c) The order provides that Mr Aughton must hand over his confidential source code to PQ who are his business competitors, but the letter of request provides no limitation as to PQ's use of this information. PQ could have applied for a protective order in the US proceedings but did not do so. It would be unfair if Mr Aughton were to be ultimately successful in defending the UK proceedings but had been forced to hand over his own source code to his competitor.
 - d) Mr Aughton is being asked to give evidence about his alleged wrongdoing in circumstances where he is not a party and cannot defend himself. Unlike cases where fraud or criminal acts are alleged, Mr Aughton cannot rely on the Fifth Amendment privilege to protect himself.
 - e) Mr Aughton had no opportunity to make submissions to the Ohio court in response to PQ's application for the letter of request and had no notice of the application by PQ for evidence to be provided.
 - f) Mr Aughton will be troubled by two sets of proceedings, in relation to the same issues, in which he will have to give both documentary and oral evidence. The court is referred to the Amended Particulars of Claim in the UK proceedings, where similar allegations are made of substantial similarity between InSPC and ProSPC. This is disproportionate and unduly costly in respect of the UK claim which is valued only at £100,000-£150,000.

- ii) That the order is pointless, because whilst Mr Aughton possesses his own source code InSPC, neither he nor PQ are in possession of the ProSPC source code which PQ says has been copied. Thus handing over the InSPC code would be pointless, because the Ohio Court cannot make any meaningful comparison with it.
 - iii) That the order should be set aside for material non-disclosure, for the following reasons:
 - a) When PQ applied to give effect to the letter of request in April 2018 it knew the basis on which Mr Aughton had applied to strike out the claim, and it knew that HHJ Barker QC had held the claim to be abusive for lack of particularity. There was no reference in Mr Esler's first witness statement to the fact that the application to strike out and/or for summary judgment was made on grounds that the Particulars of Claim were an abuse of process, nor that the judge had agreed with Mr Aughton's application and had allowed the claim to continue only on the basis that the claim should be amended to rectify the defects and would otherwise be struck out.
 - b) Mr Esler should have exhibited the application notice, the draft order, all the evidence, the party skeleton arguments and the order of HHJ Barker QC and should have noted the comments of HHJ Barker QC as to the defects in the claim, particularly in relation to the apparent purpose of the action of preventing a former employee from complete competing with their former employer.
 - c) That the reference by Mr Esler to Mr Aughton leaving PQ Europe and setting up business on his own as a consequence of "an acrimonious fallout" was not Mr Aughton's position, and "was added cynically so as to present matters in a prejudicial manner" (Ross 1 paragraph 41).
6. In the alternative, it is submitted that if the court is not minded to set aside the order in its entirety, to transfer the application to the Business and Property Court so that Mr Justice Birss can manage the manner in which the production of documents and oral evidence is given at the case management conference on 30 September 2019. In the further alternative, if the court is minded to allow the order to stand, for it to be varied to specify that Mr Aughton's InSPC code be subject to confidentiality provisions.

Summary of PQ's response to the application to set aside or vary

7. The primary position of this court must be to assist the requesting court, and the principles for granting assistance under the Evidence (Proceedings in other Jurisdictions) Act 1975, which implements the U.K.'s obligations under the Hague Evidence Convention, are well known and have been outlined in numerous authorities. Mr Aughton has conceded that the court has jurisdiction to make the order and that Mr Aughton's evidence is plainly central to PQ's allegations in the US proceedings. The letter of request states in terms that the Ohio court is satisfied that the evidence to be obtained is relevant and necessary and cannot be reasonably obtained by other methods. It also states that the testimony and production of documents are intended for use at trial or directly for the preparation of trial. It confirms that the request does not require

any person to commit any offence or to undergo a broader form of inquiry than he or she would do if the litigation were conducted in the United Kingdom court.

8. With regard to the grounds relied upon by Mr Aughton, PQ's response is:
- i) Oppression was not identified in Mr Ross's witness statement as a ground for setting aside the application, but in any event there is no evidence of oppression. PQ is not a large corporation but a small software company. The authorities in relation to cases where orders for evidence to be obtained have been set aside or not granted on grounds of oppression are primarily cases where fraud is alleged, or where the extent of documentary evidence is disproportionate, or the topics for examination are too broadly drafted, speculative or irrelevant or where the request constitutes an impermissible 'fishing expedition'. In this case the topics for examination are uncontroversial for a commercial dispute and the time allowed for the examination is not disproportionate, at a maximum of three days.
 - ii) Mr Aughton may no longer have in his possession the documents requested but that does not make the order pointless. He can confirm which of the documents requested he no longer has and what has happened to them since they were in his possession and he can be questioned about those matters. In any event the computer experts may be able to identify appropriate material for comparisons with the InSPC software.
 - iii) There was no material nondisclosure as Mr Esler identified at paragraph 15 of his first witness statement the fact that proceedings had been brought in this jurisdiction, that defendants to those proceedings had applied for a strike out and/or summary judgment and that the claimant in those proceedings were proposing to amend their statements of case as a result. Insofar as the court considers that there was not sufficient information provided by Mr Esler, it was not intentional, was intended to be a proportionate way of dealing with the issue, and Mr Esler apologises unreservedly to the court for any lack of transparency.

Discussion

The law

9. The parties relied upon the following authorities in the course of their submissions:
- (1) Evidence (Proceedings in Other Jurisdictions) Act 1975 ("the 1975 Act")
 - (2) *Aureus Currency Fund LP & Ors -v- Credit Suisse Group AG & Ors* [2018] EWHC 2255
 - (3) *Crown Resources AG -v- Vinogradsky* [2014] EWCA Civ 381
 - (4) *First American Corporation -v- Zayed* [1999] 1 WLR 1154
 - (5) *Force India -v- 1 Malaysia Racing* [2012] R.P.C.29 (extracts)
 - (6) *Mudan -v- Allergan Inc* [2018] EWHC 307 (QB)
 - (7) *National Bank Trust -v- Yurov* [2016] EWHC 1913 (Comm).

- (8) *Ocular Sciences -v- Aspect Vision Care* [1997] RPC 289 (extracts)
- (9) *Refco Capital Markets Ltd -v- Credit Suisse First Boston Ltd* [2001] EWCA Civ 1733
- (10) *Wild Brain Family International -v- Robson* [2018] EWHC 3163 (Ch)
10. The court’s jurisdiction to order the examination of a witness or the production of documents derives from Sections 1 and 2 of the 1975 Act. It may make such an order only if satisfied that:
- i) the application is made in pursuance of a request issued by and behalf of the requesting court;
 - ii) the evidence to which the application relates is to be obtained for the purposes of civil proceedings instituted before the requesting court (Section 1(a) and 1(b))”.
11. Once those jurisdictional requirements have been satisfied, the court has a discretion to make such orders: “as may appear to the court to be appropriate for the purposes of giving effect to the request in pursuance of which the application is made.”: Section 2(1), (2) (a) (b). Section 2(3) requires that no steps can be taken other than “steps which can be required to be taken by way of obtaining evidence for the purposes of civil proceedings in the English court”.
12. The law on the exercise of the court’s discretion is well established by the authorities and there was no dispute between the parties in relation to the law in that regard. The English court will give effect to a request to the extent that it can for reasons of judicial comity: *Seyfang*; *Rio Tinto Zinc*. The starting point of the English court in relation to letters of request from foreign states under the 1975 Act is that they should be given effect to as far as possible: *Rio Tinto Zinc Corporation* and *In re State of Norway’s Application* at page 470B; *Smith -v- Philip Morris* per Andrew Smith J. at S33.
13. I will deal separately with each of the grounds relied upon by Mr Aughton.

Oppression

14. I accept submissions on behalf of Mr Aughton the circumstances as to what might constitute oppression in any order made under a letter of request from a foreign court are not limited by the authorities. In this application Mr Aughton relies upon the potential for interference with Mr Aughton and Factoria’s right to fair and lawful competition.
15. The leading case on oppression is that of *First American*, where the court referred to the “*balance to be struck in each case between the legitimate requirements of the foreign court and the burden that those requirements may place on the intended witness.*” (at 1165-H).
16. I accept in principle that a breach of confidence action which is used to oppress and harass competitors and ex-employees could constitute oppression to a witness. In this regard I note the remarks of Laddie J in *Ocular Sciences* at [359 – 360] which confirms that breach of confidence actions can be used to “*oppress and harass competitors and*

ex-employees”. I note also that at the time when PQ’s application was made the Particulars of Claim had not yet been amended but PQ were in the process of considering what amendments should be made.

17. I consider that I cannot assume that the US proceedings are brought for anything other than a legitimate purpose, and it is conceded that Mr Aughton’s evidence is relevant and central to the US proceedings. Although the UK claim was, in its original form, found to be an abuse because it failed to properly plead the requirements of a breach of confidence/breach of copyright claim, Amended Particulars of Claim have now been served, as have a Defence and Reply. Mr Ross’s witness statement indicates that it is still the view of those advising Mr Aughton and Factoria that some of the failures to particularise ownership of copyright or any duty of confidence, or the misuse of a work of copyright or breach of confidence, remain in the amended statement of case. However there was no indication at the hearing before me that any further application to strike out the amended claim or for summary judgment is to be made by Mr Aughton and Factoria, and I assume that any such application would have been made in time to have it listed before Birss J. on 30 September 2019.
18. PQ may obtain an advantage in the UK proceedings by having earlier access to Mr Aughton’s evidence than they would otherwise do, in relation to topics which are likely to be the subject of his evidence in those UK proceedings. That issue was addressed in *Microtechnologies v Autonomy* [2016] EWHC 3268(QB) before Morris J. This authority was not referred to by either party, but in my view is relevant to this issue. The judge stated at [54]:

“First, it is clear that in cases where fraud is not alleged, it is not oppressive to give effect to a letter of request, even where the main purpose of the request is not to obtain evidence for the existing action in the requesting court, but is for use in other proceedings.”
19. This authority also answers the point made on behalf of Mr Aughton that it is disproportionate, unjust and contrary to the overriding objective for PQ to litigate in two jurisdictions.
20. I agree with submissions on behalf of Mr Aughton that he should have been given the opportunity to intervene and oppose the application by PQ in the Ohio court for his evidence to be obtained, although it may be optimistic to conclude that the Ohio Court would have rejected PQ’s application, given the accepted position that Mr Aughton’s evidence is both central and relevant to the proceedings. However, it is entirely possible that a Protective Order might have been made had there been such an application.
21. Equally, there is no excuse for the failure to contact Mr Aughton prior to making the application heard before me. The preferable course is to contact a proposed witness before issuing an application, in order to explore whether the witness is prepared to provide the evidence requested on a voluntary basis. In my judgment, it is only where there may be reason to consider that a proposed witness may try to evade service if forewarned about the request for evidence. or fails to respond to a request prior to an application being issued, that an application without notice is appropriate. In this case, where PQ’s solicitors were already in contact with Mr Aughton’s solicitors in the UK

proceedings, there is even more good reason to request the evidence on a voluntary basis. If that had been refused, the application should have been made on notice.

Documentary evidence

22. I fully appreciate the concerns of Mr Aughton in respect of the provision of his source code to a competitor, where there has been no finding of any wrongdoing by him or Factoria. In this jurisdiction this valid concern can be dealt with by appropriate undertakings, which PQ by its counsel has indicated it would be willing to provide, or by a confidentiality provision in the order made. With regard to the US proceedings, any orders this court may make in relation to confidentiality, or any undertakings given by PQ to that effect to this court would not be enforceable in the US.
23. I consider it appropriate to stay production of documents by Mr Aughton until the confidentiality position is dealt with appropriately. Whether that is dealt with by way of an application for a Protective Order in the US proceedings, or by undertakings to be given by PQ to the Ohio court will be a matter for the parties in those proceedings. With regard to any similar undertakings of order to protect the confidentiality of the source code in the UK proceedings, if the parties are unable to reach agreement is reached this may be able to be dealt with by Mr Justice Birss at the hearing on 30 September, alternatively by me either without a hearing or at a restored hearing.

Oral examination

24. With regard to the topics for examination, Mr Hall, Counsel for Mr Aughton identified in his skeleton argument and in oral submissions topics 1, 2, 14, 16, and 19 to 23 as too wide and aimed at preventing competition. Mr Cregan Counsel for PQ submits that the topics are not unusual in commercial litigation. Mr Aughton will be asked about topics peculiarly within his own knowledge namely his involvement in writing software and his dealings with Cybermetrics. The topics are not irrelevant or speculative and would not constitute ‘fishing’.
25. Mr Aughton has had notice of the application and the order for some time, and there appears to have been no fruitful discussion between the parties in relation to the topics for examination. Neither his solicitors’ letter of 29 July 2019, which goes into some detail about the documents ordered to be produced, nor Mr Ross’s witness statement, object to or indeed even mention the topics for the examination. It appears that PQ were only informed of the objections now raised on receipt of Mr Hall’s skeleton argument.
26. I do not have sufficient evidence or information to conclude that I should interfere with the topics identified by the judge in the US proceedings as being those which the Ohio court considered to be reasonable and necessary. The topics are all directed to PQ or Mr Aughton’s source code and to communications with Cybermetrics, and therefore appear to be directed to the issues in the US proceedings, are not too broad nor have the appearance of ‘fishing’. It has in in any event been conceded that such evidence is relevant to the US proceedings.

Conclusion – Oppression

27. Provided suitable arrangements can be arrived at to protect the confidentiality of the documents to be produced, I do not consider that the circumstances of this case demonstrate that the evidence requested from Mr Aughton constitutes oppression. It is well established that the mere existence of a claim against the witness by the applicant in this jurisdiction is not sufficient, on its own, to constitute a reason to refuse a letter of request for evidence from a foreign court (judgment of Morris J. in *Microtechnologies LLC v Autonomy Inc.* referred to above). The circumstances in *First American* were very different to the present application, where the applicant was seeking evidence from accountants in a large international fraud claim going back seven years, whilst refusing to provide any undertakings not to bring fraud proceedings against those accountants in this jurisdiction.

Pointlessness of the order

28. I have been taken to evidence which demonstrates that Mr Aughton accepted that he did have access to the ProSPC source code in 2013. I do not consider that it is for this court to assume that the order for production of documents requested by a foreign court in relation to proceedings in its jurisdiction would be pointless. As foreshadowed by counsel for PQ in oral submissions, it may be possible for IT experts to make the appropriate comparisons between the PQ software and the Factoria software, and I have no information to conclude otherwise. If it is the case that Mr Aughton no longer has any of the source codes identified in Schedule A to the order he can say so in a witness statement signed with a statement of truth, and explain why they are no longer in his possession.

Material Non-Disclosure

29. In considering whether an order should be set aside on the basis of material nondisclosure in a without notice application, the relevant authorities were recently collated in *Wild Brain*. and I have been taken to helpful sections in paragraphs 45 to 49 of the judgment. A summary of the guidance to be drawn from the authorities is that there must be a balance between drawing the court's attention to the evidence and arguments which an applicant can reasonably anticipate the absent party would wish to make, in a fair and even-handed manner, and not overloading the court on a paper application with unnecessary material. The ultimate touchstone is whether the presentation of the application is fair in all material respects.
30. Mr Esler in his first witness statement at paragraph 14 drew the court's attention to the existence of the UK proceedings and to the strikeout and summary judgment application alleging defects in pleading. Submissions on behalf of Mr Aughton were to the effect that Mr Esler should have drawn attention to the particular ground of abuse of process on which the application was based, namely that the statement of case did not set out the requirements of a breach of confidence and breach of copyright claim, such that they were liable to be struck out. Although some more detail could have been provided by Mr Esler, and I consider that the order of HHJ Barker QC should have been exhibited, I do not consider that would have led to any different decision on the part of the court. The court could not have concluded that the US proceedings were abusive, in particular where the US judge had specifically directed a trial and stated that the evidence required was relevant and necessary.

31. It is of course the case that the fact that the court would not have made a different decision even if it had had the material not disclosed, is not the test for determining whether or not any sanction should be applied. It is often appropriate to order a sanction to ensure that the obligation to provide full and frank material disclosure on a without notice application is observed. That sanction does not need to be the setting aside of the order, but can be a lesser sanction, such as an award of costs.
32. At the time PQ's application was made the Particulars of Claim were to be amended, and there has been no further application to strike out or for summary judgment or attempt to restore the previous application. I accept the explanation on behalf of Mr Esler that a judgment call had to be made as to how much detail is to be provided on a without notice application. Paragraph 15 of his statement disclosed most of the relevant factors, namely the existence of the UK proceedings, the parties to those proceedings, the fact that strikeout/summary judgment application had been made on the grounds that the particulars of claim were alleged to be defective and that it was anticipated that the Particulars of Claim would be amended as a consequence of that application. There should, in my view, also have been reference to the terms of the order made on the application to strike out. Copies of the Claim Form and Particulars of Claim were exhibited. It was unnecessary to exhibit the Defendants' application, draft order, evidence, skeleton arguments and any further documents. That, in my view, would have been a disproportionate approach.
33. With regard to the complaint that at paragraph 16 of Mr Esler's statement he summarised the position that Mr Aughton left PQ "as a consequence of an acrimonious fallout in 2013/15" as not being Mr Aughton's position in the litigation, that was exactly how Mr Aughton's case was described in his own Counsel's skeleton argument for the application listed before HHJ Barker QC so Mr Esler can hardly be criticised for that description.
34. Accordingly I have concluded that the only material non-disclosure by PQ was the failure to exhibit, or set out the terms of, the order of HHJ Barker QC. The appropriate sanction for such limited non-disclosure would not be the setting aside of the order, on any view, taking into account the guidance in the relevant authorities. The most appropriate sanction would be to award Mr Aughton the costs of dealing with the limited non disclosure, in my judgment.

Conclusion

35. The order of 16 July 2019 will not be set aside but will be varied. The requirement to disclose the documents listed in Schedule A to the order is stayed pending appropriate arrangements being made to protect the confidentiality of the documents in both the US proceedings and the UK proceedings. I leave it to the parties to see if an appropriate formulation for the draft order can be agreed in that regard, and if not, I will deal with any disagreement between the parties and formulate an appropriate order. The date for the oral examination may have to be varied if the examination is not to take place until after production of documents, as is usual. That variation to the order should also be discussed between the parties and referred back to me in the event of disagreement.