

**THE HIGH COURT
COMMERCIAL**

[2021] IEHC 641
RECORD NO. 2020/5174P

BETWEEN

MERIDIAN GLOBAL VAT SERVICES LIMITED

PLAINTIFF

AND

LINDELAUF CONSULTANCY BV, ROGER LINDELAUF AND VERTEX, INC

DEFENDANTS

EX TEMPORE JUDGMENT of Mr. Justice Denis McDonald delivered on 27th July 2021

1. This is an application by the Defendants pursuant to O.31 r.12(11) to revisit one aspect of the terms of a discovery order made on the 19th February 2021 on the basis that compliance with the order has proved to be significantly more burdensome than was appreciated at the time the order was made.
2. Before addressing the specific application before the Court, it may be helpful to explain the backdrop to these proceedings. The Plaintiffs claim to be the developer of a software package that allows clients to automate the VAT determination of complex sales and billing without manual intervention. In 2010, the Plaintiff entered into a consultancy agreement with the First Named Defendant, a Dutch company controlled by the Second Named Defendant, Mr. Roger Lindelauf, to provide services which the Plaintiff contends played a critical role in the development of the software in issue. According to the Plaintiff, that agreement imposed very comprehensive obligations on the First and Second Defendants in relation to confidential information among other things. The Plaintiff also says that it owns the relevant copyright in the material created pursuant to that contract.
3. In late 2019, the First and Second Defendants indicated a desire to bring the consultancy agreement to an end and the Plaintiff says that the Second Defendant intimated to the Plaintiffs at that time that he had no alternative arrangement in place. Subsequently, in January 2020, the Plaintiff discovered that the Second Defendant had been employed by the Third Defendant, which is a tax technology solutions provider based in Pennsylvania. The Plaintiff contends that it subsequently learned of facts which suggested that the Third Defendant was now offering a new VAT solution for clients which the Plaintiff says has the same functionality and methodology as that which was previously exclusively available from the Plaintiffs and the Plaintiffs contend that this can only have been achieved through the use of its confidential information and copyright material.
4. I should explain that this is a very truncated description of the case made by the Plaintiff. I should also explain that the Plaintiff's case is robustly rejected by the Defendants, who strongly maintain that the claim is baseless. This can be seen from the terms of paragraphs 1 to 8 of the defence where the following case is made by way of preliminary objection.
5. In paragraph 1, it is said that the Plaintiff advances a series of extremely serious allegations against the Defendants without any basis or evidential foundation whatsoever. In paragraph 2 it is alleged that, despite request, the Plaintiff has failed or refused to

identify what confidential information or intellectual property was allegedly disclosed by the Second Defendant to the Third Defendant, when it was disclosed or how it was disclosed. In paragraph 3 it is suggested that the claims made against the Defendants have been put forward without providing any proper particulars. In paragraph 4, it is said that the Plaintiff's claim is frivolous, vexatious or bound to fail and the Defendants reserve the right to apply to strike out the Plaintiffs claim *in limine* by way of interlocutory application or at the trial of the action. In paragraph 5 it is alleged that, prior to the commencement of these proceedings, the Defendants' solicitors wrote to the Plaintiff's solicitors refuting the allegations made by the Plaintiff in pre action correspondence and explaining in clear terms why such allegations were wholly misconceived and without foundation. Notwithstanding this correspondence, the Plaintiff issued these proceedings in which they advance the same allegations knowing them to be without foundation. Then in paragraph 6, it is alleged that the Plaintiff's wholly unfounded claim has caused significant inconvenience and burden to the First and Third Defendants inherent in the requirement to defend these proceedings and has caused unwarranted distress to the Second Defendant, constituting, as it does, a wholly unjustified attack upon him. And then in paragraphs 7 and 8 the Defendants go on to say that they will, upon the dismissal of the Plaintiff's action seek an order for costs on a legal practitioner and own client basis, and that the Plaintiff is put on notice of the Defendants' intention to make such an application. The Defendants also reserve the right in paragraph 8 to issue their own proceedings against the Plaintiff arising out of what they describe as the malicious abuse of the process of the Irish Court on the part of the Plaintiff in seeking to prosecute these proceedings.

6. The latter paragraphs from 5 to 8 are said by the Plaintiffs to be of some relevance for present purposes, in that it is suggested that, in order to put forward the pleas made in those paragraphs, the Third Defendant, in particular, must have undertaken some level of inquiry at the time these proceedings were commenced in relation to the development of their own VAT offering and checked with the personnel who were involved in the design of the VAT offering, and it is further suggested that, in doing so, the Defendants would have identified the number of people involved and, also, at least in broad terms, the extent of the material relating to the development of that offering.
7. Now, having outlined in very general terms the substantive positions of the parties, I should next address the order for discovery previously made in these proceedings on 19th February, 2021.
8. By that order, the court directed the Defendants to make discovery of two additional categories of discovery over and above the categories agreed by them. These were Category 5, which is not in issue today, and Category 6 which is in issue. By Category 6 the Defendants were ordered to make discovery of:

"All documentation created on or after 26th June 2019 recording the Third Defendant's development of a VAT offering, especially utilising the chain flow tool and SAP VAT add on, including, but not limited to, all versions of the Third Named

Defendant's strategy and road map for development of VAT determination; and all code, meeting notes, agendas, procedural and briefing documents relating to the chain flow tool, VAT add on; and documents relating to new connectivity, functionality for connecting with legacy SAP systems."

9. The Defendants say that, at the time that the order of 19th February was made, they did not appreciate how burdensome Category 6 would be and they now estimate that it will cost them something of the order of €710,000 to comply with this element of the order.
10. That order was made following a contested application which I believe it is fair to say was fought with some vigour on both sides. In the replying affidavits sworn on behalf of the Defendants, Category 6 was opposed on a number of grounds. The affidavit in question was sworn on 7th February 2021 by Ms. Alison Quinn, a solicitor in A&L Goodbody, the solicitors acting for the Defendants in these proceedings. In that affidavit, five principal reasons were advanced in opposition to Category 6. The first was outlined in paragraph 13 of Ms. Quinn's affidavit, namely that the Defendants' position was that the Plaintiff was not entitled to make bald assertions of unlawful use of its confidential information as a launch pad or springboard to obtain discovery of the Defendants' confidential information. The second basis for opposition was that the category as currently framed would capture a whole range of documents which are utterly irrelevant to the issues in dispute in the proceedings and Ms. Quinn indicated that, by way of illustration, the category would capture documents going back to the first development of a VAT offering by the Third Defendant in December 2003, well before the issues that give rise to the action.
11. The third basis for opposition was that, in any event, the Defendants' position is that any documents relevant to the claim as pleaded would be captured by Category 5 as the "*sheet anchor*" of the Plaintiff's case is that the Second Defendant unlawfully shared the Plaintiff's confidential information and/or intellectual property with the Third Defendant and the Third Defendant, in turn, unlawfully used that confidential information or intellectual property in the development of its indirect tax calculator and new chain flow managing tool. Therefore, the Defendants' position was that a category as broadly framed as Category 6 was simply unnecessary
12. The fourth ground of opposition was set out in paragraph 17 of Ms. Quinn's affidavit and there Ms. Quinn said that the category, as framed was wholly disproportionate to the asserted necessity for these documents, particularly bearing in mind that the Third Defendant began developing a VAT offering in December 2003, over 17 years ago. In addition, Ms. Quinn was advised that an order for discovery in the terms of Category 6 would be far reaching and unusually vast in scale and would impose a significant burden and cost on the Defendants. She continued by saying that, if the Defendants were required to make discovery in the terms of the category as framed at that time, the Defendants would be required to search for and review documents, files, e mails and personnel files spanning a 17 year period in the search for documents which record the development of the VAT offering in question. And she continued in the same paragraph by saying that she was "*advised that requiring the Defendants to search for such a wide-*

ranging discovery across a 17 year period demonstrates that the discovery sought by the plaintiff is onerous, burdensome and disproportionate."

13. And I think it is clear from that paragraph that the focus of the Defendants' concern about proportionality at that time was the 17 year period covered by the Category in its original form.
14. The fifth ground of opposition was identified in paragraph 18 of Ms. Quinn's affidavit and essentially that related to what was described as the unequivocally confidential nature of the material in question. But I believe it is fair to say that, of the complaints made in Ms. Quinn's affidavit, the opposition of the Defendants, at the hearing in February 2021, centred on three matters. The first was the allegation that Category 6 represented a quintessential fishing expedition on the basis that the Plaintiff had done no more than make bald unsubstantiated and unparticularised allegations against the Defendants; secondly, that the category was overbroad; and thirdly, that the documents were highly confidential which, of course, is a factor that arises in the context of proportionality, as the judgment of the Supreme Court in *Tobin v Minister for Defence* [2019] IESC 57 demonstrates.
15. In an *ex tempore* ruling on that day, I held against the Defendants on its grounds of opposition. I held that the case made by the Plaintiffs went beyond bare assertion. I concluded that the discovery sought was not overly broad in circumstances where the category was belatedly cut down by the letter from Mason Hayes & Curran, on behalf of the Plaintiff, of 8th February 2021 which was sent immediately subsequent to Ms. Quinn's affidavit and approximately ten days before the hearing on the 19th February.
16. In that letter, it was proposed that the category be limited to documentation generated after the 26th June 2019, which is the date when it is alleged the first contact took place between the Second and Third Defendants. That, therefore, addressed the concern about proportionality voiced by Ms. Quinn at paragraph 17 of her affidavit. I was, however, very mindful of the need to protect the confidentiality of the Defendants material and I therefore directed that there should be no production of the documents until an appropriately limited confidentiality club was put in place.
17. At the request of the Defendants, a period of ten weeks was allowed for the making of discovery. That period was subsequently extended by consent by a further order made by Barnville J on the 30th April 2021 by which an additional four weeks was allowed for complying with the order made in February.
18. Prior to the making of the order in April, the Defendants' solicitors had written to the Plaintiff's solicitors seeking an extension of time but also reserving the Defendants' position to make an application under O.31 r.12(11). In that letter, the solicitor said that sixty-five e mail custodians had been identified whose mailboxes may be responsive to Category 6 and it was estimated that the number of documents to be reviewed could extend to 3.3 million documents or 700 million pages of documents. It was suggested in

the letter that the cost of processing and reviewing data on that scale was hugely disproportionate.

19. There was further correspondence between the parties in the course of which the Defendants' solicitors on 19th May 2021 provided an estimate that the cost of providing discovery in respect of Category 6 would be of the order of €710,000. That letter also made an alternative proposal, to confine Category 6 to what was described as a core group employed by the Third Defendant and, also, to provide a demonstration of the code to the Plaintiff's experts. That proposal was rejected by the Plaintiff and, following further correspondence between the parties, the present application was initiated on the 21st June 2021 seeking to vary the terms of the discovery order made on 19th February insofar as Category 6 is concerned.
20. As I noted at the outset, the application now made is made pursuant to O.31 r.12(11). That sub rule allows the court to vary the terms of an order for discovery or an agreement for discovery where it is satisfied either that further discovery is necessary for disposing fairly of the case or for saving costs, or, and this is the relevant limb of the rule for present purposes, that the discovery originally ordered or agreed is unreasonable having regard to the cost or other burden of providing discovery.
21. Now, sub rule (12) goes on to lay down that it is a prerequisite to making any such application that a letter be written prior to the making of an application and no issue arises here in that context. That requirement has clearly been complied with.
22. The Defendants argue, in support of the present motion that there is good reason to revisit the extent of the order previously made in February and they propose that in place of the category as formulated in the order they would instead deal with Category 6 in the manner set out in the schedule to the Notice of Motion. I will come back to the terms of that schedule presently. But essentially the Defendants' proposal has three elements.
23. The first element involves a supervised demonstration of their system and of the internal design environment, as it is described, used by the Vertex development team to develop code relating to its VAT offering. That demonstration would be given to the Plaintiff's experts in the confidential club but would be supervised by the Defendants' solicitors.
24. The second element of the proposal involves the discovery of text files of all relevant backed up code relating to the development of the Vertex VAT offering as of a number of dates, namely dates on which the relevant code was backed up on the Vertex system, namely December 2019, which was the month before the Second Defendant joined the employment of Vertex, February 2020, which was the month after the Second Defendant joined Vertex's employment, the date of swearing of the Affidavit of Discovery and, also, and this has been added subsequent to the filing of this application, the versions backed up in April and June 2021.
25. The third element of the proposal is that discovery would be made of all documents in Category 6, limited to data gathered not from all sixty-five personnel who had some

involvement in the development of the Defendants' VAT offering, but from what is described as a core group of eight personnel who worked on the development of the offering, to which the Defendants have more recently confirmed can be added Mr. Lindelauf, the Second Defendant.

26. The Defendants, as I said earlier, contend that it was only after the order for discovery was made that they became aware of the true extent of the burden of having to make discovery of documents within Category 6 and this is addressed in the grounding affidavit of Mr. Bradbard sworn in support of the present application in paragraph 3 where he said:

"Since the making of the order it has become apparent that it would be an enormous and extremely costly exercise for the Defendants to make discovery in the terms in which Category 6 was ordered."

And then he also says in paragraph 4:

"The scale, burden and cost of making discovery of Category 6 documents greatly exceeds what was anticipated at the time the motion for discovery was heard and is wholly disproportionate to the asserted need for these documents."

27. He returned to that issue in his second affidavit filed in response to the affidavit of Mr. O'Brien, sworn on behalf of plaintiffs and in paragraph 13 of his second affidavit Mr. Bradbard said:

"While I accept that the Defendants did not contend at the hearing of the discovery motion on 19th February 2021 that discovery in respect of Category 6 would involve the volumes which are now apparent, this is because at the time of the discovery motion (19th February 2021) the Defendants were not aware of how voluminous and burdensome Category 6 would ultimately prove to be. Neither were the Defendants aware at that point of the technical limitations that have now been encountered when the exercise was attempted. Put differently, between the making of the discovery order and 29 April 2021 the Defendants expended €119,792 to establish the scale of the task involved in complying with the discovery order. Mr. O'Brien appears to be contending that these sums ought to have been expended by the Defendants prior to the hearing of the discovery motion in support of an argument that the discovery as sought was disproportionate."

28. The Defendants therefore seek to limit their obligation to that set out in the schedule to the Notice of Motion. They say that their proposal not only has the advantage of saving the burden and cost of the very extensive exercise that will be necessary in order to provide discovery in the terms of Category 6, but it will also have benefits, they say, for the Plaintiffs. These are set out in Mr. Bradbard's first affidavit in paragraph 55 where he says at (i) that:

"Instead of receiving an oppressive quantity of documentation under Category 6, this offer includes the provision of documents from a targeted group of people and

includes the provision of text files of source code and access to the Vertex internal design environment."

He says that this will enable the Plaintiff to fully interrogate the development of the source code for the Third Defendant's VAT offering. He says secondly that:

"This will enable the Plaintiff to test whether the pleaded functionalities were developed by the Third Named Defendant independently of the Plaintiff's confidential information and further test whether the pleaded functionality in respect of the indirect tax calculator is unique to the Plaintiff."

Thirdly he says:

"The offer permits a live demo environment where it will be open to the Plaintiff to ask any questions it wishes regarding the functionality of the Vertex VAT offering, indirect tax calculator and/or new chain flow mapping tool."

Fourthly, the provision of documents from the core development team is likely to capture all relevant documents given that this team is made up of the people who actually developed the software at issue in these proceedings."

And he says that:

"It is highly unlikely that there would be other custodians outside of the core development team that would hold such records separate to and independently of these custodians."

Fifthly he says:

"In the event that the proposal were to be accepted, the discovery process would be completed sooner and at considerably less cost than would otherwise be the case."

29. In those circumstances, the Defendants say that there is good reason to revisit the order of the 19th February insofar as Category 6 is concerned. However, this contention is strongly resisted by the Plaintiffs, who submit that the present application should be rejected broadly for two reasons.
30. Firstly, the Plaintiffs say that the Defendants, in seeking to revisit the order of 19th February, are relying on evidence as to alleged disproportionality that should have been available to them in advance of the hearing on 19th February and that the Defendants cannot be permitted to now make a case that they could have made but did not make at that time.
31. Secondly, the Plaintiffs argue that Category 6 is a crucial category for the purposes of the Plaintiff's claim and goes to the heart of the issues between the parties. The Plaintiffs maintain that the court must carefully consider the impact on the Plaintiff of the variations

sought by the Defendants in this application. The Plaintiffs argue that the variation sought is significantly disadvantageous to the Plaintiffs and would not provide them with the same level of relevant detail as Category 6 in the form ordered by the court.

32. Having outlined in brief terms the respective positions of the parties, it is next necessary to consider the applicable principles and more particularly, the application of those principles to the facts of this case.
33. The relevant principles are comprehensively summarised in the judgment of Barrett J in *University College Cork v Electricity Supply Board* [2017] IEHC 599 at paragraph 46, where he also provides very helpful guidance as to the application of those principles and I now turn to paragraph 46 of his judgment where he identifies that the first principle is that:

"(1) The court enjoys a power under O.31 r.12(11), to relieve a party from a discovery obligation to which it has agreed."

And obviously the same principle clearly applies where discovery has been ordered rather than agreed. Secondly, he says:

"(2) A variation order may not be made unless the application is preceded by a letter requesting agreement to the variations, specifying them and giving the reasons why each is sought."

34. As I have said, that is a requirement of the rules which has been met in the present case and no issue arises in relation to it. Thirdly he says:

"The burden of establishing the factors necessary for the power to arise lies on the party seeking to invoke the jurisdiction."

35. And that is accepted by the Defendants. It has to be said that that burden was emphasised in somewhat strong terms by Barrett J in paragraph 6 of the same judgment where he said:

"...the court notes that the within application is one in respect of which UCC is the moving party. Hence the burden of proof lies upon it before the power of the court to make the order sought can properly be invoked. UCC must show that the burden of making discovery exceeds what could have been anticipated in good faith, and that, accordingly, it is disproportionate to require UCC to comply with the discovery order. It is not for ESB to explain why it is not content to allow an amendment of the discovery order."

36. And that paragraph from Barrett J's judgment replicates the approach taken previously by Cooke J in *Heatons v ASICS UK Ltd* (Unreported, Cooke J, 1st November 2013) where he said in paragraph 7 of his judgment:

"While the court ought not lightly to permit a party to alter what has been agreed, there is clear jurisdiction to adjust the scope of agreed discovery categories if it is demonstrated that the exercise required has genuinely exceeded what could have been anticipated in the good faith with the result that it is now shown to be unreasonably burdensome or costly having regard particularly to the significance of the role likely to be played by the discovery documents in the context of the issues to be tried at a hearing."

37. Now, returning to Barrett J's judgment in the *UCC v ESB* case. He says at paragraph 4, and this, I think, relates also to what I have just quoted from Cooke J in the *Heatons* judgment:

"The jurisdiction should not be exercised lightly in the case of discovery to which the applicant has agreed. The party seeking the variation must show that the burden of actually making discovery has genuinely exceeded what could have been anticipated in good faith."

38. Barrett J then interposes with the following observation of his own, he says:

"This is in effect a summary of para.7 of Cooke J's judgment in Heatons. That is a judgment by which this Court is bound. However, while accepting the just stated proposition as correct, the court respectfully does not consider that this is a factor to which especial weight should be given. After all, the whole predicate for O.12..."

I think that should read Rule 31, sub rule 12 (11).

"...is that there has been an order or agreement for discovery; in truth the court enters on stage, or at least becomes fully engaged in the second sentence of the sub rule."

39. Now, in my view, those observations of Barrett J must now be seen in light of the subsequent judgment of the Court of Appeal in *Hireservices Ltd v An Post* [2020] IECA 120, in particular paragraph 19 of the judgment of Murray J where he said in the context of an application for additional discovery which falls under the first limb of the sub rule:

*"An application pursuant to this provision will not be granted simply because the documents are relevant and necessary, in the sense explained most recently in *Tobin v. The Minister for Defence*. The interests of all in the efficient disposition of proceedings requires that a party has one chance to seek discovery, and having obtained orders for discovery of particular categories of documents must have good reason for coming again. A discovery order is interlocutory in character. An interlocutory order can generally only be reopened where there is good reason for doing so, such as a material change in circumstances. Bearing in mind that the purposes of an order for discovery is not merely the advancement and protection of the interests of the parties to an action, but that it also places on the court record, for the benefit of parties and the court a sworn statement itemising relevant*

documents. The court retains the power to make such additional order when it determines that an injustice would be done without such a direction. However, all of this is the exception rather than the norm. The default position is that the discovery is as agreed or directed and that some good reason must be given for revisiting that agreement or order. No good reason has been given here to justify the directing of new categories of discovery at a point which is now eight years after discovery was agreed and seven years after it was made."

40. A number of points arise in the context of those observations made by Murray J. In the first place, although made in relation to the first limb of the sub rule, they plainly apply with equal force to the second limb. The observations are accordingly applicable to an application to vary an order already made. Secondly, the observations make it clear that, although the court always has jurisdiction to revisit an interlocutory order, this will only arise on an exceptional basis and cannot be regarded as something which parties can pursue as of course. Thirdly, for present purposes, the emphasis placed by Murray J on the interests of all in the efficient disposition of proceedings is striking. Murray J stressed that a party generally has one chance to seek discovery. Equally, it follows that a party generally has one chance to resist an order for discovery and is expected to make its case for resisting such an order in full at that time. There is, after all, a public interest in the efficient disposal of litigation and this applies especially in commercial proceedings. It also applies especially in the context of discovery hearings where, at this point, very considerable guidance is now available to the parties from the case law as to the issues relevant to the ambit of discovery to be made, such as the issue of proportionality and also the obligations of the parties in commercial cases (where the extent of the discovery sought is likely to be substantial).
41. That leads me in turn to the fourth point which is that the Court has already identified in clear and comprehensive terms the obligation resting on parties in commercial litigation in relation to the steps that should be taken prior to the hearing of an application for discovery. This emerges from the decision of Clarke J, as he then was, in *Thema v HSBC* [2011] IEHC 496, a judgment given about ten years ago. At that time, the court were still attempting to grapple with the consequences that flow from the very large volume of documents that tend to be retained in the electronic age and Clarke J in that case very carefully and deliberately set about giving guidance and there are some aspects of that judgment to which I need to refer.
42. Turning then to the judgment of Clarke J in the *Thema* case. He identifies in paragraph 10 that:

"It is important for the court to at least attempt to set out some general principles by reference to which the obligations of parties to make discovery in complex cases needs to be addressed."
43. He then says in paragraph 11 that, in complex cases or cases where there are large documents held in electronic form, the methodology usually adopted is to approach the discovery process in four stages, which he identifies as (a) retrieval, (b) uploading and

deduplication, (c) search and (d) review. And he then goes on, going forward in the judgment to paragraph 21 on page 539, he says:

"Obviously, the basic obligation on any party is to comply to the best of its ability with any order for discovery made. However, it seems to me that a number of ancillary obligations also arise."

And then, importantly for present purposes, he goes on to say in paragraphs 22 on the same page:

"First, where it is likely that the scale of discovery which will be required to be made is significant and thus likely to be lengthy and costly, there is, it seems to me, an obligation on a party to consider how best it can meet any likely obligations to make discovery in a way which does not unduly delay the trial of the proceedings and which does not add unnecessarily to the costs likely to be incurred. While it is true that the specific and formal legal obligations of the parties are those which are defined in court orders or agreements between parties concerning discovery which have the same status as a court order, nonetheless, it seems to me, that the parties have general obligations which go beyond formal compliance of the orders of the court."

And then he goes on to say that:

"It is important to note some aspects of those obligations."

44. But going forward to page 540, there are some obligations identified by Clarke J which are of particular relevance here and those are the obligations noted by him in paragraph 25, where he said:

"The court is entitled to assume and expect that a party will have taken reasonable steps in advance of the terms of discovery being fixed (either by agreement or by court order) to put itself in a position where it can comply with the obligations arising in an expeditious way."

And then further down the same paragraph he says:

"Where it is reasonable to assume, as here, that the proceedings will progress at least to the discovery stage and that the discovery will be extremely substantial and where, therefore, something along the lines of the four stage approach adopted by the HSBC in this case is anticipated as being necessary, it follows that a party has an obligation to use its best endeavours to progress stages one and two before the terms of discovery are finally determined."

And those stages are the stages of retrieval, uploading and deduplication.

45. In light of those principles, which have been in place for a significant period of time, it is next necessary to look at the evidence placed before the court by the Defendants in this

case, and in particular Mr. Bradbard's first affidavit, where in paragraph 42, he sets out the work which has been carried out since the order for discovery was made in this case and he says, as set out in the 29th April letter (that is the letter from A&L Goodbody sent prior to the order made by Barniville J), that by that date the following work had been carried out in respect of Category 6:

"1. Identifying custodians. Due to the breadth of the Category 6 as requested by the Plaintiffs from the court, all sixty-five employees of Vertex who are or were involved in its development of its VAT offering were identified as potential custodians."

46. Secondly, he identifies that they have undertaken the identification of data sets from these custodians and he says:

"The Vertex IT department then assessed the amount of potentially responsive data held by these sixty-five custodians. I'm advised that a potential compressed data set of approximately one terabyte of data was identified. This estimate is the compressed data set, not to decompressed data volume. I am instructed that the ALG data projects group estimates that the decompressed data set could double the size of the data set to approximately two terabytes."

47. Thirdly he says, in terms of processing of data sets, he has been advised by A&L Goodbody and the A&L Goodbody data projects group that if the defendants were to process this data, that is to say carry out a de-duplication exercise and removal of plainly irrelevant data, it is likely that this would reduce the amount of decompressed data to be reviewed by 600 gigabytes, with the result that the Defendants would be left with a data set of 1.4 terabytes in size containing potentially relevant documents. To put this in context, I am informed that this equates to approximately 3.3 million documents or an estimated 700 million pages of text document.
48. Now, it is apparent from paragraph 42 that the identification of the number of custodians or the likely level or extent of documentation held by them was done only after the order of 19th February was made and that the de-duplication step has not yet been taken. It therefore seems to me that, as counsel for the Plaintiffs submitted yesterday, at the time of the hearing in February, the Defendants had not undertaken steps one and two of the steps which Clarke J in *Thema* indicated parties have an obligation to take in advance of the hearing of an application.
49. That said, I appreciate that, at the time the Defendants were opposing Category 6, as Mr. Bradbard outlines in paragraph 48 of his first affidavit, the cost of the step two exercise was not insubstantial. He has been advised that it is likely to cost €140,000. I am not sure that these factors can be said to relieve the Defendants of the obligations described by Clarke J but for the purposes of this ruling I am prepared to proceed on the assumption that they provide some level of excuse for not being able to put that extent of detail before the court in February. However, that does not explain why the Defendants did not address in February the number of custodians and the size of the potential

universe of documents. Some reasonable estimate could surely have been made at that time if the Defendants wished to argue that Category 6 as framed was disproportionate, it being well established, most recently in the judgment of Supreme Court in *Tobin*, that proportionality is a very relevant factor in deciding whether discovery should be granted and if so, in what terms.

50. And I think it is clear from the decision of the Supreme Court in *Tobin* that, if a party is to argue that a particular category of discovery is excessively burdensome, that party must set forward, in some reasonable detail, the basis upon which it so contends. That I think is clear from paragraph 7.19 of the judgment of the Chief Justice in that case.
51. It seems to me that the exercise of estimating the number of documents and the number of custodians should plainly have been carried out prior to the hearing in February and no good reason has been advanced as to why this was not done at the time. The averments made by Mr. Bradbard simply suggest that the extent of the discovery greatly exceeds what was anticipated at the time. But, even if a rough estimate of the number of custodians and the size of relevant universe had been undertaken, there would be no reason and no basis to have thought that the size would be much smaller than has subsequently been identified.
52. It is important to bear in mind in this context that it is the extent of the discovery to be made which largely accounts for the estimate of cost. The review of such a large universe of documents represents the largest ingredient of the estimate of €710,000 which has been provided.
53. In circumstances where the exercise and estimation was not carried out at the appropriate time, that is to say before the hearing in February 2021, it is impossible on the evidence before me to reach a conclusion that good reason exists for raising the matter now. In this context, the case made as to the existence of good reason is succinctly stated in paragraph 45 of the Defendants' written submissions in the following terms:

"The revelation of the costs to be incurred and the time needed in seeking to comply with the Discovery Order constitute a good reason to vary the terms of the discovery order."

54. That reference to the revelation of the cost to be incurred must be read with what is said in the preceding paragraph of the submissions, where, in terms which reflect the principle adopted by Cooke J in the *Heatons* case, it is said:

"...the burden of complying with category 6, as ordered, has genuinely exceeded that which could have been anticipated in good faith at the time that discovery was originally ordered."

55. It is therefore clear that the suggested unanticipated burden is an inherent part of the reason advanced to justify the making of this application at this stage of the proceedings.

56. However, under the sub rule, if, as the Defendants were obliged to do, they had carried out an exercise to estimate the extent of the discovery to be made in advance of 19th February, they would have been able to address the issue of proportionality of Category 6 as revised by the letter of Mason Hayes & Curran of 8th February. I cannot accept that a failure to take a step which the Defendants were obliged to take could plausibly amount to good reason within the meaning of the *Hireservices* test. And that is illustrated by the judgment of O'Moore J in *STT Risk Management v Transdev* [2021] IEHC 214 where he said at paragraph 37 of his judgment as follows:

"Based on this evidence, counsel for STT contends that there is good reason for revisiting the original discovery agreement. He submits the following:

(a) There was an oversight on the part of STT's advisors, as a result of which the relevant discovery was not sought. I do not think that, in itself, this is a good reason for revisiting the original discovery agreement. If an oversight or error of the type that occurred here constitutes a 'good reason', it is difficult to imagine what does not amount to a good reason for these purposes. The intent of the Rule is to define and codify the circumstances in which this type of interlocutory order or arrangement can be revised; the Rule would be emasculated if STT's submission on this point is correct. There would, in effect, be no circumstances in which a party would be unable to justify bringing sequential discovery motions. It would also encourage a rather casual attitude towards setting out a comprehensive list of a party's discovery requirements if the Rule were to be interpreted in the way proposed by STT, as any lawyer would be comforted by the fact that oversight would justify coming again with fresh discovery demands."

57. That was a case in which an application was brought under the first limb of the sub rule. But that principle equally applies, in my view, in the context of the second limb, under which the present application is brought.

58. In fairness, the Defendants have not sought to rely on oversight as such. But in substance that is what appears to have happened. On the basis of the evidence before the Court, not even a preliminary investigation of the extent of the custodians or the extent of the documents appears to have been undertaken.

59. I have not lost sight of the fact that the Plaintiffs did not cut down the temporal ambit of Category 6 until ten days prior to the hearing in February, but no suggestion has been made that this explains the failure to address the estimation of the extent of discovery to be made under Category 6. Moreover, a ten-day period must surely have been sufficient to undertake a preliminary investigation, at the very least. It also has to be observed that it is not uncommon in the Commercial List to require parties to respond to a request for discovery within a similarly truncated period of time.

60. In all of these circumstances, having regard to the principles which flow from the decision of the Court of Appeal in the *Hireservices* case, I do not believe that good reason has been established for revisiting the order made in February.

61. Lest, however, I am wrong in that conclusion, I propose to proceed to consider the other aspect of the case made by the Defendants, namely that there is a less costly and less burdensome means available to satisfy the Plaintiff's discovery needs than the order requiring the Defendants to make discovery of Category 6. That requires me to return to the principles outlined by Barrett J in *UCC v ESB* and to the fifth and following principles identified by him. In paragraph 5 on page 36 of his judgment he identifies the fifth principle as follows:

"The existing discovery obligation must be shown to be unreasonable having regard to the cost or other burden of complying with it. This issue is to be assessed by reference to proportionality."

62. I pause there to observe that, by any standard, the projected cost here of €710,000 is a very significant factor that would undoubtedly have weight in any consideration of proportionality. Barrett J then turns to the sixth principle which he encapsulates as:

"Proportionality requires the court to consider the gravity and magnitude of the claim."

63. And then, very importantly, Barrett J adds the following additional commentary on that principle, and he says:

"The court respectfully considers this to be a mis focused proposition. Yes, what is proportionate in the context of a claim for €X million may not be proportionate in a claim for €X thousand. But discovery is not, to use a colloquialism, a 'numbers game'."

*The essence of disproportionality is that what is being ordered is too large in comparison with something else. What is that 'something else' by which a claim of disproportionality falls to be construed? Finlay Geoghegan J. in *Boehringer Ingelheim v. Norton (Waterford)*, touches on this issue, at para. 45 of her judgment, when she observes that "The proportionality between the potential advantage to Teva in obtaining these documents for use in these proceedings and the probable cost and time involved in Boehringer making discovery and taking into account the position in the UK proceedings is such that discovery of categories 2 and 3 is not necessary for the fair disposal of the proceedings." So on one side of the scales the court looks to how relevant documents are, how important they are to the issues in the proceedings; on the other side the court balances time and cost. Thus, to put matters at their simplest, if there are documents that are not very relevant to a case and it is going to cost a lot of money to make discovery of them, a court will likely say that the discovery sought is disproportionate. By contrast, if discovery of certain documentation is going to cost a lot of money but the documents are very relevant, a court will likely say that that is not disproportionate, given how important the documents are to that particular case. (And the test falls always to be applied in the particular context of a particular case, i.e. what the issues are, what the costs are, etc., in that particular context). What*

is a 'lot of money'? In deciding that, a court may usefully have regard to the scale and quantum of the claim yielding the discovery application."

64. I pause there to observe that, in this case, the Category 6 documents appear to me to be in the "very relevant" category because they will play an important role in the resolution of the proceedings, in that they go to an issue which is at the very heart of the Plaintiff's case as to whether the Third Defendant's offering has used confidential information of the Plaintiff. They may demonstrate either that the Plaintiff's claim is without substance, as contended for by the Defendants, or they may provide clear evidence of such use.

65. Returning then to Barrett J's judgment and to the seventh principle he identifies, which is really related to the sixth; the seventh is in the following terms:

"The need of the other party for the documents may also be a consideration in relation to proportionality. If the documents, although relevant, are merely likely to be corroborative of material available from other sources to the party restricting the application, that is a factor telling in favour of restriction."

66. And I pause there to observe that I do not believe that material of the kind sought here could reasonably be said to fall into this category. As I have said, the category goes to the heart of the Plaintiff's case and, it should be said, the Defendants' case.

67. The eighth principle then identified by Barrett J is that:

"The party seeking to establish disproportionality must place before the Court hard information as to the likely time or expense that may be incurred if discovery in the agreed terms is made, as opposed to discovery in the varied terms proposed. Generalities are not sufficient, even if supported by averments in good faith made by the solicitor responsible for the discovery exercise."

68. And, while the Plaintiffs have queried whether this has been satisfied by the Defendants in the present case, I am of the view that the Defendant has put forward sufficient material before the Court to satisfy me that the exercise of complying with Category 6 will undoubtedly be very expensive.

69. The ninth principle identified by Barrett J then is simply that:

"Even where the power to make a variation order arises, the Court retains discretion as to whether to make the order or not."

70. These principles set out at items 5 to 9 of Barrett J's judgment are the relevant principles that must be applied in relation to this aspect of my ruling and it seems to me, therefore, to be necessary to compare the effect of the category as originally ordered against the effect of the proposal put forward by the Defendants and as previously outlined, that proposal falls into three parts.

71. I will come back to the first element at a later point in this ruling. Instead I propose to first examine paragraph 2 of the proposal. That paragraph is confined in two respects: firstly, to text files of all relevant backed up code; and secondly, to code as it existed on particular occasions when it was backed up, namely, as I said earlier, December 2019, February 2020, the date of swearing of any relevant Affidavit of Discovery and, as extended in the latest affidavits, also to April and June 2021. That is to be contrasted with Category 6 as currently formulated. It is not confined to text files and it is not confined to the code as backed up on particular dates. By its terms, the Defendants will be required to discover all code, not just the code as freeze framed, so to speak, on particular dates. And the reality is that with electronically stored information, it will ordinarily be provided in searchable form. This is of some importance in the present case, having regard to the fact that functionality is expressly in issue.
72. Now, the Defendants say, and this is apparent from paragraph 45 of the first affidavit from Mr. Bradbard, that their IT systems are not capable of doing anything other than producing the backed-up versions of the code. The difficulty I am is that this is contested by the Plaintiff (as set out by Mr. O'Brien in paragraphs 44 to 48 of his affidavit) as a matter of principle. Mr. Bradbard responds to this in his second affidavit. But the problem I have is that there is a contest on the affidavits before me. As the case law makes clear, the onus of proof is on the Defendants. They have not placed any evidence before me, such as from an independent IT expert, that corroborates the evidence given by Mr. Bradbard. In those circumstances, I am unable to resolve this conflict on the evidence and cannot therefore proceed on the assumption or basis that what Mr. Bradbard says is correct and that what Mr. O'Brien says is wrong.
73. But, quite apart from the conflict that exists, there is one aspect of Mr. O'Brien's affidavit that is not contradicted in any substantial way by Mr. Bradbard and that is in relation to metadata. In paragraph 45 of his affidavit Mr. O'Brien said, with regard to the second element of the proposal:

"These files will be stripped of metadata and consequently, will be impossible to search through. In addition, having text files makes it impossible to see the functionality of the product as created, such that all files to be produced would need to include the metadata involved as well as any comments in the code. Merely having text files is not sufficient and original files with full metadata are required for a proper review of the code and an understanding of its functionality."

74. There is a response to that by Mr. Bradbard but it is a fairly oblique response and he says in paragraph 27:

"As regards the second element of the proposal, I am unclear as to what metadata Mr. O'Brien is referring to. He asserts that having text files makes it impossible to see the functionality of the product as created. But that is precisely why the defendants have, in addition to providing text files, offered a virtual demonstration technical examination of the Vertex internal design environment."

75. Now, I have to say immediately that I am no expert in the electronic storage of information. But as I understand it, metadata will often provide important information about the data retained by a party and I can see why it would be particularly important in the present case that the metadata would be available to the Plaintiff's experts in the confidentiality club in order to properly assess and review the underlying data maintained by the Third Defendant.
76. And it does seem to me that, given that Mr. Bradbard has not actually said that the metadata does not exist, all he has said is that he is unclear as to what metadata Mr. O'Brien is referring to, which is why I described his averment as being somewhat oblique, it does not seem to me to actually contradict what is said by Mr. O'Brien in his affidavit and really Mr. Bradbard's response in substance appears to be that the Plaintiffs will get the benefit of the demonstration, which is the first element of the three part proposal made by Defendants in this case. And I will come back in a moment to consider whether that element of the proposal will overcome the difficulty, as Mr. Bradbard suggests.
77. Before doing so, I should also consider the third element of the proposal which proposes to limit Category 6 to what is described as the Third Defendant's core development team consisting of eight personnel although an offer has now been made on affidavit to also include the Second Defendant Mr. Lindelauf. Nothing other than very general information is given as to the core team or as to the roles played by the remaining 57 custodians previously identified.
78. It is nonetheless suggested by the Defendants that this is likely to capture all relevant documents. It is also suggested that the original list of sixty-five custodians mentioned in the correspondence included personnel without a role in the development. But, the problem with the third element of the proposal is that there may be more junior members in the Third Defendants' employment beyond the eight personnel named in the proposal who have been involved in work who may, and I emphasise that word, the Defendants of course may be entirely innocent, but nonetheless there may be personnel who may have been involved in, for arguments sake, the incorporation of the Plaintiff's confidential information into the Defendants' offering, or who may have information in relation to it stored in their e mails or other stored material. And, therefore, if the Court were to confine the category in the manner proposed, it may have the effect of excluding highly relevant material.
79. Moreover, and this is a very real problem for the court, I have not been provided with any detailed information in relation to either the core team of eight or the remaining fifty-seven custodians which would enable me to carry out an exercise of the kind undertaken by Cooke J in the *Heatons* case. I am therefore left in the position that I cannot conclude that Part 3 of the proposal will provide a sufficient alternative to Category 6 in its original form.
80. The question therefore remains whether Part 1 of the proposal overcomes the difficulties which I have identified with regard to paragraphs 2 and 3 and I have come to the conclusion that it does not, on the basis of the evidence before the Court. It envisages

something other than discovery, in any normal understanding of that word, and I believe that the Plaintiffs are correct in their written submissions where they say at paragraph 6.3 that:

"...discovery which has a particular utility that cannot be replicated by allowing the party hitherto required to make discovery to opt instead to devise and present information of its own choosing. This denies the party who was meant to receive the discovery the advantages of ascertaining what is contained within the full range of responsive documents held by the other side. Those advantages were explained by Clarke CJ. in Tobin v. Minister for Defence."

And they quote what was said by Clarke C.J.:

"...in my experience, discovery can also play a role in keeping parties honest, for it cannot be ruled out that some parties might succumb to the temptation to present a less than full picture of events to the court, were it not for the fact that they know that any attempt to do so may be significantly impaired if there is a documentary record which shows their account either to be inaccurate or materially incomplete. I consider that latter point to be of particular importance, for it provides a potential counterweight to the oft quoted argument that the vast majority of documents which are discovered do not find their way into the evidence presented to the court."

And at paragraph 6.2 the Plaintiff's counsel continue:

"Despite the contention by Mr. Bradbard at paragraph 55 of the Affidavit sworn by him on 21 June 2021 that the proposed variation is "...likely to be more beneficial to the Plaintiff", the Defendants cannot seriously contend that the foregoing advantages as discussed by Clarke CJ could be realised by the Plaintiff if the Defendants get their way. In truth, the disadvantages for the Plaintiff are obvious and the advantages for the Defendants are not merely financial, but also tactical...."

81. Moreover, in my view, paragraph 1 of the proposal would not deal with the specific issues highlighted by me with regard to Part 3 of the proposal, nor would it deal in terms with access to metadata which arises with regard to Part 2 of the proposal.
82. Now, I do, of course, appreciate that the Defendants may feel very aggrieved in this case that they have the burden of making very extensive discovery while they see, on the other hand, the relatively small amount of material discovered by the Plaintiffs. Also, I am very mindful that the Defendants are very naturally concerned at the very extensive costs they will have to incur. However, those costs will form part of their costs in the proceedings and if they ultimately succeed in defending these proceedings, they should be entitled to an order for costs against the Plaintiff. It has not been suggested that the Plaintiff is not a mark for costs. I also note from their defence, as I quoted earlier, that

the Defendants will seek to recover not only party and party costs in these proceedings but also legal practitioner and client costs.

83. And, in circumstances where the Defendants can be compensated by an award of costs if they succeed in defending the proceedings, and in circumstances where their proposal does not, in my view, provide a better or an equivalent alternative to Category 6, I cannot conclude that discovery of Category 6 in the form previously ordered by me is disproportionate. It follows that, both on this ground and on the ground previously discussed, the application to vary the order must be refused.