

**IN THE HIGH COURT OF SOUTH AFRICA
(WESTERN CAPE HIGH COURT, CAPE TOWN)**

Case Number: 10264/10

In the matter between:

Metropolitan Health Corporate (Pty) Ltd Plaintiff

and

Neil Harvey and Associates (Pty) Ltd First Defendant

Neil Harvey Second Defendant

JUDGMENT DELIVERED ON 19 AUGUST 2011

Baartman, J

[1] This is an application in terms of rule 35 of the Uniform Rules of Court. The first and second defendants alleged that the plaintiff's first and second discovery affidavits as well as its response to the defendants' Rule 35(12) notice were "irregular and should be set aside". The plaintiff in turn has counterclaimed proper discovery pursuant to a rule 35(1) notice. I deal with the specific relief claimed below.

BACKGROUND

[2] Bankmed (**Bankmed**), a registered Medical Aid Scheme, developed computer software applications to facilitate the administration of medical aid schemes. In terms of the Copyright Act 98 of 1978, Bankmed held the copyright over the source code (**the Bankmed source code**). In December 1990, Bankmed and Neil Harvey and Associates (Pty) Ltd (**the first defendant**) concluded a contract in terms whereof the first defendant would modify and install the Bankmed source code for Bankmed's licencees. Neil Harvey (**the second defendant**) was a director of the first defendant at the times relevant to these proceedings. Pursuant to that contract, Bankmed made available to the first defendant copies of its applications software programmes and the source code to facilitate the modification and installations. Since January 2000, Metropolitan Health Corporate (Pty) Ltd (**the plaintiff**), holds that copyright pursuant to an agreement with Bankmed.

[3] In its particulars of claim, the plaintiff alleged that one or both of the defendants had, since 1998, in breach of the plaintiff's copyright produced certain software applications with functionalities similar to the Bankmed software. The pleadings have closed. When the defendants called on the plaintiff to produce the source code referred to, the plaintiff, in correspondence dated 18 December 2010, responded as follows:

"Please be advised that the Bankmed Source Code, as referred to in paragraphs 23.1 and 23.2 of the plaintiff particulars of claim, does not exist in a document form but only as backed-up versions thereof. These versions of the software require a restoration process to be conducted prior to it being accessible.

Data was recorded in three different accounts, which made up the Bankmed system and of which daily and weekly backed-up tapes

were made. The relevant daily back-ups no longer exist, as the tapes are recycled and the data therefore over written. The weekly back-ups are available, and subject to what is stated below plaintiff hereby tenders the backed-up versions of the source code for inspection to the defendants. In order however to extract the source code from the original data tapes, the data needs to be restored.

To restore a version of the data, the parties need to agree on a restoration procedure in order to preserve the integrity of the data. Plaintiff would welcome Defendant's suggestions as to how this process is best to be conducted. Once agreement has been reached, we understand that Hewlett Packard is in a position to provide us with the necessary hardware restoration facilities."

- [4] The proposed course did not find favour with the defendants; instead the defendants launched this application claiming:

"[1] Directing that this application be dealt with as one of urgency in accordance with the provisions of Rule 6(12).

[2] Declaring that Plaintiff's/Respondent's ('the Plaintiff's') Discovery Affidavit dated 30 November 2010 and Supplementary Discovery Affidavit dated 22 December 2010 failed to comply with Rules 35(1) and (2).

[3] Directing the Plaintiff, within 10 days of the date of the order of Court to comply with Rule 35(1), Rule 35(2)(a) and Rule 35(12) and to make full and proper discovery on oath of all documents and tape recordings relating to any matter in question in this action, and in particular:

[3.1] The source code on the Bankmed Software referred to in paragraphs 23.1 and 23.2 of the Plaintiff's Particulars of Claim ("The Bankmed Source Code"); and

[3.2] The source code of Defendants' software applications referred to in paragraph 24 of Plaintiff's Particulars of Claim ('the Defendant's source code').

[4] Directing the Plaintiff, within 10 days of the date of the order of Court to comply with Rule 35(6) and to make the Bankmed source code available for inspection and copying by the Defendants and their legal advisers, and forthwith to take all the steps required to give effect thereto.

[5] Directing the Plaintiff, in accordance with Rule 35(2)(b), to specify separately all documents and tape recordings in respect of which it contends it has a valid objection to production, and in so doing to list and identify all such documents and tape recordings in sufficiently clear terms to enable this Honourable Court to decide whether such documents and tape recordings are in fact privileged from production.

[6] Directing the Plaintiff to comply with Rule 35(2)(c) and to specify separately the documents and tape recordings which the Plaintiff (or its agents) had in its possession or control, but which it no longer has (or its agents no longer have) in its (their) possession or control at the date hereof and to state on oath that such documents are not in its possession and to state their whereabouts if known to it.

[7] Directing the Plaintiff to specify whether or not it (or any of its agents) once had, but no longer have possession or control of the Defendants' source code and to state on oath that such documents are not in its possession and to state their whereabouts if known to it.

[8] Directing the Plaintiff to pay the Defendants' costs of this application on the scale as between attorney and client"

- [5] The record is voluminous, more than 500 pages. In its practice note filed in terms of practice note 43, the defendants said that:

“The matter concerns complex issues of discovery of electronic discovery, and seems likely to set a precedent regarding the manner of discovery of ESI (Electronically Stored Information). Respondents’ view is reflected in the affidavit of their attorney ... this application is intended to lay down new law for the manner in which discovery of electronically-stored information should be made.”

- [6] In response, correctly in my view, Advocate Muller SC, who appeared with Advocate Tredoux, the plaintiff’s counsel, submitted that the plaintiff had been called upon to meet a case based on the Uniform Rules of Court and not one where this Court would be called upon to exercise the discretion alleged in the defendants’ practice note.

IS SOURCE CODE A DOCUMENT IN ITS BACKED UP FORM?

- [7] The relevant sections of Rule 35 provide for the discovery of documents as follows:

“35 Discovery, Inspection and Production of Documents

(1) Any party to any action may require any other party thereto, by notice in writing, to make discovery on oath within twenty days of all documents and tape recordings relating to any matter in question in such action (whether such matter is one arising between the party requiring discovery and the party required to make discovery or not) which are or have at any time been in the possession or control of such other party. Such notice shall not, save with the leave of a judge, be given before the close of pleadings.

(2) The party required to make discovery shall within twenty days or within the time stated in any order of a judge make discovery of such documents on affidavit as near as may be in accordance with Form 11 of the First Schedule, specifying separately –

- (a) such documents and tape recordings in his possession or that of his agent other than the documents and tape recordings mentioned in paragraph (b);*
- (b) such documents and tape recordings in respect of which he has a valid objection to produce;*
- (c) such documents and tape recordings which he or his agent had but no longer has in his possession at the date of the affidavit.*

A document shall be deemed to be sufficiently specified if it is described as being one of a bundle of documents of a specified nature, which have been initialled and consecutively numbered by the deponent. Statements of witnesses taken for purposes of the proceedings, communications between attorney and client and between attorney and advocate, pleadings, affidavits and notices in the action shall be omitted from the schedules.

(3) If any party believes that there are, in addition to documents or tape recordings disclosed as aforesaid, other documents (including copies thereof) or tape recordings which may be relevant to any matter in question in the possession of any party thereto, the former may give notice to the latter requiring him to make the same available for inspection in accordance with subrule (6), or to state an oath within ten days that such documents are not in his possession, in which event he shall state their whereabouts, if known to him.

....

(7) If any party fails to give discovery as aforesaid or, having been served with a notice under subrule (6), omits to give notice of a time for inspection as aforesaid or fails to give inspection as required by that subrule, the party desiring discovery or inspection may apply to a court, which may order compliance with this rule and, failing such compliance, may dismiss the claim or strike out the defence.

....

(12) Any party to any proceeding may at any time before the hearing thereof deliver a notice as near as may be in accordance with Form 15 in the First Schedule to any other party in whose pleadings or affidavits reference is made to any document or tape recording to produce such document or tape recording for his inspection and to permit him to make a copy or transcription thereof. Any party failing to comply with such notice shall not, save with the leave of the court, use such document or tape recording in such proceeding provided that any other party may use such document or tape recording.

....

(15) For purposes of rules 35 and 38 a tape recording includes a sound track, film, magnetic tape, record or any other material on which visual images, sound or other information can be recorded.

- [8] The defendants require the plaintiff to produce for inspection and copying the source code referred to in paragraphs 23.1 and 23.2 of the plaintiff's particulars of claim. In the matter of **Vincemus Investments (Pty) Ltd v Laher (ABSA Bank Ltd as Intervening Creditor)** [2008] JOL 22629 (C) at paragraph [24], Van Reenen, J said the following:

"The practice in this Division is that if a document is referred to in a pleading or application the party who does so is obliged to produce it

for inspection unless it is not in his/her/its possession or cannot be produced or is privileged or irrelevant. In that case the recipient of the notice bears the onus to set out the facts relieving him/her/it of the obligation to comply...”

- [9] The plaintiff has repeatedly stated that it is not in possession of the relevant source code nor does it know where the original is. Instead, the plaintiff alleged that it is in possession of a number of backup tapes, from the period December 1999 to May 2006, on which the source code had been backed up. The plaintiff conceded, correctly in my view, that the backup tapes were discoverable and has tendered them for inspection.
- [10] It was common cause in these proceedings, that through a computer programme, a decompiler, the backed up source code could be converted back to source code. However, that process cannot generate source code that is exactly the same as the original source code. The experts are in agreement that at the very least the result of the decompiling process would be a product from which the original programmer's comments would be omitted. I accept that the plaintiff is in possession of the backed-up version of the source code to the extent that it exists on the tapes. I further accept that the decompiling process would produce a stripped down version of the source code as originally written by the programmer. Importantly, that stripped down version would differ from the source code referred to in the plaintiff's particulars of claim. (See **Plascon-Evans Paints Ltd v Van Riebeeck Paints (Pty) Ltd** 1984 (3) SA 623 (A))
- [11] Rule 35(1) envisages the production of a document or tape in possession of the party of whom discovery is required. I have found that the plaintiff is not in possession of the relevant source code; it follows that I cannot compel the discovery thereof. In any event, a court will not easily go behind a discovery affidavit. (See **Greenberg v Pearson and Another** 1994 (3) SA 264 (WLD))

[12] At the hearing, the plaintiff's counsel informed me that the plaintiff had in fact hired a decompiler and was in possession of a decompiled product. He indicated that once the plaintiff had had an opportunity to consider the product, it would be discovered if discoverable. The defendants did not avail themselves of the opportunity to influence the decompiling process. It appears that the integrity of the product retrieved from the decompiling process might be in issue in the future. However, the product retrieved is not the subject of these proceedings.

THE FORMAT ISSUES

[13] The applicant abandoned the relief sought in terms of paragraphs 6 and 7 of the notice of motion but persisted with the relief sought in paragraph 5. The relief sought was premised on the defendants' belief that the plaintiff had deliberately concealed and unlawfully refused to discover documents relating to the plaintiff's "recent discovery" of copyright infringement. The defendants' belief of recent discovery stemmed from the allegation in the plaintiff's particulars of claim that:

"(23.2)... since the entry into effect of the Metropolitan Sale Agreement, and unbeknownst to the plaintiff until its recent discovery of the infringement, the defendant(s) without the licence of the owner of the copyright and at a time when copyright subsisted in the Bankmed Software, reproduced and continue to reproduce the source code and/or adaptation(s) thereof without the licence of the Plaintiff." (My emphasis)

[14] Therefore, the defendants sought an order, in terms of Rule 35(2)(b), compelling the plaintiff to specify separately all documents and tape recordings in respect of which the plaintiff contends it had a valid objection to production. The defendants further sought an order directing the plaintiff to list and identify all such documents and tape

recordings in sufficiently clear terms to enable a court to decide whether such documents and tape recordings were in fact privileged from production.

[15] The plaintiff had in its discovery affidavit said that it had no further discoverable documents in its possession. The defendants alleged that they had reason to believe that that was incorrect. The defendants articulated their belief in the affidavit of Mr Moodley, the defendants' attorney, as follows:

[16] In the founding affidavit:

"...Para 58- Plaintiff's continued failure to make discovery of any documents to underpin its allegation of a 'recent discovery of infringement' is indicative of a disdainful attitude which Plaintiff has towards its discovery obligations..."

Para 89.2.1 Plaintiff does not specify in its Particulars of Claim when the alleged 'recent discovery' was made, by whom it was made and under what circumstances it was made. ...

Para 89.2.2 I have perused and considered the schedules to the Plaintiff's defective discovery affidavit and its supplementary discovery affidavit and I cannot discern any documentation – listed or referred to therein – which could be described as recent or which could be construed as documentation underpinning the alleged 'recent discovery'. This documentation is not only relevant..."

[17] It is clear from the above that the defendants were of the opinion that a document was the source of the plaintiff's recent discovery. It is correct that such document, if it existed, would be discoverable. The plaintiff has denied that it has documentary proof evidencing its recent discovery. In its answering affidavit, the plaintiff said:

"Para 324: ad para 58: The inarticulate premise which this wild accusation is predicated upon is the assumption that the Plaintiff

indeed has documentary evidence which led to the recent discovery of the copyright infringement by the Defendants.

No basis for this has been set out by the Defendants. The Plaintiff denies that it has failed to comply with its obligations to discover.”

- [18] I have indicated above that a court will not easily go behind a discovery affidavit. However, in appropriate circumstances a court will go behind a discovery affidavit. In order to determine whether these are appropriate circumstances to do so, I have considered the reasons for the defendants’ belief. In their replying papers, the defendants articulated the basis for their belief as follows:

“13.3.1: ...This ‘discovery’ is either evidenced by documents, or it is not. Defendants have every reason to believe that it is in documentary form, and that Plaintiff has every reason to wish to conceal the source of its information. In conformity with this belief, Defendants adopt the attitude that this documentation should be discovered. ...”

- [19] I am unable to discern any reason for the belief from the above paragraph. I am similarly unable to do so in respect of paragraph 13.3.2 of the same affidavit:

“(a)Plaintiff stops short of denying that such documents do exist. Instead, the issue is obfuscated, Plaintiff denying any failure to discover.

(b) The denial of a failure, of course, is ambiguous. It could mean that no such documents exist. It could also mean, however, that such documents do exist but have been discovered.”

- [20] In my view, the defendants have not given any reason for their belief; mere speculation is not the equivalent of reason to believe. It follows that I am not able to go behind the plaintiff’s discovery affidavit. (See **Copalcop Manufacturing (Pty) Ltd and Another v GDC Hauliers**

(Pty) Ltd (Formerly GDC Hauliers CC) 2000 (3) SA 181 (WLD)) It follows that the defendants' application must fail.

THE COUNTERCLAIM

[21] The plaintiff has counter claimed for:

“1 Directing Defendants to comply with Rule 35(2) within a time period to be fixed by the court;

2. that, failing such compliance, the defence be struck out;

3... the costs ...”

[22] It is common cause that the defendants had, when called upon to discover, adopted the attitude that they were unable to make discovery until such time as the plaintiff had made proper discovery. The defendants, so the argument went, were unable to determine which case they were required to meet until they had had sight of the plaintiff's source code. In the alternative, defendants took the view that they were (and are) entitled to withhold discovery of their own source code until the plaintiff had discovered its source code. Because, so the argument went, the source code the defendants would be obliged to discover would be informed by the plaintiff's proper response to the Rule 35(12) notice.

[23] The defendants' stance was met with the plaintiff's threat to bring the counterclaim which in turn caused the defendants to make partial discovery and persisting in its refusal to discover its source code.

[24] The plaintiff had not, prior to launching the counter application, served a Rule 30A Notice. The defendants contended that the plaintiff was obliged to have served the notice prior to launching the application. The rule provides as follows:

“(1) Where a party fails to comply with these rules or with the request made or notice given pursuant thereto, any other party may notify the defaulting party that he or she intends, after the lapse of 10 days, to apply for an order that such rule, notice or request be complied with or that the claim or defence be struck out.

(2) Failing compliance within 10 days, application may on notice be made to the Court and the Court may make such order thereon as to it seems meet.”

[25] On 9 March 2011, the court made an order providing a timetable for the further conduct of the matter. That order made provision for the filing of papers in a counter application. The defendants further elected to make partial discovery when it became apparent that the plaintiff was going to make good on its threat to launch the counter application. I am persuaded that in the circumstances of this matter, the plaintiff was entitled to proceed with its counter application without first serving the Rule 30A Notice. (See **ABSA Ltd v The Farm Klippan 490 CC Eikenhof Plastics Bottling Co (Pty) Ltd and Others v BOE Bank Ltd** (formerly known as NBS Boland Bank Ltd) 2000 (2) SA 211 WLD)

[26] In the circumstances of this matter, the defendants are not entitled to refuse, as they have, to discover the relevant documents in their possession. The defendants' counsel submitted that the defendants did not know which versions of its source code were in issue. I disagree. The plaintiff's particulars of claim referred to source code that was created in 1998 to date being the date of summons. It follows that the counterclaim must succeed.

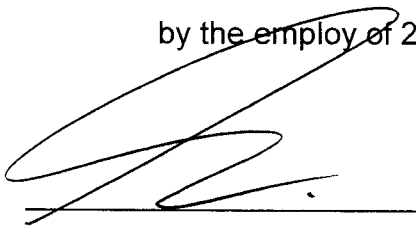
COSTS

[27] The defendants set the main application down for hearing on 8 March 2011, thereby allowing the plaintiff 5 days to file answering papers. Although the defendants conceded that the matter would not be ready for hearing on 8 March, they nevertheless insisted that the matter be heard towards the end of March. The plaintiff disagreed; therefore, it was necessary to argue the matter before Cleaver J, who after hearing argument directed that the matter be heard during May on a date to be arranged with the Judge President. The costs of the proceedings before Cleaver J stood over. In my view, the plaintiff is entitled to the costs occasioned by the proceedings of 8 March.

CONCLUSION

[28] I, for the reasons stated above make the following order.

- (a) The main application is dismissed with costs such costs to include the costs occasioned by the employ of 2 counsel.
- (b) The defendants are directed to pay the costs occasioned by the proceedings of 8 March 2011, such costs to include the costs occasioned by the employ of 2 counsel, to the extent that 2 were employed.
- (c) The counter application succeeds. The defendants are ordered to comply with the plaintiff's notice within 15 days of this order.
- (d) The defendants are ordered to pay the costs occasioned by the counter application, such costs to include the costs occasioned by the employ of 2 counsel.



Baartman, J