FEDERAL COURT OF AUSTRALIA

ObjectiVision Pty Ltd v Visionsearch Pty Ltd [2014] FCA 1087

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| Citation: | ObjectiVision Pty Ltd v Visionsearch Pty Ltd [2014] FCA 1087 |
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| Parties: | **OBJECTIVISION PTY LIMITED (ACN 090 253 697) v VISIONSEARCH PTY LIMITED (ACN 150 067 271) and UNIVERSITY OF SYDNEY (ABN 15 211 513 464)** |
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| File number: | NSD 2433 of 2013 |
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| Judge: | **PERRY J** |
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| Date of judgment: | 9 October 2014 |
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| Catchwords: | **PRACTICE AND PROCEDURE** – Application for preliminary discovery – Nature of evidence appropriate to be led on an application under r 7.23 of *Federal Court Rules 2011* – Need to avoid trial before an action –Questions of resolving conflicts in the evidence on substantive issues a matter for trial**PRACTICE AND PROCEDURE** – Application for preliminary discovery – Potential right to relief arising from alleged copyright infringement and misuse of commercially confidential information in confidential computer source code and development documentation – Reasonableness of belief in ownership of copyright and infringement – Whether reasonable belief in right to relief compatible with existence of reasonable contrary view – Relevance of earlier admission no longer maintained by prospective defendant to determining reasonableness of belief –Whether prospective applicant lacks sufficient information to decide as to whether to institute proceedings where it cannot compare its work with the potentially infringing work – Relevance of confidential nature of documents sought to reasonableness of enquiries – Whether documents “directly relevant” – Whether preliminary discovery sought too wide – Relevance of delay to discretion in r 7.23(2) |
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| Legislation: | *Federal Court Rules 2011*, r 7.23*Copyright Act 1968* (Cth) ss 10, 32, 34, 35, 78, 79, 196  |
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| Cases cited: | *Admar Computer Pty Ltd v Ezy Systems Pty Ltd* (1997) 38 IPR 659*AstraZeneca AB v Alphapharm Pty Ltd* [2014] FCA 9*Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199*C& H Engineering v F Klucznik & Son Ltd* (1992) 26 IPR 133*Clarendon Homes (Aust) Pty Ltd v Henley Arch Pty Ltd* (1999) 46 IPR 309*Digga Australia Pty Ltd v Norm Engineering Pty Ltd* (2008) 166 FCR 268*EBOS Group Pty Ltd v Team Medical Supplies Pty Ltd* (2012) 199 FCR 533*EBOS Groups Pty Ltd v Team Medical Supplies Pty Ltd* [2011] FCA 862*Echo Tasmania Pty Ltd v Imperial Chemical Industries PLC* [2008] FCAFC 58*Electricity Retail Corporation v Griffin Energy Pty Ltd* [2006] FCA 1810Francis Day & Hunter Ltd v Bron [1963] Ch 587*Griffin Energy Propriety Ltd v Western Power Corporation* [2006] FCA 1241*Higgins v Hancock (as liquidator of 246 Arabella Investments Pty Ltd* (ACN 001 085 481))[2011] FCA 1492*Hooper v Kirella Pty Ltd* (1999) 96 FCR 1*Ibcos Computers Ltd v Barclays Mercantile Highland Finance* [1994] FSR 275, (1994) 29 IPR 25*IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458*Interlego A.G. v Tyco Industries Inc.* [1989] AC 217*Interlego AG v Croner Trading Pty Ltd* (1992) 39 FCR 348*John Holland Services Pty Ltd v Terranora Group Management Pty Ltd* [2004] FCA 679*Matrix Film Investment One Pty Limited v Alameda Films LLC* [2006] FCA 591 *Northwest Pty Ltd v Newcrest Mining Limited* (2009) 182 FCR 124*Optiver Australia Pty Ltd v Tibra Trading* *Pty Ltd* (2008) 169 FCR 435*Palmer Tube Mills Limited, Re* [1991] FCA 866*Paxus Services Ltd v People Bank Pty Ltd* (1990) 99 ALR 728 *Reeve v Aqualast Pty Ltd* [2012] FCA 679*S.W. Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466*St George Bank Ltd v Rabo Australia Ltd* (2004) 211 ALR 147  |
| Date of hearing: | 29 – 30 April 2014 |
|  |  |
| Place: | Sydney |
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| Division: | GENERAL DIVISION |
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| Category: | Catchwords |
|  |  |
| Number of paragraphs: | 143 |
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| IN THE FEDERAL COURT OF AUSTRALIA |  |
| NEW SOUTH WALES DISTRICT REGISTRY |  |
| GENERAL DIVISION | NSD 2433 of 2013 |

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| BETWEEN: | OBJECTIVISION PTY LIMITED (ACN 090 253 697)Prospective Applicant |
| AND: | VISIONSEARCH PTY LIMITED (ACN 150 067 271)Prospective First RespondentUNIVERSITY OF SYDNEY (ABN 15 211 513 464)Prospective Second Respondent |

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| JUDGE: | PERRY J |
| DATE OF ORDER: | 9 OCTOBER 2014 |
| WHERE MADE: | SYDNEY |

THE COURT ORDERS THAT:

1. The Amended Originating Application for preliminary discovery, including Annexure 1 as amended by leave on 30 April 2014, against the Prospective First and Second Respondents is allowed in part.
2. Within 21 days, the parties are to file and serve agreed minutes of orders which give effect to the reasons for judgment, or in the absence of agreement, written submissions limited to 5 pages as to their respective positions together with draft proposed minutes of order.
3. The question of costs is reserved.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

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| JUDGE: | PERRY J |
| DATE: | 9 October 2014 |
| PLACE: | SYDNEY |

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##### INTRODUCTION

1. By a further amended originating application dated 1 May 2014, the prospective applicant, ObjectiVision Pty Ltd (**ObjectiVision**), seeks an order under rule 7.23 of the *Federal Court Rules 2011* (**FCR**) that the prospective defendants, Visionsearch Pty Ltd (**Visionsearch**) and the University of Sydney (**University**), give preliminary discovery of certain documents. Rule 7.23 provides that:
2. A prospective applicant may apply to the Court for an order under subrule (2) if the prospective applicant:
3. reasonably believes that he or she may have the right to obtain relief in the Court from a prospective respondent whose description has been ascertained;
4. after making reasonable enquiries, does not have sufficient information to decide whether to start a proceeding in the Court to obtain that relief; and
5. reasonably believes that:
6. the prospective respondent has or is likely to have or has had or is likely to have had in the prospective respondent’s control documents directly relevant to the question whether the prospective applicant has a right to obtain the relief; and
7. inspection of the documents by the prospective applicant would assist in making the decision.
8. If the Court is satisfied about the matters mentioned in subrule (1), the Court may order the prospective respondent to give discovery to the prospective applicant of the documents of the kind mentioned in subparagraph (1)(c)(i).
9. Each of the prerequisites set out in r 7.23(1) must be met before the discretion in r 7.23(2) is enlivened:  *St George Bank Ltd v Rabo Australia Ltd* (2004) 211 ALR 147 (***St George***) at [26](b) (Hely J) (whose statement of principles at [26](a)-(h) was approved in *Apache Northwest Pty Ltd v Newcrest Mining Limited* (2009) 182 FCR 124, [2009] FCAFC 39 at 126 [2] (Moore and Gilmour JJ) and 131 [26] (Flick J) and *Echo Tasmania Pty Ltd v Imperial Chemical Industries PLC* [2008] FCAFC 58 at [43] (Black CJ and Sackville J).
10. The documents sought by ObjectiVision fall into two primary categories: current and historical versions of computer source code; and software development documentation, including documents that it contends are often or usually associated with the development of software and are the products of software development process, based upon the evidence of its expert witness, Mr Sizer. These documents are said to be directly relevant to the question of whether ObjectiVision should decide to commence proceedings:
11. against Visionsearch and the University for relief for copyright infringement subsisting in its OPERA software and misuse of confidential information embodied in the OPERA software; and
12. against the University for relief for breach of the Licensing Agreement between the University and ObjectiVision.
13. ObjectiVision submits that access to these documents will provide the necessary information on the basis of which it can assess whether or not to commence proceedings against Visionsearch and/or the University.
14. Both Visionsearch and the University deny any breach of copyright, misuse of confidential information, or other breach. They resist the application for preliminary discovery on the grounds that none of the prerequisites to the discretion in r 7.23(1) are made out or, in the alternative, that the categories of documents sought are too broad. During the hearing of the application for preliminary discovery, ObjectiVision reduced the categories for preliminary discovery and submitted amended categories which to some extent address the concerns raised by the prospective respondents.
15. For the reasons given below, I consider that orders should be made for pre-action discovery with respect to documents relevant to the question of whether ObjectiVision should decide to commence proceedings against Visionsearch and the University for relief for copyright infringement and misuse of confidential information. I do not consider, however, that ObjectiVision has established that it has any doubt about the question of whether it should institute proceedings for relief for an alleged breach of the Licensing Agreement between the University and ObjectiVision and would not have made orders for preliminary discovery on this ground.
16. I also accept the prospective respondents’ submissions that appropriate orders should be made protecting the confidentiality of the documents the subject of the orders for pre-action discovery whereby an independent expert (and not Mr Sizer) should be appointed to review that documentation and that access to it should be limited otherwise to ObjectiVision’s legal representatives.

##### BACKGROUND

###### ObjectiVision

1. ObjectiVision was incorporated in 1999 as a vehicle to commercially exploit technology developed by Associate Professor Alexander Klistorner and Professor Stuart Graham at the Save Sight Institute (**SSI**), a business area within the University of Sydney.
2. ObjectiVision designs and develops ophthalmic diagnostics devices. Its first product, the AccuMap™ Multifocal Objective Perimeter (**AccuMap)** device tests visual function, and can detect visual field loss in patients with glaucoma. It also provides a means by which to monitor recovery of nerve function in optic neuritis which is a condition that causes visual loss and is a common feature of Multiple Sclerosis (**MS**).
3. The original shareholders in ObjectiVision were Associate Professor Klistorner and Professor Graham, Mr Alex Kozlovski, Dr Iouri Malov, Professor Frank Billson (founding Director of SSI) and Mr Ben Meek (a member of the SSI Board). In 2000, Medical Corporation Limited (**Medcorp**) exchanged its own shares for a 40% shareholding in ObjectiVision held by its six founding shareholders, and by the injection of new equity capital into ObjectiVision. The University of Sydney also acquired a 24% shareholding in return for entering into a licensing agreement with ObjectiVision.
4. The University of Sydney, Associate Professor Klistorner and Professor Graham have remained shareholders since that time and the University of Sydney was represented on ObjectiVision’s Board of Directors from 2004 until 2007.

###### The licencing agreements between the University and ObjectiVision

1. On 4 September 2000, the University of Sydney and ObjectiVision entered into a licensing agreement granting ObjectiVision the exclusive right to commercially exploit the intellectual property that was the subject of a patent owned by the University, namely, the “Electrophysiological Visual Field Measurement” (**EVFM**) invented by Associate Professor Klistorner and Professor Graham while at the SSI. That agreement was varied on 10 May 2004.
2. On 25 October 2001, the University and ObjectiVision entered into a supplementary licensing agreement which exclusively licensed a second patent to ObjectiVision entitled “Method & Apparatus for Objective Electrophysiological Assessment of Visual Function” (**EEG Scaling and Goggles Patent**). Together it was said that the two patented inventions enabled the creation of the reproducible normative database and therefore the use of the mfVEP technique for the first time in the clinical environment. The EEG Scaling and Goggles Patent also covered the application of Virtual Reality Goggles to record mfVEPs, following a proof of concept study that showed for the first time that it was possible to record for both eyes simultaneously by appropriate modifications to the stimulus design. As a result, ObjectiVision was the exclusive licensee of both the EVFM Patent and the EEG Scaling and Goggles Patent (**Licenced Patents**) until mid-January 2011 when the licenses were purportedly terminated.

###### The AccuMap1 and AccuMap2 and OPERA software

1. The AccuMap received regulatory approval from the United States Food and Drug Administration (**FDA**) followed by CE Mark and Therapeutic Goods Administration (**TGA**) approvals. The first commercial version of the AccuMap (**AccuMap1**) was released into the market in 2003. Approximately sixteen AccuMap1 units were supplied in Australia and overseas before its redevelopment as AccuMap2 commencing in April 2005.
2. Mr Arthur Cheng, the Chief Executive Officer (**CEO**) and Managing Director of ObjectiVision, gave evidence as to the features said to distinguish AccuMap from other products with a similar function, namely that:

Advances in clinical electrophysiology from the mid-1990s have extended the applications of the visual evoked potential (VEP) to objective visual-field mapping. However, despite the advent of the multifocal technique by Baseler et al in 1994 which allowed much better identification of localised defects by stimulating multiple points of the visual field simultaneously, a high level of intersubject variability remained a major factor limiting clinical use of this technique. This variability has long been recognised in standard full-field VEP testing and is due to many factors, such as age, sex, scalp conductivity, level of brain activity and the type of stimulus used for evoking a response. What sets the AccuMap apart from other mfVEP devices is its use of multichannel recording, fixed electrode positioning and inter-eye asymmetry analysis to optimise signal to noise ratio and increase reproducibility of the VEP signals captured. In particular, using the underlying electrocephalogram (EEG) activity to normalise VEP signals for each patient minimised the influence of the above-mentioned factors and substantially reduced intersubject variability including differences between men and women. This rendered the use of the normal database significantly more reliable when applying mfVEP in the clinical environment and enabled the AccuMap1 to be the first mfVEP device when commercially released to be suitable for use in the clinical environment.

The innovations enabled the creation of a clinically valid normative database against which reproducible patient data can be accurately compared. Before the AccuMap1, a clinically valid normative database had eluded other mfVEP device manufacturers.

1. The software that drives the AccuMap device is known as OPERA (Objective Perimetry Evoked Response Analysis) which is used for recording and analysis. Specifically, Mr Cheng gave evidence that “*the normative data that is critical to the clinical effectiveness of AccuMap is compiled in OPERA, by two utility programs called InitNorms and ExportTests, each developed by or on behalf of ObjectiVision. Both the utility programs and a normative database are password protected (accessible by ObjectiVision only) and proprietary to ObjectiVision*”. The OPERA software generates the multifocal stimulus on the patient’s monitor, performs signal extraction (cross correlation) and causes a display of the results in a familiar perimetry format for easy interpretation. The architecture, algorithms and functionality of OPERA are essentially the same in the two AccuMap devices.
2. From 2001 to 2007, Medcorp invested approximately $22 million on the acquisition of ObjectiVision and development and redevelopment of AccuMap1 and AccuMap2. However, in early December 2007, Medcorp advised Mr Cheng of its intention to exit as a majority shareholder of ObjectiVision. After the University, the SSI and other stakeholders declined to invest in ObjectiVision, Mr Cheng agreed to take over as majority shareholder in order to complete the commercialisation of the AccuMap2.
3. It was Mr Cheng’s evidence that all research and development work on AccuMap since 2001 was paid for and overseen by ObjectiVision.

###### Development of the AccuMap1 and AccuMap2

1. Mr Cheng gave evidence that all versions of the OPERA software were developed by and on behalf of ObjectiVision over the course of the period 2001 through to 2008, and continuing thereafter. His evidence can be summarised as follows.
2. Associate Professor Klistorner and Professor Graham were closely involved in the development of both versions of AccuMap, overseeing scientific research and clinical validation services respectively. Professor Graham was engaged directly by ObjectiVision as a private consultant. The arrangements with respect to Associate Professor Klistorner were different. First, between August 2001 and September 2004, ObjectiVision entered into a number of research agreements with the University so that University staff could assist in the development work being undertaken by ObjectiVision. The work specified in those agreements was undertaken by Associate Professor Klistorner. Secondly, from April 2005 until October 2007, ObjectiVision paid a monthly retainer directly to Associate Professor Klistorner to engage his services in the continuing research although no formal agreement was entered into. Finally, from November 2007 onwards, Associate Professor Klistorner waived his fee but continued to work for ObjectiVision until June 2008.
3. ObjectiVision engaged Dr Kozlovski and Dr Malov under consultancy agreements dated 17 May 2001. Clause 5 of each agreement acknowledged that *“...all rights in any intellectual property created, conceived, discovered or developed by the Consultant in the course of the Consultant’s engagement… are and will be the sole and exclusive property of ObjectiVision…”.*
4. Dr Kozlovsky and Dr Malov authored versions 1.0 to 1.3 of OPERA between 2000 and May 2003. They received assistance from persons provided by PMP Software Australia Pty Ltd (**PMP**) pursuant to a consultancy agreement with PMP dated 28 May 2001. Clause 5.1 of the consultancy agreement with PMP provided that:

PMP and THE CONSULTANT hereby assign to [ObjectiVision]:

 …

(b) the entire copyright ... in all writing (including programs, flow charts programmer’s notes and other Documentation), art works and other copyright work… created by PMP or the CONSULTANT…”

1. Versions 2.0 and 2.1 of OPERA were authored between late 2002 and 2003 by various persons provided to ObjectiVision by PMP led by Dr Alex Osmakoff. Clause 7 of a confidential disclosure in the intellectual property agreement with PMP dated 4 October 2002 provided that PMP assigned to ObjectiVision, relevantly, “*the entire copyright throughout the world in all writing (including programmes, flowcharts, programmer’s notes and other Documentation)”* created by PMP or Dr Osmakoff*.* ObjectiVision subsequently engaged Dr Osmakoff pursuant to agreements by letters dated 28 May 2003 and 4 June 2004. Paragraphs 5.1 and 6.1 of the respective letters provided that *“all rights in any intellectual property created, conceived, discovered or developed”* by Dr Osmakoff in the course of his engagement would be the sole and exclusive property of ObjectiVision.
2. Drs Osmakoff and Malov authored versions 2.2 and 2.3 of OPERA between April 2004 and August 2006. Dr Malov’s services were provided to ObjectiVision pursuant to his 2001 consultancy agreement (see [19](b) above). Dr Osmakoff was engaged by ObjectiVision pursuant to the agreement contained in the letter of 4 June 2004.
3. In early October 2005, with the approval of Professor Billson, the whole of ObjectiVision’s R&D facility was transferred from the Australian Technology Park at Redfern to Associate Professor Klistorner’s office and laboratory at the SSI to enable him to directly oversee the research and development of the AccuMap2, including all versions of the AccuMap2 prototype system, and an “OV-Server” repository system containing all versions of the OPERA source code.
4. The development work for AccuMap2 was undertaken by consultants engaged by the division and supervised on a daily basis by Associate Professor Klistorner. The consultants included industrial designers, electrical engineers including Boris Scharff, and software programmers who undertook modifications to the AccuMap hardware, OPERA source code and firmware. The software engineers included Drs Osmakoff and Malov, and Miguel Alvarez, a software analyst. While Mr Cheng gave evidence that he was unable to locate copies of the signed consultancy agreements between ObjectiVision and each of Messrs Sharff and Alvarez, the implication is that he believed that the agreements were entered into.
5. On 15 January 2007, ObjectiVision employed a software engineer, Vadim Alkhimov, to test, debug and document the AccuMap2 prototype working under the direct supervision of Associate Professor Klistorner at the SSI. From about February 2007 onwards, Mr Alkhimov was the only software engineer working on the OPERA software. On 14 December 2007, Mr Alkhimov’s employment was terminated effective 14 January 2008 and an arrangement was made for him to be employed for two months with Associate Professor Klistorner while arrangements regarding future funding of ObjectiVision were resolved.

###### Dispute with the University

1. The University and ObjectiVision were in dispute about the terms of the Licensing Agreement between approximately January 2008 and January 2010. Following mediation, the University and ObjectiVision settled the dispute by a Heads of Agreement entered into by them on 19 January 2010. Under the Heads of Agreement, the exclusivity of the License Agreement held by ObjectiVision was restored for the period 19 January 2010 to 18 January 2011. There were two consultancy agreements pursuant to the Heads of Agreement requiring the University first to provide an assessment of the AccuMap2 prototype and instructions on how to fix any remaining problems, and secondly to provide training to ObjectiVision on how to compile a normative database for the AccuMap2. Associate Professor Klistorner was supported by Mr Alkhimov in carrying out the technical assessment consultancy. Associate Professor Klistorner also carried out the training consultancy with Ken Coles and Professor Chris Peterson assisting in both consultancies. Mr Cheng’s evidence was that the successful carrying out of these agreements by the University would have enabled ObjectiVision to complete commercialisation of the AccuMap2. In return, ObjectiVision undertook to find a new controlling shareholder for the company, failing which it would lose its exclusive license.
2. On 20 January 2011, the University purported to terminate ObjectiVision’s exclusive license, alleging that ObjectiVision had failed to meet its obligations under the Heads of Agreement. This is denied by ObjectiVision.

###### Alleged potential causes of action

Alleged infringement of copyright

1. Visionsearch is a company incorporated on 25 March 2011. Its founding directors and shareholders are directors and/or associates of the SSI.
2. In January 2012, Visionsearch applied to the FDA in respect of a “Visionsearch1 system”(**Visionsearch 1 device**),being a mfVEP device driven by software called TERRA. Approval was given by the FDA for the device in May 2012. ObjectiVision contends that it learnt of the Visionsearch1 device as a consequence of a press release issued by Biogen, referring to the device and its subsequent inquiries which determined that approval had been granted by the FDA.ObjectiVision contends on various grounds that it may have a right to relief for infringement of its copyright in the OPERA software by Visionsearch and the University in the development of the TERRA software based on alleged similarities between the functionality and features of the OPERA and TERRA software, what is said to be an implausible software development timeline for the TERRA software, and the involvement of Associate Professor Klistorner and Mr Alkhimov in the development of both the OPERA and TERRA programs.
3. Visionsearch denies the infringement and contends that TERRA code was created without copying OPERA code. It denies that it had access to any OPERA source code after Mr Cheng visited the SSI offices sometime after September 2008 and removed all computers belonging to ObjectiVision and the AccuMap 2 prototype. Its evidence is that the development of TERRA began in November 2008, that is, after Mr Cheng had removed his items from the SSI. Rather, it contends that the TERRA program was developed by Mr Alkhimov in conjunction with, and on information and instructions from, Associate Professor Klistorner. Visionsearch also contends that Mr Peterson began working on TERRA from May 2011, with a starting version of TERRA provided by Mr Alkhimov.
4. It is Mr Peterson’s evidence that he initially considered that the development of TERRA would take about 6 months and cost about $250 000 for development to the first prototype, excluding any regulatory approval processes or legal costs. In late 2011 Visionsearch delivered two prototypes to Biogen. Mr Peterson gave evidence that, with the assistance of Mr Alkhimov and Associate Professor Klistorner, he wrote much of the documentation for Visionsearch, including as the primary author of the Visionsearch1 User Manual, and that he did not have access to or use ObjectiVision documents when writing TERRA code or documentation. Mr Peterson gave evidence that, together with Mr Alkhimov, he coded TERRA very quickly on an “*agile”* basis, and he gave details of the speed with which they developed lines of code in TERRA so as to complete 60% of the work in delivering the current version of TERRA in the last 12 months. Mr Peterson also contended that Visionsearch did not take a formal approach to development as that would have taken much longer and cost more, and “*agile or rapid*” development by its nature is most suitable for a small simple project.
5. Mr Peterson gave evidence that it is inevitable that Visionsearch1 will have some superficial similarities to Accumap but that the key mfVEP functionalities built by Visionsearch were in the public domain and that there were key differences between AccuMap and Visionsearch. In particular, it is his evidence that Visionsearch1 does not contain a normative database and is not therefore a diagnostic device, in contrast to AccuMap. As a result, it was his evidence that a measurement device, like Visionsearch1, requires much less regulatory compliance and oversight than a diagnostic device. To that end, clinical validated data was not required for Visionsearch1 to gain regulatory approval in Canada, the USA, Europe and Australia, as pre-clinical trials are required only for diagnostic devices.

Remaining possible causes of action

1. ObjectiVision also contends that it may have the right to relief for misuse by Visionsearch and the University of its confidential information. In this regard, ObjectiVision accepted in its written submissions that “[t]*o some extent, the potential right to obtain relief for breach of confidence travels with a potential claim for infringement of copyright (by reason of the overlap between the copyright work and the confidential information)...”*
2. Finally, ObjectiVision contends that there is an ongoing dispute about the University’s entitlement to terminate the Licensing Agreement on 19 January 2011 and the legal effectiveness of the purported termination. However, it contends that the incorporation of the technology which is the subject of the Licensing Agreement into the TERRA software and Visionsearch1 deviceafter the alleged termination of the Licencing Agreement gives rise to a separate claim for relief in respect of which it seeks preliminary discovery.

##### ARE THE PREREQUISITES IN R 7.23(1) TO THE DISCRETION SATISFIED WITH RESPECT TO ANY OF THE POTENTIAL CLAIMS?

###### Preliminary

1. It is convenient first to consider whether the requirements of r 7.23(1)(a) and (b) are satisfied with respect to the potential claim for copyright infringement against the University and Visionsearch, given that the potential claim for misuse of confidential information overlaps in many respects with the copyright claim and that these potential claims are alleged against both prospective respondents. I then consider whether these requirements are met with respect to the potential claim against the University for breach of the Licensing Agreement. Finally, as the scope of preliminary discovery which may be ordered in the exercise of discretion under r 7.23(2) with respect to any of the potential claims cannot exceed those documents which meet the criterion in r 7.23(1)(c)(i), it is convenient then to consider whether the requirements of r 7.23(1)(c) have been satisfied before concluding on the question of whether this is an appropriate case for the exercise of the discretion to give preliminary discovery and the terms of the orders to be made.
2. Overall, in considering the application for preliminary discovery, it is important to bear in mind the policy underlying rule 7.23. That policy remains the same as that of its predecessor, O 15A r 6 of the *Federal Court Rules 1979* (Cth) (**FCR 1979**), namely that “*even where there is a reasonable cause to believe that a person may have a right to relief, nevertheless that person may need information to know whether the cost and risk of litigation is worthwhile*”: *Optiver Australia Pty Ltd v Tibra Trading* *Pty Ltd* (2008) 169 FCR 435 (***Optiver***) at 443 [36]; see e.g. *AstraZeneca AB v Alphapharm Pty Ltd* [2014] FCA 9 (***AstraZeneca v Alphapharm***)at [35] (Besanko J); *EBOS Group Pty Ltd v Team Medical Supplies Pty Ltd* *(No 3)* (2012) 199 FCR 533 (***EBOS***) at 539-540 [29] (Katzmann J). Given its beneficial purpose, it has been held that the rule “*should be given the fullest scope its language will reasonably allow. The proper brake on any excesses in its use is the discretion of the court, which is required to be exercised in the particular circumstances of each case*”: *Optiver* at 444-445 [43] (quoting with approval Burchett J in *Paxus Services Ltd v People Bank Pty Ltd* (1990) 99 ALR 728 (***Paxus Services***) at 733).

###### Principles governing the application of r 7.23(1)(a)

1. Rule 7.23(1)(a) requires that prospective applicant *“reasonably believes”* that he or she “*may have the right to obtain relief in the Court*” from the prospective respondent. The requirement that the belief be reasonable makes it clear that mere assertion or conjecture will not suffice, as was also the case under the old O 15A r 6: *Matrix Film Investment One Pty Limited v Alameda Films LLC* [2006] FCA 591 (***Matrix Film***) at [19] (Tamberlin J); see also *C7 Pty Ltd v Foxtel Management Pty Ltd* [2001] FCA 1864 at [39]. Evidence as to the objective reasonableness of the belief must therefore be led. As Emmett J, for example, explained in *John Holland Services Pty Ltd v Terranora Group Management Pty Ltd* (***John Holland***)[2004] FCA 679 at [14]:

The facts that can reasonably ground a suspicion may be quite insufficient to reasonably ground a belief. Objective circumstances that will be sufficient to demonstrate a reason to**believe** something, point more clearly to the subject matter of the belief than circumstances that will give rise to a mere suspicion. That is not to say that the objective circumstances must establish on the balance of probabilities that the subject matter in fact occurred or exists. Belief is an inclination of the mind towards assenting to, rather than rejecting, a proposition. The grounds that can reasonably induce that inclination of the mind may nevertheless, depending on the circumstances, leave something to surmise or conjecture (*George v Rockett* (1990) 170 CLR 104 at paras [115.6]-[116.4]).

(emphasis in the original)

1. The question then arises as to whether or not the reference to what an applicant “*reasonably believes*” in rule 7.23(1)(a) requires proof also of the existence of a ***subjective*** belief. It was well-established in this regard that the test under the old O 15A r 6 – whether there was “*reasonable cause to believe”* that the applicant may have the right to obtain relief – was objective, and therefore did not import any subjective element: see *Hooper v Kirella Pty Ltd* (1999) 96 FCR 1 at 11 [39]; *St George* at [26](c).
2. The question whether the position changed under the new rule arose for consideration in *EBOS.* Katzmann J in *EBOS* at 539 [28] doubted whether, aside from the insertion of the word “*directly*” in r 7.23(1)(c), it was intended that the new rule would effect any substantive change, as opposed to merely expressing the old rule in plain English (see also *EBOS Groups Pty Ltd v Team Medical Supplies Pty Ltd* [2011] FCA 862 at [18]-[21] (Flick J), and *Higgins v Hancock (as liquidator of 246 Arabella Investments Pty Ltd* (ACN 001 085 481))[2011] FCA 1492 at [55]-[59] (Jacobson J). As Katzmann J points out at 539 [28] in *EBOS*, this view accords with the goal, among others, of rewriting the rules to be “*simple and clear*”: see the Explanatory Statement issued by the Judges of the Court at 2; see also at 4. More specifically, the Explanatory Statement explains at 10 that:

The provisions in Divisions 7.1…, 7.2… and 7.3 (Preliminary Discovery) adopt, simplify and streamline the process and procedures which operated under the former Rules and do not substantially alter existing practice.

1. Thus, as Katzmann J explained, “‘[r]*easonably believes’ may therefore have been substituted for “reasonable cause to believe” for the sake of preferring plain English expression, just as replacing “commence” with “start” exhibits a preference for the Anglo-Saxon over words of Latin origin…”.* However, out of abundant caution and in the absence of higher authority, her Honour proceeded on the basis that evidence of an applicant’s subjective belief in the matters covered by subrules (a) and (c) was necessary in contrast to the position under the old O 15A r 6: *EBOS* at 540 [32].
2. I consider that it is prudent to proceed on the same basis here. In reaching this view, I also consider that this construction accords with the ordinary meaning of the phrase “*reasonably believes”* which suggests that the prospective applicant must have a subjective state of belief which is reasonable.
3. The question then arises as to what must be the subject of the reasonable belief for the purposes of rule 7.23(1)(a)? In this regard, in common with the old O 15A r 6, the new rule does not speak of a belief in the existence of a cause of action, but rather of a right to relief, and again uses the words “*may have”*. As Katzmann J explained in *EBOS* at 540 [31] in rejecting a submission that prospective applicants must prove a reasonable belief in the existence of ***every*** element of each cause of action which they may have against the respondents:

The rule does not speak in terms of a belief in the existence of a cause of action. It speaks of a right to relief. And it is concerned with a belief in the possibility (not the existence) of such a right. The words used are “may have”. In these respects it is not materially different from its predecessor [Order 15A, r 6, *Federal Court Rules 1979* (Cth)]. Of course, in one sense, the expression “right to relief” begs the question. Relief for what? Satisfaction of the first criterion does, therefore, require identification of the nature of the relief which is the subject of the belief… But an applicant does not have to make out a prima facie case… Nor does an applicant have to establish every element of the cause of action. (citations omitted)

1. This approach accords, as her Honour states, with that adopted with respect to the old O 15A r 6. As the Full Court held in *Optiver* at 445-446 [47]-[48]:

... [t]he requirement to be established is a reasonable cause to *believe* that the applicant has or *may have* a right to relief, not a conclusion that a prima face case in fact exists (see Hely J in *St George Bank Ltd* 211 ALR 147 at [26]; *George v Rockett* (1990) 170 CLR 104).

It was not incumbent upon Optiverto establish every element of the relevant causes of action, but a reasonable cause to believe that it “has or *may* have” the right to relief alleged. Of course, this is not to say that it is not necessary to examine the various elements of the potential cause of action that is sought to be relied upon to determine whether there is a reasonable cause to believe that each of the elements exist… (emphasis in the original)

1. On the other hand, as Hely J explained in *St George*, “*if there is no reasonable cause to believe that one of the necessary elements of a potential cause of action exists, that would dispose of the application insofar as it is based on that cause of action…”*: (at 154 [26](e)). Furthermore, while uncertainty as to only one element of a cause of action might be compatible with a “*reasonable cause to believe*”, uncertainty as to a number of such elements may be sufficient to undermine the reasonableness of the cause to believe: *St George* at [26](f). There is no reason, in my opinion, to apply any different standard in determining the reasonableness of a belief under the rule in its current form.

###### Proper approach to evidence relating to the reasonableness of the belief

1. It follows from these principles that an application for preliminary discovery cannot be sustained “*without evidence that must incline the mind towards the matter of fact in question*” (*Optiver* at 445-446 [48]). However this does not mean that it is appropriate for the Court on an application of this kind to embark upon a process of resolving conflicts in evidence from the prospective respondents as to the matters of fact on which the prospective applicant relies to establish a reasonable belief. It does not justify, in other words, effectively embarking upon a trial before a trial, or more accurately a trial before an action, with all of the risks inherent in that process from a procedural fairness perspective, in terms of the spectre of inconsistent findings if the substantive issues are ultimately litigated, and in terms of the effective use of the parties’ and court resources. As the Full Court held in *Optiver* at 446 [49]:

Before [the primary judge] Tibra argued that there were significant shortcomings in the evidence in this regard. On the appeal, senior counsel for Tibra elaborated on these alleged shortcomings at some length. We do not think it necessary in the circumstances to review these arguments, which in essence go to the ultimate merits of Optiver’s case. Optiver of course accepts that it does not have the evidence to support a case – that is the *raison d’être* for the present application. However, there is sufficient evidence, irrespective of the shortcomings relied upon by Tibra, to conclude that there is reasonable cause to believe Optiver may have a right to obtain relief.

1. I raised concerns regarding these matters with the parties during the hearing given the nature of the evidence that the parties relied upon. While all parties agreed in effect with the approach of the Full Court in *Optiver* on this issue, with respect I do not consider that the prospective respondents’ evidence and submissions in fact observed the proper boundaries for an application of this nature. The extensive evidence led by Visionsearch in particular in opposition to the application, including expert evidence on substantive issues, went well beyond adding to, or providing, context to the evidence in chief led by the prospective applicant which the parties agreed were the limited permissible uses to which such evidence could be put. To a substantial extent, that evidence took issue with the ultimate merits of ObjectiVision’s case and raised factual conflicts which it was not possible for me to determine on an application of this kind, there being no cross-examination among other difficulties. This is illustrated by much of the affidavit of Mr Alkhimov read by Visionsearch which joins issue with factual matters deposed to by Mr Cheng and in turn triggered the affidavit of Mr Cheng sworn on 21 March 2014 rebutting aspects of Mr Alkhimov’s evidence.
2. In relation to the bare denials of infringement or breach in evidence, I accept Visionsearch’s submission that their relevance lies in the fact that, absent the denials, this Court may have felt more comfortable in drawing the inference that there were reasonable grounds for the belief as to the existence of a right to relief. Visionsearch rightly accepted that it was not for this Court to determine whether the denials were correct. That is manifestly a matter for trial.

###### Is ObjectiVision’s belief that it may be entitled to relief for copyright infringement reasonable (r 7.23(1)(a))?

The issues

1. Mr Cheng, the CEO of ObjectiVision, gave evidence about ObjectiVisions’ belief as to its entitlement to relief. I accept that Mr Cheng is authorised to give evidence on behalf of ObjectiVision and speaks for ObjectiVision. Consequently, in the context of the inquiry as to what ObjectiVision “*believes*” for the purposes of r 7.23, I take any relevant beliefs of Mr Cheng to be those of ObjectiVision.
2. The evidence that ObjectiVision believed that it owned copyright in the various iterations of the OPERA software was not challenged; nor the evidence as to its belief that it was entitled to relief for infringement of copyright (or for that matter, misuse of confidential information). However, the University contends that ObjectiVision has failed to establish that its belief that it owned copyright is a reasonable one, while Visionsearch and the University challenge the reasonableness of ObjectiVision’s belief that copyright has been infringed.

Is ObjectiVision’s belief that it may own copyright in the OPERA software reasonable?

1. Section 32(1) of the *Copyright Act 1968* (Cth) (**Copyright Act**)relevantly provides that “*copyright subsists in an original literary … work that is unpublished and of which the author: (a) was a qualified person at the time when the work was made”.* A “*literary work”* includes a computer program (s 10, *Copyright Act*). There was no suggestion that any of the persons said to have been authors of any version of the OPERA software was not a “*qualified person*”, being a person who is an Australian citizen or person resident in Australia (s 32(4), Copyright Act).
2. Section 35(2) of the Copyright Act, in turn, provides that the author of a literary work is the owner of any copyright subsisting in the work. However, where the literary work is made by the author pursuant to his or her employment by another person under a contract of service, that other person is the owner of any copyright subsisting in the work by force of s 35(6). Furthermore, while copyright is transmissible by assignment, s 196(3) of the *Copyright Act* provides that an assignment of copyright has no effect unless it is in writing and signed by or on behalf of the assignor. Nonetheless, *“[w]hile, by assignment or by other operation of law, a party other than the author may be owner of the copyright from time to time,* ***original works emanate from authors****”*: *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458 (**IceTV**) at 493-494 [95]-[97] (Gummow, Hayne and Heydon JJ) (emphasis added, citations omitted). Hence, the centrality of authorship in the scheme of copyright law.
3. The Copyright Act recognises and makes provision for cases where a literary work is not simply the work of a single author but is a “*work of joint authorship”* (see Division 9)*.* Such a work is defined as one that “*has been produced by the collaboration of two or more authors and in which the contribution of each author is not separate from the contribution of the other author or the contributions of the other authors*”: s 10(1), Copyright Act; *IceTV* at 470 [23] and 495 [100]. In these cases, s 78 provides that a reference to the “*author of a work*” is a reference to all of the authors of the work. This is subject to s 79 which provides that the reference to “*author*” in ss 32 and 34 is a reference to any one or more of the authors of the work. It follows that in cases of joint authorship, the authors are co-owners of the copyright in the work.
4. Whether joint authorship exists is a question of fact. As Gummow, Hayne and Heydon JJ explained in *IceTV* at 494 [99]:

Where a literary work is brought into such existence by the efforts of more than one individual, it will be a question of fact and degree which one or more of them have expended sufficient effort of a literary nature to be considered an author of that work within the meaning of the Act.

1. The University submitted that there were gaps in the evidence relied on by ObjectiVision of persons identified as authors who were neither shown to be employees of ObjectiVision nor to have assigned their copyright to ObjectiVision in accordance with the requirements of s 196(3) of the Copyright Act. It followed in the University’s submission that ObjectiVision had failed to establish that there was any reasonable cause to believe that one of the necessary elements of the potential cause of action could be made out, namely ownership of the copyright in the various iterations of the OPERA software. The University summarised its submission as follows:

In summary, it is apparent from the evidence that:

1. ObjectiVision does not own the copyright in the parts of OPERA created in the (potentially, 16 month) period from 2000 to 16 May 2001;
2. ObjectiVision does not own the copyright in the parts of OPERA created by various people from PMP in the (potentially 2 year) period from 28 May 2001 until 27 May 2003;
3. ObjectiVision does not own the copyright in the parts of OPERA created by Mr Alkhimov in the one–year period from 15 January 2007 to 14 January 2008.
4. It is apparent that the development of each version of the OPERA software was the product of a number of different authors over a period of time. Mr Cheng gave evidence that all versions of the OPERA software were developed by and on behalf of ObjectiVision over the course of the period 2001 through to 2008 (and continuing after 2008). I have summarised that evidence above. Mr Cheng’s evidence was not challenged by cross-examination.
5. I consider that Mr Cheng’s evidence is sufficient to provide a reasonable basis for ObjectiVision’s “belief” in ownership of copyright, as opposed to mere suspicion, notwithstanding that that evidence may leave something to surmise or conjecture (see *John Holland* at [14]). While it may be, as the University now contends, that there are some deficiencies in that evidence, those deficiencies are not such in my view as to render unreasonable ObjectiVision’s belief that it has copyright in the OPERA software. In this regard, the fact that a prospective respondent may reasonably take a different view of the evidence does not of itself render ObjectiVision’s belief unreasonable.
6. For example, the University pointed to an alleged deficiency in the consultancy agreement entered into between ObjectiVision and PMP on 28 May 2001. It will be recalled that versions 2.0 and 2.1 of OPERA were authored between late 2002 and 2003 by persons from PMP, including Lasse Troelsen who was to undertake the majority of the work, led by Dr Osmakoff, and Mr Pugholm. The University submits that, while clause 5.1 of the consultancy agreement with PMP purported to assign copyright in any work to ObjectiVision, Mr Troelsen and Mr Pugholm (who are defined in the agreement as “*The Consultant*”), were not parties or signatories to the agreement and as such retain copyright ownership in the work.
7. The University’s view of the evidence may ultimately be vindicated, if the matter should proceed to trial. However, it is by no means the only view that might be taken. The annexure to the consultancy agreement with PMP setting out Mr Troelsen’s resume describes him as “[e]*mployed* [by PMP] *as an analyst programmer to work on in-house and external client software development projects*” for the period April 2001 to the present. Equally, Mr Pubholm’s resume states that he had worked with PMP since 1994, implying that he was an employee of PMP at the relevant time. As such, it is reasonably open to consider that PMP provided the services of Mr Troelsen and Mr Pugholm to ObjectiVision in their capacity as employees of PMP and that PMP was, therefore, owner of copyright in the software by force of s 35(6) of the Copyright Act. Its copyright in turn was expressly assigned to ObjectiVision under the consultancy agreement. It follows, in my view, that to this extent the University’s submission that there is no reasonable basis for the belief that ObjectiVision owns the copyright must fail.
8. Finally, with respect to Mr Alkhimov, there is evidence of his employment by ObjectiVision in his acceptance of terms and conditions for a trial engagement in an email dated 15 January 2007 which provided for ObjectiVision to extend the period of his engagement for a further term subject to mutual agreement before the end of that trial. Evidence was also lead of the termination of his employment by ObjectiVision with effect from 14 January 2008 in the email from Mr Cheng to SSI dated 18 December 2007. Irrespective of whether such evidence would demonstrate employment for the relevant period on the balance of probabilities, they support an inference that Mr Alkhimov’s employment was extended beyond the trial engagement until his employment was terminated. This is sufficient in my view to provide a reasonable basis for Mr Cheng’s belief that ObjectiVision owned the copyright to this extent for the purposes of this application.
9. Beyond these findings, it is not appropriate on an application of this kind for me to endeavour to resolve issues pertaining to the capacity in which different authors collaborated in the production of the various versions of the OPERA software. These issues are appropriately resolved in the context of the trial, should proceedings ultimately be instituted and they remain the subject of dispute.
10. In any event, the submission by the University goes no higher than to identify deficiencies in the evidence with respect of ObjectiVision’s ownership of copyright in certain periods, i.e., 2000 – 16 May 2001, 28 May 2001 – 27 May 2003 and 15 January 2007 – 14 January 2008. It says nothing about whether particular iterations of the OPERA software outside of those periods may have attracted separate copyright by reason of their having the requisite quality of originality over and above that of the earlier original work, bearing in mind that this is a case where a number of software authors produced code and revisions to code over a period of time: see e.g. Interlego A.G. v Tyco Industries Inc. [1989] AC 217 at 263*; Interlego AG v Croner Trading Pty Ltd* (1992) 39 FCR 348 at 378–379 (Gummow J); *C& H Engineering v F Klucznik & Son Ltd* [(1992) 26 IPR 133](http://www.lexisnexis.com/au/legal/search/enhRunRemoteLink.do?A=0.8675336846399103&service=citation&langcountry=AU&backKey=20_T20495457566&linkInfo=F%23AU%23ipr%23vol%2526%25sel1%251992%25page%25133%25year%251992%25sel2%2526%25decisiondate%251992%25&ersKey=23_T20495457561) [at 139](http://www.lexisnexis.com/au/legal/search/enhRunRemoteLink.do?A=0.6884055928469979&service=citation&langcountry=AU&backKey=20_T20495457566&linkInfo=F%23AU%23ipr%23vol%2526%25sel1%251992%25page%25133%25year%251992%25tpage%25139%25sel2%2526%25decisiondate%251992%25&ersKey=23_T20495457561). For example, as earlier mentioned, Mr Cheng gave evidence that Drs Malov and Kozlovsky authored versions 1.0 to 1.3 of OPERA between 2000 and May 2003 (see above at [19](c)). Source code written by them in the period ***after*** they entered into consultancy agreements with ObjectiVision on 17 May 2001 may well have attracted separate copyright which they had expressly assigned under those agreements.
11. I am reinforced in my view that ObjectiVision’s belief as to ownership is a reasonable one by the fact that the University’s position on this issue represents a change from that adopted by it in earlier correspondence with ObjectiVision. Specifically, in a letter dated 14 January 2014 setting out a detailed response to allegations by ObjectiVision relevantly of a breach of copyright, the solicitors for the University stated that “[t]*he University does not dispute ObjectiVision’s ownership of the OPERA software.”* Rather, in that letter, the University took issue on the question of whether there had been any infringement. It seems to me that in determining the reasonableness of a belief in this context, the Court is entitled to have regard to earlier admissions by a prospective respondent on the subject matter of the belief, particularly where the admission is, as here, made in a context where the prospective respondent is apparently in receipt of legal advice at the time of the admission and the admission is made in the context of a formal statement of a party’s position through its legal representatives. This is not, of course, to suggest that the University is precluded from disputing the issue in due course, should proceedings be commenced and the matter proceed to trial.
12. I also note, as ObjectiVision points out, that Visionsearch did not adopt or endorse the University’s submission that ObjectiVision does not own or has not established ownership of the copyright in OPERA; nor the University’s submission that Mr Alkhimov, a deponent of one of the affidavits on which Visionsearch rely, is an owner of copyright in the OPERA software.

Is ObjectiVision’s belief that its copyright may have been infringed reasonable (r 7.23(1)(a))?

Evidence

1. ObjectiVision relies upon Mr Cheng’s evidence to establish a belief that its copyright has been infringed and upon Mr Cheng’s evidence, together with that of Mr Sizer, to establish that that belief is reasonable. Mr Sizer is a Registered Professional Engineer and a Fellow of Engineers Australia. He is qualified in electrical engineering and computer science and has 35 years of experience in electronics engineering and software development. The company of which he is a founding owner, Genesys Electronics Design Pty Ltd, was engaged by ObjectiVision to provide consulting and design services on commercial terms to undertake review, development and testing of the AccuMap system and OPERA software, in May 2006 and between November 2011 and July 2012. While the evidence of Mr Sizer was not challenged on the basis that he was not independent, his lack of independence through his involvement in the development of the OPERA software is relevant when considering the steps necessary to protect the commercial confidentiality of the documents to be provided by way of preliminary discovery, in accordance with my ruling.
2. There was no objection to Mr Sizer’s affidavit affirmed on 20 November 2013 attaching his first report. I received part of Mr Sizer’s second affidavit affirmed on 20 March 2014 attaching his second report in reply to the respondents’ evidence (**the second Sizer report**) into evidence over Visionsearch’s objection. Among other things, in his second report, Mr Sizer analysed the Agile system of development of software programs said to have been used by Visionsearch in developing the TERRA software. Notwithstanding his admitted lack of expertise in the planning and execution of an Agile methodology, I consider that his extensive experience in the development of software systems generally and in accordance with medical regulatory requirements sufficiently equips him to express opinions based on his specialised knowledge about the regulatory requirements with which the development of software for use in medical devices must comply, the likely documentary trail generated in the process of developing such software, the likely timeframe within which such software might be developed “*from scratch*” and likely costs of doing so, and other matters pertaining to the development of software.
3. Further, aside from those parts of the second Sizer report on which I ruled on 29 April 2014, I admit the remainder of that report to the extent that it was subject to objection on the basis that it responds to the evidence led by Visionsearch of Professors Rabhi and Messrs Peterson and Alkhimov and that the views expressed by Mr Sizer in those parts of his report demonstrate the application of Mr Sizer’s specialised knowledge. While no party correctly suggested that any lesser standard should be applied in determining whether expert evidence should be admitted by reason of the interlocutory nature of this proceeding, I have had regard in ruling upon Mr Sizer’s evidence to the fact that the reason why he qualified his opinions by stating that they were not fully researched is precisely because the information that he lacked is that sought by the application for preliminary discovery. This qualification is also important because it emphasises the preliminary nature of those views which may, upon provision of the relevant documentation, no longer remain valid.

ObjectiVision’s submissions

1. ObjectiVision contends that a claim for damages or other relief for infringement of copyright (by reproduction) calls for an assessment of:
2. the ***resemblance*** between the work in suit and the copyright work, i.e., whether there are such objective similarities as to make independent creation by the respondent unlikely; and
3. whether there is a ***causal connection*** between the works, that is, the use of the copyright work to produce the work in suit, whether by direct or indirect use in which regard it is usual to attempt to show opportunity.

(See e.g. Francis Day & Hunter Ltd v Bron [1963] Ch 587 at 614*; S.W. Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466 at 472 (Gibbs CJ (with whom Mason and Brennan JJ agreed)) and 480-482 (Wilson J); *Clarendon Homes (Aust) Pty Ltd v Henley Arch Pty Ltd* (1999) 46 IPR 309 at 314-316 (Heerey, Sundberg and Finkelstein JJ)); *Digga Australia Pty Ltd v Norm Engineering Pty Ltd* (2008) 166 FCR 268 at 282 [67] (Lindgren J (with whom Bennett and Logan JJ agreed)).

1. Based upon these principles, ObjectiVision contends that:

… the assessment and determination of a claim of copyright infringement in a literary work, including in respect of computer source code, involves a comparison of the copyright work and the allegedly infringing work, together with associated records that may demonstrate direct or indirect copying. That comparison, which lies at the heart of a cause of action for infringement of copyright by reproduction, cannot presently be done by ObjectiVision because Visionsearch and the University have refused requests to provide the Terra source code and related software development documents. (emphasis added, footnotes omitted)

1. The primary grounds on which ObjectiVision submits that it reasonably believes that it may have the right to obtain relief for infringement of copyright against Visionsearch are circumstantial and can be summarised as follows.
2. The founding directors and shareholders of Visionsearch are directors and/or associates of the SSI being a foundation or centre within the University.
3. Before ObjectiVision learned in late 2012 that FDA approval had been given to Visionsearch device, it was unaware of any device, aside from AccuMap, which was capable of recording and analysing mfVEP for diagnostic purposes in a clinical environment with anywhere near the accuracy and level of clinical validation as the AccuMap.
4. The Visionsearch device and TERRA software by which it operates appear to have very similar functionality and features to ObjectiVision’s AccuMap device and OPERA software. The “*multiple and significant similarities”* identified by Mr Cheng provide *“serious reason to think that the TERRA software in Visionsearch device was developed in a way that involved the reproduction or adaptation of a substantial part of the OPERA software*.”
5. The limited information already provided by Visionsearch in answer to requests for information by ObjectiVision confirms the possibility of such use. In this regard, particular reliance was placed upon:
6. similarities in a number of descriptions and graphics contained in the user manual, training course and training video provided by Visionsearch’s solicitors; and
7. what was said to be an implausible software development timeline for the TERRA software based upon the evidence of Mr Cheng, CEO of ObjectiVision, and the expert opinion of Mr Sizer.
8. As to (4)(b) above, it was Mr Sizer’s opinion that the explanations of Mr Alkhimov and Mr Peterson as to the *“Agile”* methodology and speed of their production of the TERRA software are not warranted, that is, that they do not appear to have followed an “*Agile*” methodology at all. It was Mr Sizer’s view that “*…to function properly, Agile must he* [sic] *an extremely disciplined process, which adheres to the principles of continuing cycles of planning, implementation, testing and review throughout the software development process.”* More relevantly, in his view, Visionsearch’s evidence as to methodologies and processes used to develop TERRA “*in many respects do not align well with the guidelines of TIR45-2012 for the application of Agile to medical device software development for IEC 62304 compliance.”* TIR45-2012 provides guidelines for the application of Agile processes to the development of software required to be compliant with international standards and FDA guidance documents, including IEC 62304:2006 with which Visionsearch stated that it complied in its 510(k) application for FDA approval.
9. The fact that the TERRA software is written in C# computer language and the OPERA software is written in C++ computer language does not mean that the TERRA software cannot be either a reproduction or an adaption of OPERA, and is explained by Mr Sizer’s evidence. Mr Sizer’s evidence was that C# can be viewed as an evolution of C++ and as such, has many similarities. Moreover, Mr Sizer gave evidence that it is commonplace for computer programs to be copied by “*porting”* from one language to another either by a manual process or by an automatic conversion tool. Where this is carried out, it was his view that “*[t]he converted code often requires ‘tidying up’ to become functional and replicate the functions and performance of its predecessor. However, this approach can vastly reduce the amount of work required when compared with re-coding ‘from scratch’…”.* As such, the implication is that the possibility that this process was utilised may explain the speed by which the TERRA software was developed.
10. Mr Alkhimov, whose involvement in the development of the OPERA software has already been referred to, began the development of the TERRA software with the approval of Associate Professor Klistorner as an employee of the University before the project was transferred to Visionsearch in mid-2011.
11. In correspondence, the University accepted that at all relevant times it held a copy of the OPERA source code on a backup drive at the SSI.

Reasonableness of the belief in copyright infringement

1. I consider that cumulatively these matters are sufficient to establish that ObjectiVision’s belief that its copyright has been infringed is reasonable. In my view they take the matter beyond mere suspicion notwithstanding that of necessity the basis for that belief is circumstantial. For the reasons set out below, I do not accept the submission made by Visionsearch and the University that no order should be made for preliminary discovery on the ground that ObjectiVision has failed to establish the reasonableness of any belief in a right to relief and has therefore failed to satisfy the criterion in r 7.23(a).
2. First, Visionsearch contends that the essential error made by Mr Cheng is to total up the similarities and conclude that copying has occurred without analysis of research and publicly available material or similarity in functions. In this regard, Visionsearch contends thata high degree of functional similarity between mfVEP devices is expected and does not support copying. Specifically, it submits that:
3. mfVEP technology is devised *“to stimulate the retina by what appear to be randomly selected impulses, and to measure the period (latency) that the signal takes to reach the visual cortex in the brain.”*
4. AccuMap is not the only proven diagnostic device on the market, and there are a number of mfVEP devices on the market. mfVEP devices have been in existence since at least 1999.
5. “*The critical factor is that one would expect a great degree of functional similarity**between various mfVEP devices because each measures the same electrophysiological parameters in the human optic nerve. This similarity is exactly what ObjectiVision’s evidence on this application discloses and it does not support any attempt to copy*.” This also explains the similarities in training videos, which occur due to function.
6. ObjectiVision’s evidence is based on *“conjecture and suspicion”* because it conflates functional similarity with actual copying.
7. The difficulty with these submissions in my view relates back to the fundamental point raised by ObjectiVision, namely that, by reason of the confidential nature of computer source code, it is not able to undertake the process of comparison which is available to those who allege that their copyright in published works has been infringed. ObjectiVision can, in the absence of access to the code, base its case only upon circumstantial evidence. While it may well be that the similarities in function can ultimately be explained on precisely the sorts of grounds raised by Visionsearch, to deny that they may give rise to a reasonable belief that the OPERA source code has been copied because they constitute functional similarities only is to set the bar too high. Upon what other similarities, one might ask, in the absence of an ability to assess the extent of similarities between source codes, could a litigant in the position of ObjectiVision rely? It follows that I do not accept the criticism of Visionsearch that its evidence conflates functional similarity with copying as a fair one in these circumstances.
8. I have already referred to evidence led by Visionsearch of what are said to be key differences between the AccuMap and Visionsearch devices: see paragraph [24] above. While there may well be some force in the submission that this counted against a conclusion that OPERA source code had been copied if the matter were being decided on the balance of probabilities, it does not in my opinion deny the existence of a reasonable basis for ObjectiVision’s belief that the similarities between the two devices are sufficient indicia of copying for present purposes.
9. Visionsearch also contends that there is a logical explanation inconsistent with copying. In particular, Visionsearch rely upon Mr Peterson’s evidence that, when he began working with Visionsearch, he gained knowledge in mfVEP technology from Associate Professor Klistorner, Mr Alkhimov and reading published research. As Associate Professor Klistorner was closely involved with the development of Visionsearch1, Visionsearch submit that it is natural that the ideas and concepts in the Visionsearch material would show a similarity.
10. However, the existence of a logical explanation inconsistent with copying does not mean that it is the only logical explanation and that the contention that copying may have occurred is not a reasonable possibility. Nor does the fact that Visionsearch may provide a *“clear plausible alternative developmental history”* of TERRA based on the evidence of Mr Peterson and Mr Alkhimov render ObjectiVision’s belief unreasonable. If the matter proceeds further, these are matters to be resolved at trial. They do not, however, appropriately fall to be resolved on the present application.
11. Finally, Visionsearch submits that based on the evidence there was no real difference in the time taken for production of the two programs. I do not accept the premise of that submission. The fact that, by approaching the evidence in a particular way, it is possible in submissions to reconcile the evidence does not mean that there is no contest in the evidence. It depends upon whether the submission that the views can be reconciled is accepted. The question of whether such a reconciliation can be achieved may itself, in other words, be controversial and depend upon acceptance of evidence that the other party may wish to test in cross-examination should the matter proceed to a trial. However, while Visionsearch may take issue with the evidence of ObjectiVision as to what was said to be an implausible software development timeline for the TERRA software, I consider that the evidence goes beyond that which might sustain only suspicion to found a basis for a reasonable belief. In this regard I reiterate that it is not incumbent upon ObjectiVision to establish a prima face case.

###### Are the requirements of r 7.23(1)(b) satisfied with respect to the potential claim for breach of copyright?

Principles governing the application of r 7.23(1)(b)

1. Rule 7.23(1)(b) requires that, despite “*reasonable enquiries”* by the prospective applicant, he or she lacks “*sufficient information to decide whether to start proceedings*” to obtain the relief in question. The pre-requisite in the old O 15A r 6(b) was expressed in similar but not identical terms, namely, “*sufficient information to enable a decision to be made whether to commence a proceeding in the Court to obtain that relief”.* The different language does not in my view suggest any different meaning but rather an intention to express the same criterion in simpler language: see also at [33] above. Thus in my view it remains the case that it is an error to assume that an order for preliminary discovery is no longer appropriate once a prospective applicant has sufficient information to meet the threshold of “*a bare pleadable case”.* As the Full Court held in *Optiver* at [36]:

The concept of a “bare pleadable case” is not only a gloss on the text of the rule but is fundamentally inconsistent with its purpose. The policy behind the rule is that even where there is a reasonable cause to believe that a person may have a right to relief, nevertheless that person may need information to know whether the cost and risk of litigation is worthwhile. As Hely J pointed out in *St George Bank Ltd v Rabo Australia Ltd* (2004) 211 ALR 147 at [26], the question does not concern the right to relief but rather “whether to commence proceedings”. Inspection of documents in the possession of the proposed defendant may enable a properly informed decision to be made whether to commence a proceeding to obtain the relief. The “bare pleadable case” approach diverts attention from the true purpose of the rule. A person may have pleadable case, but still not sufficient information upon which to decide whether to embark upon litigation. We are satisfied that his Honour asked himself the wrong question on this ground and that his conclusion cannot stand.

Has ObjectiVision made reasonable enquiries (r 7.23(1)(b))?

1. First, Visionsearch contends that ObjectiVision has failed to satisfy the precondition in r 7.23(1)(b) on the basis that it has failed to make any reasonable enquiries or enquiries that are sufficient to be considered reasonable. In this regard it relies on the following matters:
2. that ObjectiVision did not put into evidence the parameters or the results of the forensic examination of the device retrieved from Dr Yiannakis’ surgery;
3. the code comparison offered by Visionsearch, which, while it included conditions, was simply rejected by ObjectiVision without counter-offer;
4. the allegation that there was no indication by ObjectiVision as to information it lacked other than a blanket request for all material held by Visionsearch and the University; and
5. the alleged failure to make relevant inquiries of Mr Alkhimov.
6. It will be recalled that the University first became aware of Visionsearch, the Visionsearch device and TERRA software in late 2012. In determining what constitutes reasonable inquiries, it is necessary to bear in mind that the TERRA source code, historic and current, and other documents generated in developing the software are confidential. The commercial sensitivity which attends their disclosure is apparent from the resistance by the prospective respondents to this application and the confidentiality orders which are sought in the event that preliminary discovery is ordered.
7. Against that context, it is difficult to attribute any real weight to the suggestion that ObjectiVision failed to make relevant inquiries of Mr Alkhimov. It was only in 2008 ***after*** Mr Alkhimov’s alleged employment with ObjectiVision had been terminated and he commenced employment with the University that Mr Alkhimov began the development of the TERRA software, with Associate Professor Klistorner’s approval (as the University accepted in its letter dated 4 February 2013). It seems unrealistic to anticipate that an employee or former employee of the University, as opposed to the University itself, would have disclosed the kind of commercially confidential material that ObjectiVision sought in order to determine whether to commence proceedings. Rather, the primary sources of relevant information and of whom inquiries would be expected were the prospective respondents themselves.
8. In this regard, ObjectiVision wrote to Visionsearch on 21 December 2012 and to the solicitors for the University and Associate Professor Klistorner on 24 December 2012 shortly after ObjectiVision learned of the Visionsearch1 device and had undertaken certain basic searches of publicly available material about the device and Visionsearch. In that correspondence, ObjectiVision detailed its concerns as to possible breaches of its rights, the basis for those concerns, the result of its initial searches, and its request for documents no later than 14 January 2013 including copies of source code for the TERRA software and other documentation of the kind sought on the application for preliminary discovery. This application was foreshadowed in the event that that documentation was not provided.
9. The solicitors for the University and Associate Professor Klistorner responded by letter on 4 February 2013 in which they denied any breach of ObjectiVision’s rights and provided a detailed response to the concerns raised by ObjectiVision and each category of documents requested. With respect to the latter, the University advised that certain documents sought were not held by it, certain documents were confidential and their disclosure a matter for Visionsearch, certain categories were too broad and unspecific, and some documents were publicly available. The solicitors for Visionsearch also responded in detail to ObjectiVision’s concerns, including by making certain disclosures of information restricted to ObjectiVision and providing confidential disclosure of the Visionsearch1 user manual, training video and system – training course. Otherwise, it declined to provide the documentation sought by ObjectiVision given the risks among others of loss of security, confidentiality and competitive advantage that might follow from disclosure and its view that, given the information disclosed in the letter, there was no basis upon which ObjectiVision should be given the documents sought.
10. Following further correspondence, the solicitors for Visionsearch by letter dated 8 November 2013 responded again in detail to further allegations made by ObjectiVision and offered a confidential code comparison on conditions that can only be described as onerous, including that: ObjectiVision waive the right to seek a preliminary discovery against Visionsearch; an independent expert would be engaged to undertake the comparison and take submissions from each party, including on the basis on which ObjectiVision claimed to own copyright; “*all comparisons are to be like for like (eg. code for code, user manual for user manual, etc) and not asymmetric”;* one code comparison would be undertaken only being the code as at the time of the first “regulatory approved” Visionsearch1; if substantial infringement were found by the independent expert, ObjectiVision could use the result to decide to litigate only and not use it in the litigation; and, if the independent expert failed to find substantial infringement of proven ObjectiVision proprietary code, ObjectiVision must give a full release and bar to Visionsearch and separately in respect of TERRA. ObjectiVision rejected the offer by letter dated 21 November 2013 citing among its reasons that: the offer of code comparison would not allow ObjectiVision an opportunity to consider sufficient documents to assess its potential claims being limited to a single version of Visionsearch code among other things; and the terms were unfair given, among other things, the requirement to waive any right to seek preliminary discovery and the fact that the result could not be used in any litigation.
11. There was no suggestion in the correspondence from Visionsearch’s solicitors that there was any room for negotiation about the terms on which disclosure was affected. The implication in the letter is to the contrary with, among other things, the offer being described as made “*subject to the following key principles being accepted*” and as made “*in order to seek finality to your client’s allegations.”* Nor is there any suggestion in the evidence put forward by Visionsearch that it would have been amenable to negotiations about those “*key principles*”. It is also clear that the parties were substantially apart on the scope of material to which ObjectiVision sought access and the conditions on which access was offered. In those circumstances, while Visionsearch’s concern to have in place stringent measures to protect its commercially confidential material is understandable, as is its desire to bring a lengthy process of allegations and counter allegations to a close, I consider that it was reasonable in all of the circumstances for ObjectiVision not to respond with a counteroffer.
12. A request for information was also made by the solicitors for ObjectiVision of Biogen in March 2013 which was refused.
13. In all of the circumstances, I consider that ObjectiVision undertook reasonable inquiries. As Burchett J observed in *Paxus Services* at 733 in considering that it would not be reasonable to ask the applicant to make further inquiries than it had before allowing an application for preliminary discovery for information contained in computer data bases held by the prospective respondent, “*There was a peculiar risk inherent in the situation and in the nature of a computer data base. Without the discovery sought, the applicant plainly has not sufficient information within the meaning of the rule. It cannot see into the* [prospective respondent’s] *data base.”*
14. Finally, it will be recalled that Visionsearch also relied upon the failure by ObjectiVision to give evidence as to the results of the forensic examination of the device retrieved from Dr Yiannakis’ surgery. In this regard, Mr Cheng gave evidence that on 9 May 2012 he had instructed KPMG Forensic to image the hard drive of the Accumap1 retrieved from Dr Yiannakis who discovered that the device contained several copies of the unreleased OPERA 2.2 source code. Mr Cheng annexed a copy of screenshots showing the presence of OPERA 2.2 on the hard drive to his affidavit. However, as ObjectiVision pointed out, r 7.32 requires reasonable enquiries to be made, not all conceivable enquiries. In the circumstances, while not inconceivable that the computer might, for example, have revealed evidence of copying, I do not consider this as fatal to the application for preliminary discovery. Equally, and for the same reason, I do not consider as fatal the failure by ObjectiVision to lead evidence of any forensic examination of the computer retrieved by Mr Cheng from Mr Alkhimov. As ObjectiVision pointed out, there is no suggestion that TERRA source code or development documents were to be found on his computer, so that any forensic examination of the computer would not do more than confirm its contention that Mr Alkhimov had access to, or the opportunity to reproduce or adapt, the OPERA source code and confidential information that it contained.

After making reasonable inquiries, has ObjectiVision established that it does not have sufficient information to decide whether to start a proceeding for copyright infringement (rule 7.23(b))?

Alleged failure to identify information required to make a decision

1. Visionsearch effectively contends that the test for preliminary discovery is not whether or not copying has taken place, but what further information is missing that would be reasonably sufficient to determine whether or not ObjectiVision should or should not commence an action. This approach generally accords with the statement of Hely J in *St George* that subparagraph (b) “*contemplates that the applicant is lacking a piece (or pieces) of information reasonably necessary to decide whether to commence proceedings”* (at [26](g))*.* However, it submits that ObjectiVision has failed to state the information it has, or to identify the information that is missing or which it requires to make a decision to commence an action. It has simply asked for all information to make an *“assessment and determination”.*
2. With respect, I do not accept the submission. The information which ObjectiVision contends that it requires to make a decision and the reasons why it contends that it considers that it requires that information is addressed by Mr Cheng’s evidence and that of Mr Sizer, and importantly includes information on the basis of which it can undertake a comparison of the source code of the two software programs and their architecture and design.

Alleged failure to establish insufficient information to make a decision

1. Visionsearch and the University submit that ObjectiVision has failed to establish that it “*does not have sufficient information to decide whether to start a proceeding in the Court to obtain that relief*”. To the contrary, they submit that the confidence with which Mr Cheng has expressed his belief in the existence of a right demonstrate that ObjectiVision seeks preliminary discovery merely to enhance or strengthen its decision to commence proceedings, rather than to provide what is reasonably necessary to enable the decision to be made (citing *Matrix Film* at [19] (Tamberlin J)).
2. However I consider that, fairly read, the evidence of Mr Cheng as the CEO of ObjectiVision does not establish that he has formed a view that there is sufficient information on the basis of which to decide whether or not to commence proceedings. It is true that at certain points in his evidence Mr Cheng expressed a high degree of confidence in certain views that formed part of the reason why he considered that ObjectiVision may be entitled to relief for breach of copyright. For example, as Visionsearch pointed out, Mr Cheng stated at [124] of his affidavit sworn on 2 December 2013 that:
3. “*In my view, it is* ***extremely unlikely*** *that the Visionsearch1 device and the Terra Software, would be capable of being designed, developed, tested, clinically validated and delivered to Biogen* [for testing, as LaneLaw, the solicitors for Visionsearch, alleged in their letter of 4 February 2013]*, in 4 to 6 months”*
4. “*in my view and in my experience, Visionsearch* ***could not possibly*** *have created the Visionsearch1 device ‘from scratch’, nor ‘separately and independently’, within the timeframe and with the financial resources Visionsearch claims to have provided for this ($90,000 in equity)”*
5. “…*I believe that Vadim Alkhimov does not possess the skills that would enable him to rewrite OPERA in a way that, according to the University of Sydney, would not rely on access to the OPERA source code and which also excludes the Licensed Patents*.”
6. ‘*the* ***only*** *way”* that the Visionsearch1 device could avoid all regulatory, safety, compliance and other standards necessary for inclusion in clinical trials “*is for the University of Sydney to represent to Biogen that the Visionsearch1 device is not only clinically equivalent to the AccuMap1 and that for all intents and purposes, they are the same device but that the University of Sydney has full entitlement and rights to the underlying intellectual property of both devices.”*

(emphasis added)

1. However, these and similar statements need to be understood in the context of his evidence as a whole.
2. First, the statements quoted above were made by Mr Cheng by way of explaining why correspondence from the respondents’ respective solicitors “*do not sufficiently explain to me or support the assertion that the Visionsearch1 device was developed independently from AccuMap and OPERA”.*  As such, while those views might provide in Mr Cheng’s view compelling circumstantial evidence of copying or misuse of confidential information, he did not exclude the possibility that a sufficient explanation might yet be forthcoming.
3. Secondly, he gave evidence that neither the documents provided by Visionsearch in early 2013 on a confidential basis (being the Visionsearch1 user manual, training video and training course), nor correspondence from the respondents’ respective solicitors, “…*provide ObjectiVision with sufficient information to decide whether it is entitled to seek relief by commencing proceedings against Visionsearch or the University of Sydney.”* As such, it is Mr Cheng’s unchallenged evidence that a decision on whether to commence proceedings has not yet been made by ObjectiVision because of the state of the material to which it currently has access. Similarly, for example, he gave evidence that “*I believe that it requires more information for me to understand how the FDA 510K approval for the Visionsearch1 device was granted so promptly despite only having 3 months of clinically validated data ….”*.
4. In the third place, the evidence of Mr Cheng as to his uncertainty on whether or not to commence proceedings is consistent with the qualified manner in which he expresses his beliefs on the possible infringement of ObjectiVision’s rights elsewhere in his evidence. For example, it was his evidence that “*[t]here* ***appear*** *to me to be significant similarities between the hardware, software and functionality of the Visionsearch1 device and that of the AccuMap and as a result, I believe that the Visionsearch1 device* ***may*** *involve the use of ObjectiVision’s confidential information and the unauthorised reproduction and use of the OPERA software or adaptations of that software or the underlying source code.”* (Emphasis added).
5. Furthermore, it is true, as the University submitted, that in correspondence with the University in late 2010 and early 2011 the solicitors for ObjectiVision had expressed the view not only that it had a case against the University for breach of the Licensing Agreement, misuse of confidential information and infringement of copyright, but that it had a strong case and was confident that it would succeed. The University submitted that this correspondence shows that for more than 3 years ObjectiVision has had sufficient information to decide to start a proceeding against the University for copyright infringement and breach of confidence in respect of the OPERA software. However, as ObjectiVision submitted, these statements preceded discovery by ObjectiVision of the potential breach of copyright in the development of the TERRA software in December 2012 and as such do not relate to the particular allegations of copyright infringement or misuse of confidential information made with respect to the Visionsearch1 device. Leaving aside the potential breach of the Licensing Agreement (which is dealt with later), I do not consider that these specific allegations, which would potentially ground separate claims for relief, can fairly be described as merely particulars of the claims that ObjectiVision asserted against the University in the earlier correspondence.
6. Finally, Visionsearch relies upon correspondence from the respondents’ solicitors and evidence of Mr Peterson, Mr Alkhimov and Professor Rabhi to suggest that an explanation contrary to infringement of ObjectiVision’s rights has been provided and that, if the beliefs expressed in that evidence are honestly held, there is sufficient information available to ObjectiVision to make a decision on whether or not commence proceedings. That submission, however, ignores the substantial differences of views expressed by the two experts, Professor Rabhi and Mr Sizer, as to the adequacy of the explanation given by Visionsearch that it used an “*Agile*” or “*agile*” methodology. It also ignores, for example, the apparent disagreement in the evidence of Mr Cheng, on the one hand, and Mr Alkhimov, on the other hand, as to the extent and nature of Mr Alkhimov’s tasks in the development of the OPERA software and his access to OPERA source code and other confidential documentation relating to the preparation of the OPERA software. An application for preliminary discovery is not the place for such apparent differences in the evidence to be tested and resolved. It is sufficient to say that ObjectiVision was under no obligation to accept the explanation given by the prospective respondents, the fact that an explanation was given did not of itself necessarily render a contrary view unreasonable, and the evidence led by ObjectiVision in response explained why it did not consider that that evidence was sufficient to dispel its belief in a possible infringement. That being so, I do not consider that the material relied upon by the prospective respondents is a sufficient answer to ObjectiVision’s claim that it continues to lack sufficient information to make a decision on whether or not to commence proceedings.
7. In short, I accept that, absent access to the source code and other primary documentation relating to the development of the OPERA software, ObjectiVision is left in the position where it is unable to make a properly informed decision about whether to commence proceedings for copyright infringement, that is one where it can assess whether the cost and risks of litigation are worthwhile: see *St George* at [26] (Hely J). As I have earlier mentioned, this flows in part from the nature of the potential claim. Unlike cases where copyright is said to have been infringed in more traditional categories of literary works such as a published book, song or artwork, the TERRA source code is comprised of a digital record which is commercially confidential. Absent, therefore, an order for preliminary discovery, ObjectiVision cannot compare the literary work owned by it, being the software program OPERA, with the potentially infringing literary work, being the TERRA software owned by Visionsearch. Yet that comparison is a key element, together with the establishment of a causal connection between the two works, of establishing whether copyright may have been infringed. Equally and for the same reason, any misuse of confidential information cannot be detected absent the opportunity to examine the TERRA software itself and documents involved in its development.

###### Are the pre-requisites in r 7.23(1)(a) and (b) met with respect to the potential claim for misuse of confidential information?

1. In relation to the claim for misuse of confidential information, the usual elements of the equitable remedy were summarised by Chief Justice Gleeson in *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199 at 222 [30], namely:

“first, that the information is confidential, secondly, that it was originally imparted in circumstances importing an obligation of confidence, and thirdly that there has been, or is threatened, an unauthorised use of the information to the detriment of the party communicating it”.

1. ObjectiVision contends that the OPERA software and other information identified in Mr Cheng’s affidavit sworn on December 2013 at paragraph 55 are confidential, have been kept confidential by ObjectiVision and are of commercial value to it and, if disclosed, would be to its competitors. That information includes all versions of the computer source code for the OPERA program, custom algorithms used in the OPERA software, a range of other technical information and subprograms necessary for operation of the OPERA software, and information comprising software development and operation documents. As ObjectiVision submits, it has long been recognised that computer source code is (or can embody or contain) valuable confidential information and that the same may be said of particular information deployed in source code such as algorithms and associated development documents: see *Ibcos Computers Ltd v Barclays Mercantile Highland Finance* [1994] FSR 275, (1994) 29 IPR 25 at 59; *Admar Computer Pty Ltd v Ezy Systems Pty Ltd* (1997) 38 IPR 659 at 668 (Goldberg J).
2. As earlier explained, ObjectiVision contended that the potential claim for relief for breach of confidence “*travels with”* the potential claim for copyright infringement by reason of the overlap between the copyright work and the confidential information*.* This was borne out by the way in which the parties conducted their respective cases on the application for preliminary discovery. Importantly, the parties did not submit that, if I were satisfied that the criteria in r 7.23(1)(a) and (b) were met with respect to the potential claim for copyright infringement, there were separate and distinct reasons why I should find that those criteria were not met with respect to the potential claim for misuse of confidential information. In those circumstances, even assuming that it is necessary for me to find that those criteria were met with respect to the potential claim for misuse of confidential information notwithstanding my findings with respect to the potential claim for copyright infringement, I so find.

###### Are the pre-requisites in r 7.23(1)(a) and (b) met with respect to the potential claim against the University for breach of the Licencing Agreement?

1. ObjectiVision also sought preliminary discovery purportedly in order to decide whether or not to bring proceedings for relief against the University based upon alleged breaches of the Licensing Agreement. In this regard, it identified two potential claims as relevant.
2. First, in a letter from the University’s solicitors dated 4 February 2013, the University conceded that “[i]*t is our clients’ understanding that subsequent to the termination of the License Agreement on 19 January 2011, the technology which is the subject of the Licensed Patents was incorporated into the TERRA software and the Visionsearch1 device*.” Senior Counsel for ObjectiVision submitted that “*by picking up and using in Terra a copy or a modified version, or an improved version, of Opera source code or Opera confidential information, the University may have placed itself in a position where it has acted in breach*” of the Licensing Agreement. Specifically, reliance was placed upon clause 10 of the Agreement which provided that all improvements are owned by the University, save that, where improvements are made by the University, it must first offer to ObjectiVision the opportunity for the improvements to be included in the licensed intellectual property of the agreement and thereby acquire exclusive access to commercialise, develop and exploit the improvements. The assumption underlying that submission is that the incorporation of the technology the subject of the patents in the TERRA software would constitute an “*improvement*”, which is defined in the Licensing Agreement as *“… developments which cannot be legally exploited, except in conjunction with some or all of the licensed intellectual property, and with the permission of the relevant owner of the licensed intellectual property*.” The submissions did not address the validity of that assumption and counsel for the University also pointed to possible inconsistencies in the position adopted by ObjectiVision if that assumption were accepted.
3. In my view, however, the short answer is that this contention turns upon ObjectiVision succeeding in any claim that it might bring for wrongful termination of the Licensing Agreement and, as such, is properly regarded as an aspect of that claim, as the University submitted. In this regard, it was Mr Cheng’s unequivocal evidence that “*I consider that ObjectiVision does not need recourse to any further documentation in order to ascertain whether it has a right to relief or to make a decision to start proceedings against the University of Sydney in respect of causes of action arising out of the purported termination of ObjectiVision’s License.*”
4. Secondly, ObjectiVision relied upon Mr Cheng’s evidence that the University’s admission that the subject of the Licensed Patents was incorporated into the TERRA software and Visionsearch1 device only ***after*** termination of the license agreement that the technology is “*unconvincing and insufficient*”. However the reasons given for that belief (at [135] of his affidavit sworn on 2 December 2013) do not rise, in my view, above the level of mere assertion and suspicion that the Licensed Patents were used in TERRA and the Visionsearch1 device before the purported termination of ObjectiVision’s license. For that reason, I do not consider that this contention satisfies the criterion in rule 7.23(1)(b) and (c)(ii) and therefore enlivens the discretion in rule 7.23(2).

###### Are the requirements of r 7.23(1)(c)(i) and (ii) satisfied?

General principles

1. It will be recalled, in order to satisfy r 7.23(1)(c), the Court must be satisfied with respect to each prospective respondent that ObjectiVision reasonably believes that each “(i)… *has or is likely to have or has had or is likely to have had in [its] control documents directly relevant to the question whether* [ObjectiVision] *has a right to obtain the relief; and (ii) inspection of the documents by* [ObjectiVision] *would assist in making the decision.”*
2. The prospective respondents’ objections to the scope of preliminary discovery sought by ObjectiVision focus upon the question of whether the documents are directly relevant in the sense required by r 7.23(1)(c)(i) and whether, in any event, as a matter of discretion at least certain of the categories are too broad and preliminary discovery should be refused to that extent.
3. First, given my findings with respect to r 7.23(1)(a) and (b), the question of “*direct relevance*” is to be measured against the question whether ObjectiVision has a right to obtain relief for copyright infringement and misuse of confidential information only. In this regard, I accept the submissions of Senior Counsel for ObjectiVision that the concept of “*direct relevance”* does not necessarily exclude material from which inferences may be drawn and that, if the position were otherwise, the rule may fail to achieve its purpose in cases such as the present where any evidence of copyright infringement or misuse of confidential information in computer software will almost inevitably be inferential.
4. Secondly, as Hely J explained in *St George* at [26](f), given that the question is whether the applicant has sufficient information to make a decision whether to commence proceedings, “… *an applicant for preliminary discovery may be entitled to discovery in order to determine what defences are available to the respondent and the possible strength of those defences, or to determine the extent of the respondents breach and the likely quantum of any damages award…”* (citations omitted).
5. Thirdly, it is no answer to ObjectiVision’s application to say that the proceeding is in the nature of a fishing expedition. As Burchett J held in *Paxus Services* at 733 [13] (in a passage approved by the Full Court in *Optiver* at 444-445 [43]) “*Rule 6 is designed to enable an applicant, in a situation where his proof can rise no higher than the level the rule describes, to ascertain whether he has a case against the prospective respondent – that is, to “fish” in the old sense…”.* It follows that, insofar as Visionsearch’s submission that the balance of documents required beyond a comparison of source code would be simply no more than a *“trawling”* exercise might be characterised as an objection that the exercise risks becoming a “*fishing expedition*”, the objection is not well founded. Nonetheless as Hely J also observed, “*The proper brake upon any excesses in its use is the discretion of the court, which is required to be exercised in the particular case.”* (ibid).
6. Finally, as Yates J observed in *Reeve v Aqualast Pty Ltd* [2012] FCA 679 at [65](d):

The measure of any preliminary discovery to be ordered is the extent of information that is necessary, ***but no more than that which is necessary***, to overcome the insufficiency of information already possessed by the applicant after the making of all reasonable inquiries, to enable a decision to be made whether to commence a proceeding.

(emphasis added)

Amended categories for preliminary discovery against Visionsearch

1. The scope of preliminary discovery sought by ObjectiVision is set out in the amended categories for preliminary discovery against Visionsearch and the amended categories for preliminary discovery from the University sets out in the document handed up to the Court during the hearing. I deal first with primary discovery sought against Visionsearch.
2. Visionsearch submits that the scope of preliminary discovery sought by ObjectiVision would exceed that which is reasonably necessary. It submits that the comparison being suggested by ObjectiVision is too broad and contemplates a final hearing.
3. ***Computer source code:*** Mr Sizer expresses the opinion in his first report that:

The most basic information required to undertake an analysis of the TERRA software to ascertain whether any part of the OPERA software has been reproduced would be the source code repositories for both software suites. This includes a snapshot of the source code repositories as they currently exist, and historical copies maintained throughout the development process, and a copy of the ‘normals’ or ‘normative’ database for each system.

1. It was the evidence of Visionsearch that there was no normative database for the TERRA software.
2. In his second report, Mr Sizer was of the view that:

3.4.2.2 As a minimum, four distinct versions of the TERRA code should be compared with Opera in order to provide a reasonable objective basis for the assessment of use and/or copying of the relevant software code

a. The TERRA source code which was provided to Visionsearch by the University of Sydney.

b. The TERRA source [sic] at the point of release of TERRA software to Biogen.

c. The TERRA source code which forms the basis for the FDA 510(k) submission.

d. The current version of TERRA.

3.4.2.3 Furthermore, any available versions of the TERRA source code progressively developed at the University of Sydney, should be determined in order to determine whether copying of Opera occurred at any time whilst TERRA was being developed there by Mr. Alkhimov.

1. Visionsearch accepted that access to the TERRA source code was directly relevant, in line with the evidence of Mr Peterson who deposed that:

84. If TERRA is to be reviewed or compared against OPERA, all that is required would be the following:

* 1. a review of each set of requirements documentation for each of TERRA and OPERA;
	2. the historic versions of each of the TERRA and OPERA code;
	3. access to the repositories for each of the TERRA and OPERA as this would help to demonstrate that the development of TERRA was feasible in the time available (no repository exists for the development of TERRA prior to Visionsearch, all Visionsearch has is the code as at the time of handover).
1. The reference in this evidence to the code “*as at the time of handover”* would seem to be a reference to the starting version of TERRA which was provided by Mr Alkhimov.
2. Based on the evidence of Mr Sizer and Mr Peterson, I accept that current and historical versions of the source code of the TERRA software, being the software used by the Visionsearch device and including any software embodied in firmware, is directly relevant to the potential claim for copyright infringement as it will provide the basis on which ObjectiVision may undertake the comparison required in order to assess whether to bring that claim. For the reasons earlier given, I accept that that comparison is a key element, together with the establishment of a causal connection between the software programs, of establishing whether copyright may have been infringed. It would also seem to be potentially a key aspect of any claim for misuse of confidential information.
3. Nor, for the same reasons, do I consider as a matter of discretion that the width of preliminary discovery of this category of documents is too wide. It follows that I am satisfied that I should make an order in terms of paragraphs 1 to 3 of the amended categories.
4. ***Width of discovery otherwise sought:*** Visionsearch submit that the balance of documents requested by ObjectiVision are “*simply no more than a ‘trawling’ exercise for the possible forensic advantage*.” In this regard Visionsearch submit that its submission that preliminary discovery can be justified only with respect to the current and historic TERRA source codes is supported by Mr Sizer’s second report. Specifically it submits that while Mr Sizer agrees with Mr Peterson in relation to what is required, his comments with respect to the additional material “*appear to be a comparison on a determinative level. This is not what is required.”*
5. I do not consider that this is a fair representation of Mr Sizer’s opinion as expressed in his second report. Specifically, in that report Mr Sizer disagreed with Mr Alkhimov’s statement that “*[t]he code text itself is all that needs to be compared, for instance: a. Design documents are not needed as they are not always reflected in the code*”. Rather, Mr Sizer gave evidence of his opinion that:

3.4.3.1 … Examination of the TERRA design documents would be ***necessary*** and useful in order to provide a reasonable objective basis for the assessment of use and/or copying of the relevant software code, for example to determine if there are any references to Opera or its characteristics or design approach. Also absence of detailed planning and design documentation for TERRA could be a result of such documentation not being needed by the TERRA developers, because they we [sic] re-using or copying some or all of Opera. (emphasis added)

1. Given Mr Sizer’s unchallenged evidence that the design documents would be “necessary” for the purpose stated, I accept that the TERRA design documents satisfy the test of direct relevance to the potential claims in copyright and misuse of confidential information, and that inspection of them would assist ObjectiVision in deciding whether or not to commence proceedings. I also accept that there is no reason as a matter of discretion not to make orders for preliminary discovery that extend to this category. The submissions made by the parties did not, however, extend to the level of detail of identifying those subcategories set out in the table in paragraph 4 as the amended categories sought against Visionsearch which would fairly be described as TERRA design documents. In the circumstances, the appropriate course is to give the parties the opportunity to agree or, if agreement cannot be reached, to make submissions on those subcategories of documents sought which fairly meet that description. However I would indicate that it is my tentative view that the following subcategories identified in the table in paragraph 4 appear to meet that description: Software Requirements Specifications; Software Requirements Specifications or Device Requirements Specifications; Software Design Manual or Software Implementation Description or Work Brief Oral Statement of Work; and Software Design Description. Furthermore, in my view the subcategory described as Hardware Design Description satisfies the requirements of r 7.23(1)(c) as the software is intended to work with the hardware.
2. I also consider that the different versions of the user manual and training manual for the Visionsearch device referred to at paragraphs 5 and 6 are directly relevant to consideration of both potential claims. I am reinforced in this view by the fact that Visionsearch itself appears to have accepted their relevance in having earlier provided a copy of a version of the Visionsearch device user manual and training manual in response to ObjectiVision’s allegations of copyright infringement and misuse of confidential information. For the same reasons, I consider that the orders for preliminary discovery should include orders to the effect of paragraphs 5 and 6 of the amended categories.
3. I further consider that the documents identified in paragraph 7 of the amended categories are directly relevant to possible defences and the strength of those defences, namely:

All Documents which comprise or record:

(a) the FDA 510K application;

(b) the application for listing with the Therapeutic Goods Administration;

(c) the application for the CE’s Mark lodged with the European Medicines Agency;

(d) Health Canada approval;

in respect of the Visionsearch device.

1. Specifically, it was Mr Peterson’s evidence that a key difference between the Visionsearch1 device and the AccuMap is that the Visionsearch1 device does not have a normative database which is a key functionality for being a diagnostic device and that this explained the reason why regulatory approval for the Visionsearch1 device from each of these sources had been obtained within such a short period. Thus, it was his evidence that for each of these approvals:

a. no clinical validated data was required (especially for a class 1 measuring device). Pre-clinical trials are not required – they are only required for diagnostic devices only;

b. No normative database was required. Again, this is relevant to a diagnostic device.

1. This was a key aspect of Visionsearch’s submission that ObjectiVision’s evidence did not reasonably support the contention that any copying or misuse of confidential information was involved in the creation of the TERRA software that drives the Visionsearch1 device.
2. On the other hand, I do not consider that ObjectiVision has made a case that the following subcategories in the table in paragraph 4 satisfy the test of direct relevance: Project Plan and Work Breakdown Structure; and Verification and Validation Test Plan. In this regard, it was Mr Sizer’s evidence that:

GANTT charts, budgets, plans and timesheets are important items in determining if the claimed TERRA development duration and resource application would realistically allow TERRA to have been developed in the claimed period, without gaining a head start by re-using, adapting or copying aspects of AccuMap and/or Opera.

1. In my opinion, however, such material is not of its nature directly relevant to either potential claim. It could only reinforce an inference of copying or misuse of confidential information where other more direct evidence of such infringement or breach existed.
2. Nor do I consider that the direct relevance of the documents identified in paragraphs 8, 9 and 10, being various agreements between Visionsearch, on the one hand, and Biogen and Duke University separately, on the other hand, has been sufficiently demonstrated. Nor is it apparent how the terms of those agreements could assist ObjectiVision in making a decision on whether or not to pursue claims for breach of copyright or misuse of confidential information by Visionsearch.

Amended categories for preliminary discovery against the University

1. The University did not object on the ground of width to paragraphs 11 and 12 of the amended categories for preliminary discovery which seek historical and development versions of the source code of the TERRA software. For the reasons earlier given, I am satisfied that these documents are directly relevant and would assist ObjectiVision in making a decision on whether or not to institute proceedings. Preliminary discovery should be given of these categories of documents by the University.
2. Objection was however taken to the subcategories of documents sought in the table in paragraph 13. These subcategories mirror those contained in the table at paragraph 4 which were sought against Visionsearch and I would permit preliminary discovery with respect to the same subcategories against the University (and no more) for the reasons that I have already given in dealing with paragraph 4. In this regard I do not accept the University’s submission with respect to those categories of documents in paragraph 4 in respect of which I would permit discovery that:

This is circumstantial evidence aimed at proving a negative. It appears ObjectiVision is hoping there will be nothing to produce in this category, so that it can assess the court to inferred from an absence of documents that no such development occurred, the Terra code was copied and further that it was copied from OPERA code… Without proof that the TERRA code is a substantial reproduction of the OPERA code, this additional material is irrelevant.

1. The evidence of Mr Sizer at paragraph 3.4.3.1 of his second report (quoted above) demonstrates, in my view, that that is not the case. Furthermore, while Senior Counsel for the University submitted that the inferences from the categories sought in paragraph 13 would be very weak because of Visionsearch’s evidence that they used an agile or rapid development methodology, that submission assumes acceptance of the validity of a potential defence available to Visionsearch. Access to the more limited subcategories of documents in paragraph 13 which I am prepared to permit would be directly relevant to assessing the validity and strength of any such defence.
2. Otherwise, the University did not object to the width of preliminary discovery in the amended categories sought subject to the following matters.
3. First, I accept the University’s submissions that the subcategories identified in paragraph 14(a) and (b) are not directly relevant. This flows, as the University submitted, from ObjectiVision’s acceptance of the date 19 January 2011, being the date on which the licence agreement was purportedly terminated, as defining the relevant time-period.
4. Secondly, with respect to paragraph 14(c) which seeks preliminary discovery of any agreement under which the University granted Visionsearch, Biogen “*or any other party”* the right to use the Licensed Patents prior to 19 January 2011, the University rightly submitted that there is no evidence that suggests the existence of a relevant agreement with any other party and no support therefore for the view that preliminary discovery to that extent is warranted.
5. Thirdly, I accept the University’s submission that, once preliminary discovery of the subcategory in paragraph (c) (as further amended) is granted, paragraph 14(d) cannot be justified.
6. Finally, I accept that paragraphs 14(e) and 15 should be limited in the manner suggested by the University (as underlined) so as to read:

**Category 14**

**…**

(e) any agreement between the University of Sydney and Biogen Idec Inc in relation to:

(i) the development or proposed development of mfVEP devices for the conduct of the phase 2 clinical trial on the ability of BIIB033 to increase remyelination of the optic nerve in sufferers of acute optic neuritis, *titled “A Randomized Double-blind Parallel Group. Placebo Controlled Study to Assess the Efficacy, Safety, Tolerability and Pharmacokinetics of BII033 in Subjects With First Episode of Acute Optic Neuritis”,* known as the “RENEW trial” and having clinical trial identification number NCT01721161 (“Biogen Trial”); and

(ii) any corporation or collaboration between University of Sydney and Biogen Idec Inc in relation to the development of proposed development of mfVEP devices for the conduct of the Biogen Trial

 dated between 1 July 2009 and 19 January 2011.

**Category 15**

15 All Documents which comprise or record the involvement or proposed involvement of the University of Sydney or any of its employees in the development or proposed development of mfVEP devices for the Biogen Trial dated between 1 July 2009 and 19 January 2011.

##### HOW SHOULD THE DISCRETION IN R 7.23(2) BE EXERCISED?

1. The Court has the discretion under r 7.23(2) to refuse to make an order for preliminary discovery even where the requirements of r 7.23(1) have been met. Nonetheless, as the Full Court in *Optiver* at [45] explained that “*[t]here normally will be little scope for refusal of relief where the requirements of [then] O 15A, r 6 have been met. The remedy is beneficial and should not be refused, save for good cause.”* In this regard, the extent of documents which may be the subject of an order for preliminary discover would ordinarily correspond with, and in any event cannot exceed, those documents which meet the requirement of r 7.23(1)(c)(i).
2. The University submits that ObjectiVision has delayed substantially in applying for preliminary discovery against the University which it alleges “*has not been satisfactorily explained*”. However, no actual prejudice was pointed to by the University (or Visionsearch) as a result of any delay in the event that preliminary discovery were ordered. Absent actual prejudice, I do not consider that delay alone should point against exercise of the Court’s discretion to grant preliminary discovery: see *Optiver* at [41]-[42].
3. Furthermore, subject to appropriate orders being made to protect the confidentiality of the documents to be produced, there is no necessary disadvantage that flows from the making of the orders for preliminary discovery for the benefit of one prospective party only. As the Full Court also explained in *Optiver* at [44]:

Order 15A, r 6 can be beneficial, or at least not unfairly harmful, to a defendant. If an order is made and, after inspection of the discovered documents, proceedings are commenced, those proceedings will be determined on the merits. Presumably there will be no need to repeat discovery of the documents already discovered under O 15A, r 6. If the action does not proceed the defendant will no doubt get its costs of making discovery and will have the benefit of not being exposed to litigation and irrecoverable costs even if it were to succeed. Litigation that is doomed to failure is in nobody’s interests, including the interests of the ultimately successful defendant. An order for preliminary discovery may avoid trouble and expense for all concerned.

1. In the circumstances and having concluded that the criteria in r 7.23(1) are met, I do not consider that there is any reason why I should not exercise my discretion to make orders for preliminary discovery in respect of the categories of documents which I have identified as satisfying the criteria in r 7.23(1)(c).

##### CONFIDENTIALITY ORDERS

1. Visionsearch and the University seek orders for the protection of confidential information in the event that orders are made for preliminary discovery and production is required.
2. First, the University contends in its written submissions that:

70. A number of the documents sought by ObjectiVision contain information that is confidential to the University, Visionsearch and/or to the Biogen group of companies. The University is bound by contractual obligations not to disclose confidential information relating to the RENEW trial and the disclosure of such information would prejudice Biogen and damage the University’s working relationship with Biogen.

71. Additionally, the University holds concerns that the disclosure of confidential information contained in some documents may be used for a purpose other than the assessment of whether to bring a proceeding against the University.

72. Accordingly, if an order for discovery is made, the University will seek appropriate confidentiality orders that inspection of any discovered documents be limited to the external lawyers for ObjectiVision and any independent expert.

1. Visionsearch also submits that the Court should use its discretion to make orders that Mr Sizer not have access to confidential information for the following reasons:
2. Mr Sizer operates a business which assists companies and solves problems. Passing on sensitive information comprised in the TERRA source code has the potential to either directly be involved in further developments of OPERA and the Accumap devices;
3. Mr Sizer has had a lengthy relationship with ObjectiVision;
4. Mr Sizer is in a commercial relationship (or has been in a commercial relationship) with ObjectiVision which creates a potential conflict with independence; and
5. Mr Sizer would not be doing all the work himself. It is not known who would be doing the review work. Appropriate undertakings would need to be obtained from those parties and assessment of their independence determined.
6. In this regard, Visionsearch relies upon *Re Palmer Tube Mills Limited* [1991] FCA 866 in which Lockhart J refused access to confidential and sensitive information to a given party with a similar close of business relationship as that would have put the recipient in an ‘*invidious”* position and would not have furthered the interests of justice: at [9]-[10]. Instead, Visionsearch proposes that the appropriate expert would be one who previously and currently has no commercial ties with ObjectiVision and has no real possibility of entering into any such commercial relationship.
7. I consider that it is entirely appropriate for orders to be made to protect the confidentiality of the highly sensitive confidential material in respect of which disclosure is sought and that those orders provide for the appointment of an independent expert and not Mr Sizer. As the Full Court held in *Optiver* at 444 [40]:

The disclosure of highly sensitive confidential material to a trade rival is a routine exercise in this Court. Commercial confidentiality is protected by appropriate directions such as, typically, limiting disclosure to external lawyers and independent experts upon the giving undertakings to the Court. Without such regimes, most intellectual property litigation would be unworkable.

1. As the Full Court then continued, “*Confidentiality regimes have been seen as an answer to such concerns in preliminary discovery applications*” (citing with approval *Griffin Energy Propriety Ltd v Western Power Corporation* [2006] FCA 1241 at [110] and *Electricity Retail Corporation v Griffin Energy Pty Ltd* [2006] FCA 1810 at [51]).

##### ORDERS

1. I consider that an order should be made for preliminary discovery against the University and Visionsearch in the terms sought in ObjectiVision’s amended categories subject to the exclusions and amendments specified in my reasons. I also consider that orders should be made to protect the confidentiality of the material in respect of which disclosure is allowed limiting disclosure to the legal representatives for ObjectiVision and an independent expert upon the giving of appropriate undertakings to the Court. I will reserve the question of costs in order to give the parties the opportunity to be heard.

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| I certify that the preceding one hundred and forty-three (143) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Perry. |

Associate:

Dated: 9 October 2014