

SM Summit Holdings Ltd and Another v Microsoft Corporation and Others
[2001] SGHC 94

Case Number : Suit 1323/1998, SIC 4236 & 4237/1999
Decision Date : 15 May 2001
Tribunal/Court : High Court
Coram : Lee Seiu Kin JC
Counsel Name(s) : Manjit Singh and Govind Menon (Manjit Samuel & Partners) for the plaintiffs; Harry Elias, SC, Michael Palmer and Andy Lim (Harry Elias Partnership) for the 4th, 5th, 6th defendants; Lionel Tan (Rajah & Tann) for the 1st, 2nd, 3rd, and 7th defendants
Parties : SM Summit Holdings Ltd; Summit CD Manufacture Pte Ltd — Microsoft Corporation; Adobe Systems Inc; Autodesk Inc; Business Software Alliance; Stuart Ong; Lee Cross; Ronald Eckstrom

1. SM Summit Holdings Ltd

2. Summit CD Manufacture Pte Ltd ...plaintiffs

v

1. Microsoft Corporation

2. Adobe Systems Inc

3. Autodesk Inc

4. Business Software Alliance

5. Stuart Ong

6. Lee Cross

7. Ronald Eckstrom ...defendants

Citation: Suit No 1323 of 1998

SIC No 4236 & 4237 of 1999

Jurisdiction: Singapore

Date: 2001:05:15

2001:01:26, 2001:01:23, 2001:01:22

Court: High Court

Coram: Lee Seiu Kin JC

Counsel: Manjit Singh and Govind Menon (*Manjit Samuel & Partners*) for the plaintiffs

Harry Elias SC, Michael Palmer and Andy Lim (*Harry Elias Partnership*) for the 4th, 5th, 6th defendants

Lionel Tan (*Rajah & Tann*) for the 1st, 2nd, 3rd and 7th defendants

HEADNOTES

Discovery – Implied undertaking from making use of documents illegally seized at a raid – Whether the existence of the documents sought to be discovered was from information acquired independently of the raid

Facts

The first, second and third Defendants are holders of the copyright in certain computer software. Suspecting that the Plaintiffs were producing unauthorised copies of their software, they obtained a court order to raid the Plaintiffs' premises and seize infringing copies and related documents. The day after the raid, the Defendants called a press conference at which they published a press release containing statements defamatory of the Plaintiffs to the effect that the Plaintiffs were involved in software piracy. The seizure was subsequently held to be illegal and the Defendants were ordered to return all the items and documents seized. The Plaintiffs subsequently commenced an action for defamation against the Defendants in respect of the press release. Part of the Defendants' defence was that of justification and relied on certain documents seized in the raid to prove this. The Defendants then took out an application for discovery of these documents. At the first hearing before the assistant registrar, the application was allowed in part and the Plaintiffs were ordered to file and serve a Further and Better List of documents. The Plaintiffs appealed against the assistant registrar's decision. At that time, there was also an appeal by the Plaintiffs pending before the Court of Appeal which would deal with the same issues. The High Court then adjourned the registrar's appeal to await the decision of the Court of Appeal in CA 39/1999 which was delivered on 21 September 1999 (*Microsoft Corp & Ors v SM Summit Holdings Ltd & Anor* [1999] 4 SLR 529).

On the basis of that decision, the High Court allowed the Plaintiffs' appeal and set aside the assistant registrar's order for specific discovery. The Defendants then appealed against the High Court's decision in CA 176 and 178/99. The Court of Appeal held that while the Defendants were prevented by their implied undertaking from making use of any of the seized documents, where any document was sought on the basis of information acquired independently of the raid, the Defendants would be entitled to discovery of it notwithstanding that the same was also seized in the raid (*Business Software Alliance & Ors v SM Summit Holdings Ltd & Anor* [2000] 2 SLR 733). However, the Court of Appeal held that the documents or categories of documents sought by the Defendants in their applications were too wide and on that ground their applications for discovery failed but instead of dismissing the appeal, to save time and costs, the applications were remitted to the High Court with liberty to the Defendants to file a fresh list of documents or categories of documents (in substitution for the present lists) which they sought from the Plaintiffs. The Defendants reverted to the High Court with a fresh list of 92 categories of documents grouped into 3 categories with further affidavits in support of their application for discovery. The Defendants' contention was that they were entitled

to the discovery of all three categories as they were relevant and that the existence of these documents was from information acquired of the documents independently of the raid.

Held, allowing the Defendants' applications:

(1) With regard to the first category of documents, the Defendants had acquired the information of the documents from an ex-employee ("Pan") of the Plaintiffs. The documents sought by the Defendants were specifically connected with the matters that Pan had personally handled or seen touching on his allegation of software piracy. Such documents were relevant and would further the defence of justification in that these would prove that the Plaintiffs were involved in software piracy (See ¶¶ 10-11).

(2) With regard to the second category of documents, the Defendants had acquired the information of the documents from a private investigator ("Chew") who had been hired by the Defendants to conduct a trap purchase from the Plaintiffs. Such documents were relevant and would further the defence of justification in that these would prove that the Plaintiffs were involved in software piracy (See ¶¶ 12-13).

(3) With regard to the third category of documents, the Defendants relied on the evidence of another ex-employee of the Plaintiffs ("Shi") who said that he saw pirated CD-ROMS being manufactured at the Plaintiffs' factory. Shi had made a copy on a diskette of a computer document which contained a list of the second Plaintiff's customers and the masters produced for them. Shi had given a copy of this computer file to Pan. The Defendants sought discovery of 4 specific customers in Shi's list, three of which were "known pirates". Such documents were relevant and would further the defence of justification in that these would prove that the Plaintiffs were involved in software piracy (See ¶¶ 14-16).

Cases referred to

Microsoft Corporation & Ors v SM Summit Holdings Ltd & Anor [1999] 4 SLR 529 (refd)

Business Software Alliance & Ors v SM Summit Holdings Ltd & Anor [2000] 2 SLR 733 (refd)

JUDGMENT:

Grounds of Decision

1 On 26 January 2001, after hearing the submissions of counsel for the parties, I made the following orders:

(1) The Plaintiffs, and each of them, do within the next 3 days file and serve a Further and Better List of Documents;

(2) The Plaintiffs, and each of them, do within the next 3 days file an affidavit(s) stating whether they have in their possession custody or power the documents and/or classes of documents set out in exhibit SO-35 (including the Annexure thereto) of the affidavit of Stuart Ong sworn on 12 May 2000, and in the event that they had but no longer have possession custody or power of the documents and/or classes of documents set out therein, state when they ceased to have possession custody or power of the same and what has become of the said documents and/or classes of documents.

(3) There be an inspection of the documents listed in the Further and Better Lists of Documents and/or the affidavit(s) filed pursuant or orders (1) and (2) above within 7 days of service of the same.

The Plaintiffs filed a Notice of Appeal against the whole of my decision on 19 February 2001 and I now give my grounds of decision.

2 This is a long running saga between the Plaintiffs and the Defendants. There have been a number of interlocutory battles and the full background facts have been so well documented in several reported judgments that I need not set them out here: e.g. see *Microsoft Corporation & Ors v SM Summit Holdings Ltd & Anor* [1999] 4 SLR 529. I only need to set out briefly the nature of the issues in the present matter.

3 The first, second and third Defendants are holders of the copyright in certain computer software. They suspected that the Plaintiffs were producing unauthorised copies of some of such software. They obtained a court order to raid the Plaintiffs' premises and seize such infringing copies as well as documents related to them. The raid was carried out on 12 August 1997. Certain items and documents were seized by the Defendants' representatives. The following day, the Defendants called a press conference at which they published a press release containing statements defamatory of the Plaintiffs.

4 The seizure was subsequently held to be illegal and the Defendants were ordered to return all the items and documents seized, which they did. The Plaintiffs subsequently commenced this action, seeking damages against the Defendants in respect of the publication of the defamatory statements in the press release. The Plaintiffs pleaded that those statements meant that they were engaged in and/or were responsible for criminal conduct in the systematic manufacture and sale of counterfeit CD-ROMs on an extensive scale, alternatively that on the basis of information obtained prior to the enforcement action and material found in the course of an enforcement action against the Plaintiffs' manufacturing operations there were reasonable grounds for believing that the Plaintiffs were engaged in and were responsible for such criminal conduct. The Defendants disputed this but it was eventually held that those statements did bear such a meaning.

5 Part of the Defendants' defence is that of justification. To prove this they rely on certain documents seized in the raid. The Plaintiffs did not give discovery of such documents and in Summons for Further Directions Entered 4236 and 4237/99 the Defendants applied for specific discovery against the Plaintiffs in respect of those documents. The Assistant Registrar allowed the application in part and ordered the Plaintiffs to file and serve a Further and Better List of documents. The matter came up before me on appeal by the Plaintiffs. At that time there was an appeal by the Plaintiffs pending before the Court of Appeal which would deal with the same questions. In order to avoid a duplicity of orders, I adjourned the matter to await the decision of the Court of Appeal. That case was CA 39/1999 and the Court of Appeal gave its decision on 21 September 1999: see *Microsoft Corp & Ors v SM Summit Holdings Ltd & Anor* [1999] 4 SLR 529.

6 On the basis of that decision, I allowed the Plaintiffs' appeal and set aside the Assistant Registrar's order for specific discovery. The Defendants appealed against that order in CA 176 and 178/99: see *Business Software Alliance & Ors v SM Summit Holdings Ltd & Anor* [2000] 2 SLR 733. The Court of Appeal held that the Defendants were prevented by their implied undertaking from making use of any of the seized documents in this action. However the Court of Appeal agreed with a new submission by the Defendants that where any document was sought on the basis of information acquired independently of the raid, whether before or after it, they would be entitled to discovery of it notwithstanding that the same was also seized in the raid. This was what the Court of Appeal said,

from paragraph 30:

"30. In our opinion, in so far as the defendants had obtained any information as to the existence of any documents on the basis of the documents or information which the defendants obtained pursuant to the search warrants, they are clearly precluded from seeking discovery of those documents. We think that there can be no possibility of an application for their discovery on that basis. In our view, the protection provided by the implied undertaking would be illusory, if the defendants were able on that basis to obtain discovery of the documents. In *Sybron Corp & Anor v Barclays Bank plc* [1985] 1 Ch 299, 318, Scott J said:

*If the [implied] undertaking against improper use were to be limited to the documents themselves it would represent a worthless protection. Plainly, in my judgment, the undertaking must apply to the **information derived from the discovered documents** whether it be information embodied in a copy or stored in the mind. Accordingly, references in this judgment to use of documents should be taken to include use of **information derived from the documents**. [Emphasis added.]*

Hence, the defendants are precluded from seeking discovery of documents or categories of documents merely on the basis they had in the pleadings alluded to the existence of such documents, particularly when such pleadings were filed after the Summit raid. They must go further and show that they came upon these documents or categories of documents through means other than the Summit raid.

31. It follows that where the documents are sought by the defendants on the basis of information that was acquired independently of the Summit Raid, whether before or after raid, the defendants would clearly be entitled to apply for discovery of such documents. The reliance on such independent information does not in any way infringe the plaintiffs' right to privacy and confidentiality in the documents which the implied undertaking seeks to protect. The case of **Sony Corp** (supra) illustrates the point. It was there held by Goulding J that the second action against the defendant was not founded on what was disclosed in the first action, but on the test purchase which was made as a result of what the solicitor saw in the course of serving the documents on the defendants pursuant to an order of court in the first action. The learned judge said at p 1295:

In my view I ought not to refuse the plaintiffs the relief they seek. The new action is not founded on something that the court ordered to be disclosed in the earlier order. The real foundation of the present action is the evidence obtained on the test purchase. The observation by the solicitor of suspect goods, of the second class, was a merely collateral matter in the execution of the order of 12 March and did not depend on that order for its justification. In other words a solicitor saw something that was there but it was not something that the court had ordered to be disclosed. He then obtained the evidence, which is sufficient in itself, by a test purchase.

We are therefore of the view that so long as the information as to the existence of any documents was obtained by the defendants independently of the Summit raid, the defendants are entitled to apply for discovery of documents based on such information.

32. It is part of the case of the defendants that they acquired the information of the documents they now seek discovery independently of the Summit raid. They rely on the evidence of Pan, Shih and Chew and say that they obtained the information from these persons: see [para] 13-15 above. On the basis of these three sources of information they now seek discovery of the

documents. In principle, we think that their case for discovery is well founded, and on that basis, they are entitled to apply for discovery of documents.

7 However the Court of Appeal held that the documents or categories of documents sought by the Defendants in their applications were too wide and on that ground their applications for discovery failed. But instead of dismissing the appeal, to save time and costs the Court of Appeal remitted the applications to me with liberty to the Defendants to file:

- (i) a fresh list of documents or categories of documents (in substitution for the present lists) which they seek from the Plaintiffs; and
- (ii) further affidavits, if they consider it necessary, in support of their application for the documents they wish to have discovery of.

In the present proceedings the Defendants reverted to me with a fresh list of documents and categories of documents and further affidavits in support of their application. After a 3-day hearing, I made the orders described in paragraph 1 above. The reasons are set out below.

8 In support of their application, the fifth Defendant, who is the Regional Counsel of the fourth Defendants ("BSA"), swore an affidavit on 13 May 2000 on behalf of all the Defendants. In that affidavit, the Plaintiffs exhibited at pages 172 to 186 (exhibit "SO-35") a new list of documents in respect of which they seek specific discovery from the Defendants pursuant to the direction of the Court of Appeal. In that list there are a total of 92 categories of documents and they are grouped by the Defendants in 3 categories, as follows:

- (a) Pan's 1st Affidavit filed 18.9.98 (items 1 to 52);
- (b) Chew's 1st Affidavit filed 20.11.99 (items 53 to 84); and
- (c) Shi's List (items 85 to 92).

9 The first question is whether the Defendants had acquired "*the information of the documents*" independently of the raid. In this respect, the Defendants contend that such information had been obtained from their informants, Pan Wen Hui ("Pan"), Jimmy Chew Chong Poh ("Chew"), and Shi Jian Chuan ("Shi") before the raid and therefore independently of it. The Corporate Attorney of the first Defendant and Vice-President of BSA, Ronald Eckstrom ("Eckstrom") had sworn an affidavit on 19 November 1999. He stated that he was in charge of the first Defendant's anti-piracy campaign in the South Asia-Pacific region. He related how the software piracy industry operated. He said that based on the information obtained from Pan and Shi, BSA obtained the search warrants for the raid.

Information from Pan (Items 1 to 52)

10 Pan made an affidavit on 18 September 1998 in which he deposed that he was employed by the second Plaintiff between July 1995 and September 1996. He described the manufacturing procedure and processes at the factory premises of the second Plaintiff. During that period he came across certain information that led him to believe that the second Plaintiff was involved in the manufacture of pirated CD-ROMs. Pan related the circumstances in which he left the employment of the second Plaintiff in September 1996, which can be succinctly described as rancorous. He was sacked and unceremoniously removed from the premises. Pan deposed that he obtained from Shi, who was his colleague during his employment by the second Plaintiff, 2 diskettes containing a list of the second Plaintiff's customers. In June 1997 he contacted representatives of the first Defendant and

reported the goings-on at the second Plaintiff's premises that he had come across. He handed the diskettes obtained from Shi to the solicitors for the first Defendant. The Defendants also exhibited a Statutory Declaration made by Pan on 24 July 1997 in which he also set out, in a briefer manner, most of the matters described in his affidavit. In my view this was a source of information independent of the raid.

11 The Defendants contended that arising from information obtained from Pan, they were entitled to the categories of documents set out in items 1 to 52. In respect of some of these categories, Eckstrom's affidavit was also relevant. These items relate to documents associated with the production of stampers during the period of Pan's employment, viz. July 1995 to September 1996. They are specifically connected with the matters that Pan had personally handled or seen touching on his allegation of software piracy. Such documents would further the defence of justification in that these would prove that the Plaintiffs were involved in software piracy. I agreed with the Defendants on this question of relevancy. I was satisfied that the description of the categories of documents were sufficiently specific and therefore allowed the Defendants' application in respect of items 1 to 52.

Information from Chew (Items 53 – 84)

12 Chew made an affidavit on 17 November 1999. He deposed that he was an investigator with a private investigation agency. He was tasked to conduct a "trap purchase" of stampers (i.e. a mould for mass manufacture CD-ROMs) from the second Plaintiff. The objective was to approach the representatives of the second Plaintiff and get them to manufacture 8 stampers containing computer software. Chew related how he and another person went to the second Plaintiff's premises on 16 April 1997 with 5 CD-ROMs containing software belonging to BSA members and 3 CD-ROMs with non-BSA members' software. They asked the receptionist to see one Mr S Y Tan ("Tan"). According to the business card he gave them, Tan was the first Plaintiff's Assistant General Manager. He brought them to a meeting room on the ground floor. Chew handed to Tan the 8 CD-ROMs that he wanted the stampers for and asked for the cost. Tan told him that each stamper would cost \$600. After some haggling, the price was brought down to \$500. On 19 April 1997 Chew returned to the premises and met Tan again to collect the stampers. He paid Tan \$4,000 in cash for them. Chew exhibited in his affidavit a Statutory Declaration made by him on 30 July 1997 which contains the same matters, in more succinct form, he had set out in his affidavit. I found that this information was independent of the raid.

13 The Defendants contended that arising from information obtained from Chew, they were entitled to the categories of documents set out in items 53 to 84. In respect of some of these categories, Pan's affidavit was also relevant. These items relate to documents associated with the production of stampers during the period that Chew made the trap purchases, viz. April 1997. Such documents would further the defence of justification in that these would prove that the Plaintiffs were involved in software piracy. I agreed with the Defendants on this question of relevancy. I was satisfied that the description of the categories of documents were sufficiently specific and therefore allowed the Defendants' application in respect of these items.

Information from Shi (Items 85 – 92)

14 In his affidavit of 19 November 1999, Eckstrom exhibited a Statutory Declaration made by Shi on 24 July 1997. In it, Shi said that he was employed by the second Plaintiff from April 1996 to April 1997 as an operator at its CD replication factory. He described the CD replicating machines at the factory and the manufacturing procedure. He said that he saw pirated CD-ROMs being manufactured at the factory. He said that the pirated CD-ROMs were classed by the second Plaintiff as category "C"

as opposed to the legally manufactured ones which were classified "A" and "B". Shi also said that sometime in September 1996, IFPI or some other copyright union conducted several inspections of the factory over a period of about 2 weeks. Shi said that the workers in the factory were instructed by their supervisors not to replicate category "C" CD-ROMs during such inspections. All such CD-ROMs were hidden away. Shi said that once the inspections were completed, "C" category manufacture resumed. He described the manner in which the records were kept. Shi said that he made a copy on a diskette of a computer document which contained a list of the second Plaintiff's customers and the masters produced for them. He said that he gave a copy of this computer file to Pan.

15 Chua Yeow Hooi ("Chua"), a solicitor in M/s Alban Tay Mahtani & De Silva who were BSA's solicitors at the time, affirmed an affidavit on 30 October 1998. He deposed that sometime in July 1997 he received a diskette from Pan who told him that a friend of his, whom he later ascertained to be Shi, had handed it to him. Due to a technical problem with viewing the document from the diskette, Chua downloaded the data into the hard disk in his office computer and viewed it using Microsoft Excel. He said that as the names of the customers in the first column of the list were not in any particular order, he used the "sort" function to list the names in alphabetical order. He said that he did not add or delete any entries in the list. He then made a printout of the sorted list. This was exhibited as exhibit "SQ-7" in an affidavit made by Stuart Ong in relation to Criminal Motion No.17 of 1997 ("Shi's list"). I was of the view that this information was independent of the raid.

16 The Defendants seek discovery in respect of 4 specific customers in Shi's list. 3 of them are the names of persons that Eckstrom described as "known pirates". In respect of the fourth customer, the orders were for what is known as "pirate compilation titles", i.e. a single CD-ROM containing popular software from various software companies that are produced without authorisation from the copyright holders. The Defendants contended that arising from information obtained from Shi, they were entitled to the categories of documents set out in items 85 to 92. Pan's affidavit was also relevant in respect of these items. The documents sought were associated with the production of CD-ROMs for persons that the Defendants knew to be engaged in software piracy, or in respect of compilation titles that were obviously pirated software. Such documents would further the defence of justification in that these would prove that the Plaintiffs were involved in software piracy. I agreed with the Defendants on this question of relevancy. I was satisfied that the description of the categories of documents were sufficiently specific and therefore allowed the Defendants' application in respect of these items.

17 In the event I gave the orders described above and also ordered that the Plaintiffs pay the Defendants' costs (one set only) in respect of this application.

Lee Seiu Kin

Judicial Commissioner

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