

SOUTH GAUTENG HIGH COURT, JOHANNESBURG

CASE NO: 09/50427

DATE: 08/09/2010

In the matter between:

STT SALES (PTY) LIMITED

Applicant

and

FOURIE, THEUNIS FREDERICK JACOBUS

First Respondent

FOURIE, ANDRIES BENJAMEN

Second Respondent

TAT WATERPROOFING CC

Third Respondent

SPECPROOF (PTY) LIMITED

Fourth Respondent

DUNLOP BELTING PRODUCTS (PTY) LIMITED

Fifth Respondent

DUNLOP INDUSTRIAL PRODUCTS (PTY) LIMITED

Sixth Respondent

J U D G M E N T

LAMONT, J:

[1] On 31 March 2009 the applicant instituted proceedings against the first, second, third and fourth respondents. In those proceedings the applicant sought urgently what is colloquially known as an Anton Piller order and also in Part B of the proceedings a series of interdicts essentially directed to interdict

the respondents from using or dealing with a manufacturing plant which was claimed to be a copy of the applicant's plant and selling or disposing of waterproofing material which was manufactured using certain of the applicant's formulae.

[2] On 31 March 2009 urgent relief was afforded to the applicant. That order provided for search, seizure and attachment of a variety of documents, authorised the inspection and measuring of the plant and machinery. The photographing of the machinery, the Sheriff was to make an inventory.

[3] The order was executed. A variety of measurements and photographs were made and documents attached.

[4] On 7 May 2009 the applicant brought an application seeking permission to make copies of documents attached and removed by the Sheriff as also the right to make copies of photographs which were taken.

[5] On 19 August 2009 Gildenhuys J handed down a judgment dismissing the application. During the course of the proceedings the documents in which the applicant had a proprietary interest were returned to the applicant. The application dealt only with those documents and items in respect of which the applicant had no proprietary interest.

[6] It was held that inasmuch as the applicant was not the owner of the documents and as the object of an Anton Piller order was not to sanction a

search for evidence which may or may not exist and which may or may not go to found a cause of action but rather to preserve evidence which was known to exist that the applicant had no right of discovery of the documents at that time.

[7] During the course of the judgment Gildenhuis J directed the applicant's attention to the fact that it might be able to obtain the documentation by way of discovery.

[8] On 24 November 2009 the applicant instituted proceedings against the respondents seeking discovery of a variety of documents in the Sheriff's possession and held by the Sheriff pursuant to the Anton Piller order as well as the right to inspect and examine the measuring sketches, notes and photographs in the possession of the Sheriff as also a right of inspection and examination of the manufacturing machinery and equipment in the possession of the respondents. This application will be referred to as the discovery application.

[9] On 1 December 2009 the applicant instituted proceedings seeking interlocutory relief in the form of a series of interdicts directed to prevent the respondents from disclosing any of the applicant's trade secrets, technical know-how, data drawings, chemical formulae, methods processes, and customer lists, marketing information and other confidential information as well as preventing the respondents from using the manufacturing plant, equipment and machinery as also the use of the trade secrets and other

confidential information and also finally an interdict preventing the respondents from selling or disposing of any waterproofing membrane manufactured by the use of the applicant's formulae.

[10] The main application concerning the series of interdicts as final relief has remained stationary in the interim. The only papers filed are the founding papers. There is no answer or reply.

[11] The applicant in the founding affidavit of the discovery application indicated that the purpose of the discovery application was to obtain evidence it wished to use to supplement the applicant's founding affidavit which it said in the affidavit had to contain all the evidence in support of the relief claimed. It was stated that it was necessary for the documents to be discovered as they were relevant to the application and the relief sought by the applicant. The affidavit seeks to make a case on the basis that the sketches, photographs, notes and an examination of the machinery itself would result in it being conclusively established that the machinery and plant used by the respondents is in fact identical to and a copy of the applicant's plant. Insofar as the documents are concerned it was stated in the affidavit that the documents would reveal the fact that the respondents had used confidential information.

[12] The applicant's thesis is that it would be capable of discharging the *onus* resting on it to establish the right to the relief sought by way of permanent interdict if the relevant discovery and inspection was permitted by

it and an expert of machinery, plant and equipment. A variety of undertakings were given by the applicant not to make disclosure of what was discovered to third parties.

[13] Rule 35 of the Rules regulating the conduct of the proceedings of the several Provincial and Local Divisions of the Supreme Court of South Africa (the Rules) provides in Rule 35(13) that the provisions of the Rule relating to discovery apply *mutatis mutandis* to applications. Only in exceptional circumstances is an order made directing discovery in application proceedings. See *Saunders Valve Co Ltd v Insamcor (Pty) Ltd* 1985 (1) SA 146 (T) at 149; *Premier Freight (Pty) Ltd v Breathetex Corporation (Pty) Ltd* 2003 (6) SA 190 (SE) at 196A-B. In the above two cases discovery was allowed prior to the finalisation of the delivery of affidavits. The exceptional circumstances in each case that the respondent was prejudiced in that it required discovery of documents in order to enable it to file its answer. Only if the applicant who had chosen motion proceedings as the method by which it would proceed against the respondent in each case was directed to make discovery of the documents would the respondents' prejudice be alleviated. Discovery was ordered prior to the equivalent of close of proceedings in a trial. The right of a party in a trial to discovery arises in the ordinary course only after the close of pleadings by which time the legal issues have been identified. The party who is obliged to make discovery has a right to specify documents which are privileged and in respect of which he has a valid objection to produce. The documents which are to be discovered are documents relevant to an issue and which may directly or indirectly enable the

party requiring the discovery to advance his or her own case or damage the case of the opponent. These documents are only ascertainable after close of pleadings. There is an additional complicity in the present matter. Access is sought to documents discovered by force as it were. The respondents were compelled by the order to allow documents to be taken and retained by the Sheriff. They have no residual choice to sift through the evidence and make decisions concerning its discoverability.

[14] In trial proceedings once the pleadings are closed the legal issues existing between the parties are apparent. That is the purpose of pleading. The factual issues are however not identified. The factual issues can only become identified once the facts in question are produced. This takes place by way of production of documents and by way of evidence given in court. The purpose of discovery is to enable the parties to become aware of documentary evidence that is available and identify factual issues. In addition discovery results in the production of documents which can be used in the course of interrogation of witnesses.

[15] Discovery is not intended to be used as a weapon in preliminary skirmishes. See *The MV URGUP: Owners of the MV URGUP v Western Bulk Carriers (Australia) (Pty) Ltd* 1999 (3) SA 500 (C) at 513I. The right to discovery is an easily abused right and must be properly protected to ensure that it is used in the context in which it was designed for use.

[16] The essential feature of discovery is that a person requiring discovery

is in general only entitled to discovery once the battle lines are drawn and the legal issues established. It is not a tool designed to put a party in a position to draw the battle lines and establish the legal issues. Rather it is a tool used to identify factual issues once legal issues are established.

[17] It seems to me that if the provisions of the Rule were to be applied to application proceedings that the Rule would in general permit a demand for discovery only once the legal issues had been identified. In application proceedings the legal issues are only identified once all the affidavits have been filed. In the same way that a person seeking discovery in an action would not be entitled to fish or seek evidence to establish his case, in motion proceedings the person seeking discovery would not be entitled to seek an order to obtain evidence to enable it to incorporate such in affidavits. If a party does not have the evidence to bolster the legal issue then, if the principles of trial were applied that party would not be entitled to require discovery until all the affidavits have been delivered as that is the time when the legal issues are identified. To allow discovery in application proceedings at that point would in general be to invite chaos. The parties are likely to file further affidavits, embrace new issues, and will need to respond to each other. The formula by which evidence is produced in motion proceedings will surely mutate. This is undesirable.

[18] The submission was made that inasmuch as the applicant had commenced motion proceedings seeking final relief and inasmuch as in those proceedings the applicant required evidence which if produced would result in

incontrovertible facts being provided which would dispose of the application is in my view to approach the matter on the wrong basis rather like seeking to pin the donkey to the tail than the tail to the donkey. It seems to me that it is improper to commence with the premise that an applicant who has chosen a particular course which results in prejudice to him is entitled to maintain that course and to seek relief to alleviate the prejudice notwithstanding general principles prohibiting such relief.

[19] If the prejudice the applicant claims it suffers can be alleviated by any other method before unusual relief is granted to it such other method should be used. The applicant could elect to proceed for final relief by way of action rather than by way of application (which it concedes to be the customary procedure by which this type of relief is sought). Once the issues have been established the applicant will be afforded every opportunity to require discovery and inspection in the ordinary course. The only “exceptional circumstance” in the present matter is the applicants determination to follow a course which causes it prejudice.

[20] Insofar as the application to inspect physical articles is concerned the rule which provides for such inspection in trial proceedings is Rule 36. That rule unlike Rule 35 does not have a subsection enabling it to be made of application to motion proceedings. The Rule accordingly applies to trial proceedings only. As I am not empowered by the Rule to allow inspection of articles I must seek the power elsewhere. It was submitted that this Court has inherent jurisdiction to control its own proceedings and that I should exercise

my inherent powers to overcome a *lacuna* in the legislation. The inherent power I have to regulate proceedings otherwise than in accordance with the Rule should be sparingly used. I shall assume in favour of the applicant that the test in the case of documents and articles is the same namely that exceptional circumstances must be shown warranting a deviation from the normal practice. For the same reasons I found no exceptional circumstances to exist in that case I find none in this.

[21] The above findings dispose of the discovery application matter. I deal with the sale of completeness with certain other submissions which were made.

[22] It was submitted that at the time the Anton Piller order was granted the judge contemplated the proceedings in respect of which the articles were to be preserved to be those proceedings contained within Part B of the original application. The order (paragraph 7) permitted the Sheriff to keep removed items in his custody until the applicant authorised the release thereof to the respondents or the court otherwise directed and in paragraph 10 permitted the applicant's representative and applicant's attorneys to inspect removed items to assess whether they provided evidence relevant to "*the present application or to the further legal proceedings envisaged in the application*".

[23] It was submitted that I should read the order and interpret it to mean that the documents and articles were retained with a view to allowing the applicant after inspection to use them to further the main application.

[24] I decline to accept the invitation to interpret the order in this fashion. It appears to me that all that the order did was to direct that the documents and articles be retained *pendente lite* some *lis* not the particular *lis*.

[25] The submission was made that there are exceptional circumstances in the present matter in that the documents and articles are required to provide evidence of the facts which the applicant requires to prove and that they are in the exclusive possession of the respondent. This submission is coupled with a further submission that should the inspection be allowed the result will be decisive of the matter in that irrefutable evidence will be obtained.

[26] As far as the second submission is concerned it is of course is purely speculative.

[27] As far as the first submission is concerned the applicant commenced proceedings by way of application well-knowing that it had insufficient evidence assuming that to be the case and well-knowing that in application proceedings the applicant is required to set out not only the legal matters but also all the evidence upon which it relies in the founding affidavit so that the respondent can produce its evidence and the resultant legal and factual issues be identified in an orderly and appropriate manner.

[28] The applicant has an election to proceed by way of action even at the present stage. If it has insufficient evidence it must take that course.

[29] It is my view accordingly that the application seeking production and inspection of documents and articles should be dismissed with costs.

[30] It remains to deal with the interlocutory application for interdicts pending proceedings, be they the application in Part B of the main application or some other proceedings which the applicant launches. The applicant has furnished appropriate undertakings and the interlocutory application must be seen in the light thereof. I need not detail them as it is common cause that they are appropriate.

[31] By reason of the fact that another court in due course will consider much the same evidence in the context of the applicant's quest for a final interdict I do not propose to detail the evidence and make any findings in relation thereto save in the sense of *prima facie* findings on what appear to me to central issues.

[32] The first and second respondents were employed by the applicant for an extended period. At the time that the "copied" machinery in question was constructed they were in the employ of the applicant. Consequent to the Anton Piller order a variety of documents including those which contain recipes were discovered in their hands.

[33] The first and second respondents have qualifications which enable them to repair machinery and perhaps design machinery. Their qualifications

do not extend to the chemistry involved in manufacturing and inventing chemical formulae. On the face of it their explanation that the formulae were obtainable on the net and that they obtained such there is doubtful in the light of the evidence produced by the expert that:

1. The local material used as an input material is different to the overseas material and hence specially adapted formulae are required to make the product.
2. The formulae which the first and second respondents claim were available on the net and which could be used willy-nilly and without more to produce the product are not so available.

[34] Insofar as the machinery is concerned on a superficial examination of the plant the plant appeared to be identical to the applicant's plant. The plant produces an identical product to the product produced by the applicant save that the plant has the ability to add an additional layer. On the face of it this being so the plant is identical. It looks the same and produces the same product. The claims that the observations made were inadequate in that the persons making the observations were only able to make observations at a distance and for a short period of time appear to me on the face of it to fail as the persons making the observations were trained persons skilled in relation to the plant, persons who were knowledgeable about the plant and who were able on a relatively cursory inspection to determine that the plant was the same. Once the fact that the plant produces the exact product at a point in the

process is added to this matrix of fact it seems to me that on the face of it that copying is established.

[35] On the face of it the inference to be drawn from the continued presence of the first and second respondents in the employ of the applicant at the plant of the applicant while the construction of the other “copy” plant was underway is that the respondents were in the process of copying the plant.

[36] It appears to me then as to both formulae and plant that the first and second respondents fall to be interdicted and those persons involved in the use of the plant and the sale of the product should be interdicted pending the finalisation of the main application and the applicant’s entitlement to final relief. Such persons were joined to the application.

[37] Once these interdicts are in place the effect of the other interdict sought in relation to the distribution of the product to the applicant’s customers carries a much less significance. On the face of it, it appears to me that there was contact with customers whose identity is not on the net. The claims made by the respondents that such customers were obtained by searching the net on the face of it appear unfounded. In addition there is the fact that a variety of documents were discovered in the hands of the respondent which originally were in the applicant’s possession and which showed a variety of customers which the applicant on oath claimed were its customers. The submissions made that the documents were in the name of a different entity and hence that the claim by the applicant under oath that the customers were its

customers and were confidentially kept as such are claims which can determined in the main action. On the face of it, it appears to me that the information was confidential and protected by the applicant and would not have been removed to the possession of those respondents who possessed it from reason.

[38] In my view the applicant has established a *prima facie* right although open to some doubt. The *prima facie* right is infringed by the respondents.

[39] The balance of convenience favours granting temporary interdicts. The first and second respondents are qualified and well able to proceed with an economic activity notwithstanding the interdicts in relation to the plant and product.

[40] There is no other satisfactory remedy available to the applicant to protect its rights. The overriding discretion which I have to allow the respondents to carry on with their infringements should in my view not be exercised in favour of the respondents having regard to their conduct which if established is patently unlawful and patently infringes the rights of confidentiality of the applicant. The applicant has furnished an appropriate and acceptable undertaking should it lose the proceedings in due course.

[41] Subsequent to the hearing the applicant delivered a draft order setting out more limited relief than it originally claimed. Insofar as the other respondents are concerned there does not seem to be any contest to their

being liable to the interdict in the event that I grant it against the first, second and third respondents.

[42] I accordingly make an order in terms of the draft order Annexure “A” hereto.

[43] The interlocutory application for discovery and inspection is dismissed with costs including the costs of two counsel.

**C G LAMONT
JUDGE OF THE SOUTH GAUTENG
HIGH COURT, JOHANNESBURG**

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| Date of Hearing | : | 10 August 2010 |
| Date of Judgment | : | 8 September 2010 |