Neutral Citation Number: [2023] EWHC 2142 (TCC)

Case No: HT-2021-000363

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
TECHNOLOGY AND CONSTRUCTION COURT (KBD)

Royal Courts of Justice
Rolls Building
London, EC4A 1NL

Date: 24th August 2023

Before :

Mrs Justice O'Farrell DBE

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Between :

IBM UNITED KINGDOM LIMITED	**Claimant**
- and -	
(1) LZLABS GmbH **(a company incorporated in Switzerland)** **(2) WINSOPIA LIMITED** **(3) LZLABS LIMITED** **(4) MARK JONATHAN CRESSWELL** **(5) THILO ROCKMANN**	**Defendants**

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- -

James Weale, Alex Taylor & Jacob Haddad (instructed by **Quinn Emanuel Urquhart & Sullivan UK LLP**) for the Claimant
Roger Stewart KC & Jaani Riordan (instructed by **Clifford Chance LLP**) for the Defendants

Hearing date: 16 August 2023

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Approved Judgment

This judgment was handed down remotely at 10.30am on Thursday 24th August 2023 by circulation to the parties or their representatives by e-mail and by release to the National Archives.

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Mrs Justice O'Farrell:

1. These proceedings concern the claimant's claim for declaratory and injunctive relief, and damages against the defendants for breach, or procured breach, of a licence agreement entered into with the second defendant ("Winsopia") ("the ICA") in respect of IBM mainframe software.

2. The claimant's case is that the defendants used Winsopia's access to the IBM mainframe software to develop the 'Software Defined Mainframe' ("the SDM") to run IBM software systems without the IBM mainframe software stack by reverse assembling, reverse compiling or reverse engineering the software. The defendants dispute the claims and counterclaim injunctive declaratory relief, damages for breach of the ICA and specific performance of the same.

3. The following applications are before the court:

    i) the claimant's application dated 12 July 2023 for specific disclosure;

    ii) the defendants' application dated 10 July 2023 in relation to the CSP/PowerPoint documents;

    iii) the defendants' application dated 2 May 2023 for de-designation of documents;

    iv) issues arising out of the court's earlier judgment and the draft order following the July CMC; and

    v) the claimant's application dated 8 August 2023 to add two individuals to the Inner Confidentiality Ring.

Claimant's disclosure application

4. By application dated 12 July 2023 the claimant seeks an amended extended disclosure order in the following terms:

    i) The defendants shall identify the e-mail distribution lists which were used by the first to third defendants, broken down with reference to the date ranges during which each e-mail distribution list was used; and provide a list of the recipients of each e-mail distribution list, identifying any changes in the list of recipients over time.

    ii) The defendants' questionnaire at section 2 of the agreed and approved DRD shall be varied so as to include as custodians:

        D1/D3:

        a) Lukas Do - client solutions engineer,

        b) Markus Enderlin - head services,

        c) Conley Shepherd - senior software engineer - QA team,

        d) Brad Taylor – SDM developer,

e) Martin Truebner – various roles including QA team,

f) Andrew Corpes - post sales engineer,

g) Damon Cross - SDM developer, formerly QA team,

h) David Bond - SDM developer,

i) Roger Bowler - SDM developer,

j) Ken Baird - SDM developer,

k) Andrey Yuzhakov - SDM developer;

Winsopia:

l) Simon Payne - mainframe engineer,

m) Adrian Hudson - mainframe engineer,

n) Kevin Lynch - mainframe engineer,

o) Richard Parkinson - QA engineer,

p) Tom Grieve - mainframe engineer,

q) Gary Whittingham - mainframe engineer,

r) Bob Maddison - mainframe engineer,

s) Alan Playford - mainframe engineer,

t) Martin Bleach - QA engineer.

5. The application is supported by the tenth witness statement of Ms Vernon dated 12 July 2023 and her thirteenth witness statement dated 10 August 2023.

6. The defendants' response to the application is set out in the sixteenth witness statement of Ms Scott dated 28 July 2023 and her eighteenth witness statement dated 14 August 2023 (as corrected by her twentieth witness statement dates 15 August 2023).

7. The agreed and approved DRD document included at section 2, the defendants' questionnaire, the list of custodians to be searched by the defendants using agreed search terms and date ranges. In addition, under the heading 'Other individuals' the defendants stated:

> "In accordance with the directions given in the 2 December 2022 Order, D1-D3 will also search the emails stored on LzLabs GmbH server which have been sent to or received from the email accounts of Justin Bendich, David Bond, Roger Bowler, Ira Broussard, Simon Rupf, Tommy Sprinkle, Brad Taylor, Stephen Towns, Gary Trinklein, Richard Parkinson, Paul Viebrock (the "D1/D3 Individuals") and the email accounts of Martin Bleach,

> Jeff Calhoun, Tom Grieve, Kevin Lynch, Bob Maddison, Simon Payne, Alan Playford, Gary Whittingham and Michael Wilkins (the "D2 Individuals").
>
> D1-D3 will exclude from any search, any documents in email repositories other than where an email is recorded as being to, from, cc or bcc an email address with a "@winsopia" domain name (or any known personal email address associated with any D2 Individual or D2 Custodian) and an email address with a "@lzlabs" domain name (or any personal email addresses associated with any D1/D3 Individual, D1 Custodian or D3 Custodian).
>
> D1-D3 will refine the data set requiring manual review by applying keyword search terms, date ranges and exclusionary filters for obviously irrelevant and/or privileged communications. Records will be kept of such exclusionary search terms."

8. The claimant's application is for a variation to the order for extended disclosure under paragraph 18 of Practice Direction 57AD, which provides:

> "18.1 The court may at any stage make an order that varies an order for Extended Disclosure. This includes making an additional order for disclosure of specific documents or narrow classes of documents relating to a particular Issue for Disclosure.
>
> 18.2 The party applying for an order under paragraph 18.1 must satisfy the court that varying the original order for Extended Disclosure is necessary for the just disposal of the proceedings and is reasonable and proportionate (as defined in paragraph 6.4)."

9. Paragraph 6.4 of Practice Direction 57AD provides that an order for extended disclosure must be reasonable and proportionate having regard to the overriding objective including the following factors: -

   i) the nature and complexity of the issues in the proceedings;

   ii) the importance of the case, including any non-monetary relief sought;

   iii) the likelihood of documents existing that will have probative value in supporting or undermining a party's claim or defence;

   iv) the number of documents involved;

   v) the ease and expense of searching for and retrieval of any particular document (taking into account any limitations on the information available and on the likely accuracy of any costs estimates);

   vi) the financial position of each party; and

vii) the need to ensure the case is dealt with expeditiously, fairly and at a proportionate cost.

10. The ground for this application is the claimant's assertion that it is highly likely that further documents exist which have a probative value in supporting the claimant's claims and undermining the defendants' defences in relation to the issues of breach of the ICA and deliberate concealment. Based on disclosure given by the defendants to date, the claimant has provided further particulars of its case as set out in the particulars dated 23 June 2023.

11. The allegations include the following:

i) The defendants concealed from the claimant the connection between LzLabs and Winsopia through use of an intermediary to enter into the ICA and removal of references to Winsopia from public-facing materials.

ii) The defendants pretended that employees of Winsopia were employees of LzLabs. Employees of the defendants were required to use the '@winsopia.co.uk' e-mail domain when communicating with the claimant.

iii) The defendants purchased a used IBM mainframe so as to circumvent IBM's involvement.

iv) The defendants removed references to IBM materials in the CPX user interface.

v) The defendants set up a 'clean room', comprising the adoption of, and compliance with, a code of conduct, that prohibited anyone other than Winsopia employees from accessing the Winsopia mainframe and required 'scrubbing' to remove from any object code sent to LzLabs materials which could potentially form part of an IBM run-time environment. However, the code of conduct was amended to facilitate and conceal breaches of the ICA, and Winsopia employees were permitted to communicate via instant messages with certain LzLabs developers and through other intermediaries.

vi) The defendants created teams of LzLabs support engineers and QA engineers who were permitted to meet and communicate with Winsopia employees and LzLabs developers outside the restrictions of the original code of conduct.

vii) Individuals were regularly moved and also seconded between the first, second and third defendants.

Additional custodians

12. The additional custodians have been categorised by the claimant as (i) Winsopia employees, (ii) the Quality Assurance (QA) Team; and (iii) LzLabs developers.

13. As to the Winsopia employees, the claimant seeks an order to remove the '@Winsopia' limitation in respect of eight Winsopia custodians already included as 'Other individuals' in the DRD, so as to capture non e-mail communications such as Skype and phone messages. It further seeks to add Adrian Hudson as a new custodian.

14. Ms Vernon explains that these employees were responsible for working with the IBM mainframe software on the Winsopia mainframe. Messrs Payne, Hudson, Lynch, Grieve, Whittingham, Maddison and Playford were mainframe engineers, whose documents will likely shed light on Winsopia's use of the IBM mainframe software and whether such use involved practices which are prohibited by the ICA, such as reverse engineering. Messrs Parkinson and Bleach were quality assurance engineers, seconded from LzLabs to Winsopia, whose documents will likely shed light on whether Winsopia transferred parts of the IBM mainframe software outside of its enterprise in breach of the ICA or how the SDM was developed in conjunction with third parties.

15. Mr Weale, counsel for the claimant, submits that the extended disclosure order should be amended to include the above individuals. The defendants have already acknowledged that eight of the nine Winsopia employees are likely to hold relevant documents because they were included in the DRD (as 'Other individuals'). The defendants' disclosure to date has verified that those individuals are likely to hold relevant documents but the current application of the '@winsopia' limitation does not capture non e-mail communications; in particular, instant messages and phone messages, which are likely to have been used as informal back channels. Any additional burden on the defendants will be limited in view of the searches which have already been carried out to date.

16. As to the QA Team, the claimant seeks to add as custodians LzLabs employees who were associated with or had roles within the pre-sales, post sales and support teams, the QA team and sales, management and other technical roles. These employees are Messrs Do, Enderlin, Shepherd, Truebner, Corpes and Cross. The claimant's pleaded case is that members of the QA and related teams were permitted to carry out, assist or discuss with Winsopia discovery or development work which the codes of conduct ostensibly reserved to employees of Winsopia. This included accessing the Winsopia mainframe. It is said that the QA team operated with few, if any, restrictions on the information and materials to which they had access, including IBM proprietary materials, and that they extracted, processed and shared material from the Winsopia mainframe and IBM mainframe software with SDM developers in Lzlabs.

17. Mr Weale submits that the role of the QA team, and its conduct, are of importance to the issues in the case as set out in the further particulars referred to above. The individuals should be added as new custodians because the defendants' disclosure to date indicates that their documents are likely to be relevant and significant. Although they would be new custodians, any additional disclosure burden on the defendants would be tempered by the application of keywords and the use of de-duplication tools to remove the overlap between the QA team's documents and documents reviewed to date.

18. As to the LzLabs developers, the claimant seeks to add as custodians LzLabs employees who acted as developers: Messrs Taylor, Bond, Bowler, Baird and Yuzhakov. Messrs Taylor, Bond and Bowler were included as 'Other individuals' in the DRD but the application of the '@winsopia' limitation only captured emails sent to or from the LzLabs developers to an @winsopia email address, or to a Winsopia custodian or 'Other individual'. It did not capture emails sent by one LzLabs developer to another LzLabs developer, another LzLabs employee or a third party involved in the development of the SDM. The defendants' disclosure indicates that Messrs Taylor and

Bond were SDM developers who were seconded to Winsopia, where it is said that they had access to the Winsopia mainframe and the IBM mainframe software.

19. Mr Weale submits that the LzLabs developers were directly involved in the matters which are of central importance to the issues in dispute and/or are implicated in breaches of the ICA or concealment of such breaches. Given the very limited number of LzLabs developers currently included in the list of custodians, the inclusion of six further custodians is proportionate. The burden on the defendants will be tempered by the application of keywords and the use of de-duplication tools to remove the overlap with any communications to which existing custodians were party.

20. Mr Stewart KC, leading counsel for the defendants, submits that the application should be dismissed on the ground that it involves a vast amount of additional documentation which, if ordered to be produced, would involve enormous additional cost as well as very substantial disruption to the existing timetable and unjustified diversion of the defendants' resources.

21. He submits that detailed and careful consideration was given by Waksman J to an appropriate timetable to trial and the appropriate number of custodians. After such consideration, the court ordered that there should be fourteen core and critical individuals from the defendants obliged to provide unfiltered disclosure and twenty-one other individuals who would provide disclosure subject to the '@winsopia' filter. The claimant identified the core and critical custodians in its submissions dated 11 November 2022 and there was an opportunity to test this by provision of advance disclosure by the defendants.

22. Ms Scott explains that the fourteen current custodians in the DRD have had all their e-mail communications data from OneDrive, Microsoft Teams Chat, Skype and Cisco Jabber, and any work and relevant personal mobile devices harvested. MP3 and Webex call recordings, Webex chat records and data from Cisco jabber have also been collected. The twenty-one individuals subject to the '@winsopia' filter have had their emails searched and reviewed insofar as they were sent to, from, CC or BCC an e-mail address with an @Winsopia domain, or any known personal e-mail address associated with any existing Winsopia custodians, or the Winsopia individuals from within the pool of twenty-one other individuals. The defendants have already incurred costs of £15 million approximately on disclosure; any further searches would add £millions more to the bill.

23. Mr Stewart submits that it is extremely unlikely that the documents produced from additional searches are necessary for the just disposal of the proceedings, given the enormous quantities of documents already produced. The making of an order as sought is extremely unlikely to allow any legitimate case to be established if it could not otherwise be done on the material currently available. It would severely prejudice the defendants and would be likely to effect an injustice rather than assist the just disposal of the proceedings.

24. The starting point for the court is that any extension of disclosure to add the additional custodians would be a departure from the agreed and approved DRD, which already provides for disclosure in respect of identified custodians, over agreed date ranges, using agreed search terms. Against that background, it is incumbent on the claimant to satisfy the test in paragraph 18 of Practice Direction 57AD that varying the original

order for extended disclosure is necessary for the just disposal of the proceedings and is reasonable and proportionate as defined in paragraph 6.4.

25. The particulars served by the claimant plead, with references to disclosed documents, that secondment of LzLabs employees to Winsopia was one of the ways in which the clean room processes were subverted because it allowed secondees to act as conduits between LzLabs and Winsopia. There was a lack of transparency as to the regular movement of employees back and forth between the corporate defendants and the roles in which they acted. Further, the particulars allege that the code of conduct was amended to facilitate and conceal breaches of the ICA, and that the defendants used a number of alternative channels of communication, including instant messages and phone messages, to circumvent the code of conduct and avoid scrutiny from the claimant. The defendants deny any wrongdoing. Their position is that the claimant has misunderstood or misinterpreted the documents on which it relies and that the proposed additional custodians did not have the software development or other roles alleged.

26. The court is not in a position to determine the merits of these substantive issues. For the purposes of the application, I am satisfied that the claimant has established the relevance and significance to the disclosure issues of communications between Winsopia and LzLabs employees, and between those who worked as secondees or as intermediaries between Winsopia and LzLabs. The individuals the subject of the application are not included in the current list of full custodians and the potential significance of their communications, based on the claimant's interpretation of the disclosed documents, would not have been obvious at the time of the DRD. On that basis I am satisfied that it is likely that the categories of documents sought exist and will have probative value in supporting or undermining the claim or defence.

27. The question that then arises is what, if any, order would be reasonable and proportionate in these circumstances, and whether it would be necessary for the just disposal of the proceedings.

28. It is not in question that these proceedings are complex and high value. The allegations on each side are serious with potentially far-reaching consequences. It does not follow that the parties should have free rein in pursuing every avenue of investigation that might be of interest. As with all litigation, the court must ensure that the case is dealt with expeditiously, fairly and at a proportionate cost. In respect of this application, the court is acutely aware of the pressures already bearing down on the parties, having regard to the trial date of April 2024 and the work that remains outstanding to prepare for the trial.

29. I have regard to the potential number of documents involved and the associated time, effort and costs of the same. Ms Scott states that the additional custodians would result in an unmanageable volume of at least 76,000 further documents to be reviewed based on existing collected documents, and a further approximate 247,000 mailbox documents based on extrapolation for individuals in respect of whom mailbox data would need to be collected and a further 73,000 from other document sources giving an estimate total amount of 396,000 custodian documents. However, Mr Weale stresses that these estimates fail to take into account the impact of de-duplication and the claimant's application is limited to the custodial documents of the relevant individuals, namely, their communications; it does not extend to all files held by those individuals. This would reduce the likely number of additional documents to approximately 35,000.

30. Against that background, I turn to consider the categories of additional custodians sought by the claimant.

31. As to the Winsopia employees, the context is that the defendants have already disclosed relevant documents from six Winsopia Custodians: John Bray, Chris Palmer, Keith Rastall, Francesco Vitale, Mark Cresswell and Thilo Rockmann without the application of the '@Winsopia' filter. The material disclosed from those custodians has enabled the claimant to plead detailed particulars of its factual case on breach of the ICA and concealment. The claimant has not made out a good case for extending the ambit of the searches to be carried out against the 'Other individuals' identified in the DRD or to Mr Hudson. As submitted by the defendants, their emails have already been searched in so far as they were within the Winsopia domain and it would be oppressive to impose on the defendants the extensive additional searches now proposed.

32. As to the QA Team, the context is that the defendants have already disclosed documents from LzLabs custodians involved in management, administration and post sales, including: Thilo Rockmann, Mark Cresswell, Christian Wehrli, Jan Jaeger and Bryan Young. However, I consider that the claimant has identified documentary evidence indicating that LzLabs individuals with a QA role had access to the Winsopia mainframe and worked on SDM development. That is a new allegation and has not been the focus of earlier disclosure. On that basis, I consider that it would be reasonable and proportionate for the defendants to be ordered to include Martin Truebner and Damon Cross as additional custodians.

33. As to the LzLabs developers, again the context is that the defendants have already disclosed documents from LzLabs custodians involved in SDM development, including: Jan Jaeger, Bryan Young, Chris Cole, Tom Harper and Eric Spencer. However, I consider that the claimant has identified documentary evidence indicating that LzLabs SDM developers were seconded to Winsopia, which could support the claimant's case that the code of conduct was amended or not followed so as to facilitate breaches of the ICA. The defendants agree that Brad Taylor was seconded to Winsopia. They dispute that David Bond was similarly seconded but I note that he was named as a secondee in a Supply of Staff Agreement dated 14 August 2014. On that basis, I consider that it would be reasonable and proportionate for the defendants to be ordered to include Brad Taylor and David Bond as additional custodians.

Email distribution lists

34. The claimant seeks information about the e-mail distribution lists which it contends were used to conceal the ultimate recipients of emails. It submits that without that information it will have an incomplete and misleading picture as to the role and involvement of relevant individuals, the extent to which information about ICA programmes was transferred in breach of the ICA, and the extent to which the clean room procedures adopted by the defendants were breached.

35. The defendants oppose that application on the basis that the defendants have provided details of current distribution lists. What the claimant now seeks is details of all historic distribution lists with details of who was added, who was removed and when, over a ten year period. This is both unnecessary and oppressive as set out in Ms Scott's eighteenth witness statement. If there are real issues as to whether a particular e-mail went to a particular person, these can more appropriately be resolved on an ad hoc basis.

36. The court refuses this part of the application for the reasons relied on by the defendants. The e-mail distribution lists are not said to be relevant documents in their own right but rather to reveal the individuals who were in receipt of relevant information. This has all the indications of a trail of inquiry, as might be provided for under extended disclosure Model E, which is ordered only in exceptional circumstances. The approach taken by the parties in the DRD was the identification of appropriate custodians with agreed searches within agreed date ranges against agreed disclosure issues. It did not provide for Model E disclosure and exceptional circumstances have not been established by the claimant. To the extent that the claimant seeks to establish the involvement of relevant individuals and the extent to which there were any breaches, it already has the benefit of very extensive disclosure based on the agreed and approved DRD. It is not reasonable or proportionate, or necessary for the just resolution of the issues in this case for the further information sought to be ordered.

37. For the reasons set out above, Martin Truebner, Damon Cross, Brad Taylor and David Bond shall be added as custodians and the defendants shall give extended disclosure using the agreed search terms in accordance with the DRD by 20 October 2023.

Defendants' CSP/PowerPoint application

38. By application dated 10 July 2023, the defendants seek an order that:

    i) the claimant shall serve on the defendants a witness statement given by a senior officer of the claimant and signed with a statement of truth in accordance with CPR Part 22, setting out the following information:

        a) the names and roles of the 16 members of IBM Corp who undertook the search, selection, review and extraction of records from the CSP System (the "IBM Corp Personnel");

        b) a full explanation of how the search, selection, review and extraction of records from the CSP System were undertaken;

        c) confirmation that the claimant's search, selection, review and extraction of CSP records in respect of the second tranche of disclosure given on 14 June 2023 was run across the "third dataset" identified in paragraph 17 of the letter from the claimant's solicitors to the defendants' solicitors dated 13 June 2023;

    ii) the claimant shall serve on the defendants a Disclosure Certificate or Certificates in accordance with paragraph 12 of Practice Direction 57AD which is signed by each of the IBM Corp Personnel in respect of all disclosure from the CSP System;

    iii) the claimant shall provide live inspection of the CSP System to the defendants' representatives at the defendants' solicitors offices in London;

    iv) the claimant shall identify additional employees with responsibility for collating post-incident debrief presentations and conduct a further search for post-incident presentations with additional custodians and search terms.

39. The application is supported by the third witness statement of Ms Huts dated 10 July 2023. The claimant's response to the application is set out in the tenth witness statement of Mr Pantlin dated 14 July 2023.

40. In the DRD, the claimant agreed that it would provide a response to a Model C request, requiring it to disclose the customer support portal ("CSP") records. At the May CMC, the claimant's application to relax the requirements for disclosure was dismissed by the court and the claimant was ordered to provide such disclosure.

41. On 14 June 2023, the claimant provided an extended disclosure certificate stating that pursuant to the court's orders:

    i) the claimant provided the first tranche of its disclosure of the CSP repository on 28 May 2023;

    ii) the claimant provided its disclosure of post-incident debrief PowerPoint presentations on 2 June 2023; and

    iii) the claimant provided the second tranche of its disclosure of the CSP repository on 14 June 2023.

42. The extended disclosure certificate set out the search terms used across the repositories and Mr Pantlin signed the certificate against the following declaration:

> "I certify for and on behalf of the Claimant that I am aware of and, to the best of my knowledge and belief, have complied with the Claimant's duties under Practice Direction 57AD, including having:
>
> A) taken and caused to be taken reasonable steps to preserve documents in the Claimant's control that may be relevant to any issue in the proceedings;
>
> B) disclosed documents I am aware (or, in the case of a company or organisation, of which the company or organisation is aware, within the meaning of paragraph 2.9 of Practice Direction 57AD) are or have been in the Claimant's control and adverse to the Claimant's case on any issue in the proceedings, unless they are privileged;
>
> C) undertaken and caused to be undertaken any search for documents in a responsible and conscientious manner to fulfil the stated purpose of the search and in accordance with the Claimant's obligations as set out in Practice Direction 57AD and the Orders of Mr Justice Waksman dated 22 October 2022, and 22 February 2023 and 20 March 2023, and the Orders of Mrs Justice O'Farrell dated 24 May 2023 and 7 June 2023;
>
> D) acted honestly in relation to the process of giving disclosure;

> E) used reasonable efforts to avoid providing documents to another party that have no relevance to the Issues for Disclosure in the proceedings.
>
> F) produced electronic copies of documents in their native format, in a manner which preserves metadata and produced disclosable hard copy documents by providing scanned versions or photocopied hard copies.
>
> I certify on behalf of the Claimant that I am aware of and, to the best of my knowledge and belief, have complied with the Orders of Mr Justice Waksman dated 22 October 2022, and 22 February 2023 and 20 March 2023, and the Orders of Mrs Justice O'Farrell dated 24 May 2023 and 7 June 2023.
>
> …
>
> I am aware that proceedings for contempt of court can be brought against me if I sign a false Disclosure Certificate without an honest belief in its truth."

43. The certificate contained the following notes, as set out in the form of disclosure certificate in Appendix 4 to Practice Direction 57AD:

> "If the party making disclosure is a company or other organisation, the person signing this Disclosure Certificate should be someone from within the organisation with appropriate authority and knowledge of the disclosure exercise or the party's legal representative. This person will have received confirmation from all those people with accountability or responsibility within the company or organisation either for the events or circumstances the subject of the case or for the conduct of the litigation that they have provided for disclosure all adverse documents of which they are aware, and will have taken reasonable steps to check the position with any such person who has since left the company or organisation. Identify here who the person making the disclosure statement is and why he or she is the appropriate person to make it."

44. Mr Pantlin signed the certificate, stating:

> "I am the Partner at Quinn Emanuel Urquhart & Sullivan UK LLP who was responsible for overseeing the Claimant's disclosure of documents as set out above."

45. In his tenth witness statement, Mr Pantlin provided further details of the individuals at IBM Corp who carried out the extraction of the CSP records, including confirmation that the CSP search was run across the third dataset as sought by the defendants.

46. Mr Riordan, counsel for the defendants, submits that the claimant has refused to provide a proper disclosure certificate in respect of the CSP records or confirm who undertook

the exercise. The defendants are concerned that the CSP disclosure given by the claimant may be incomplete. Since the May CMC hearing, the claimant has reneged on its offer to supply live inspection of the CSP system and has refused to agree practical arrangements for such inspection. The claimant's search for PowerPoint presentations elicited just nine files in contrast to the tens of millions of customer incidents recorded in the CSP system. The defendants consider that this is because the claimant has picked the wrong custodians, the wrong search terms and an arbitrary date range for the searches.

47. Mr Weale submits that the application is based on mere speculation by the defendants about (i) the adequacy of C's disclosure in relation to CSP to date, and (ii) the relevance and probity of the additional disclosure and information which they now seek. It should be dismissed both on its merits and because it seeks, without any proper basis, to re-open matters upon which the court has already ruled.

48. Mr Riordan accepted that he could not go so far as to say that the CSP disclosure was carried out contrary to the court's order but expressed concern that Mr Pantlin signed the extended disclosure certificate stating that he was responsible for overseeing the process in circumstances where he did not actively participate in the CSP documents extraction exercise, which was carried out by sixteen IBM Corp employees as explained in Mr Pantlin's statement.

49. This is not a proper basis on which to seek to go behind the disclosure certificate signed by a solicitor with conduct of the case. The CPR does not require a solicitor overseeing disclosure, particularly on the scale of these proceedings, to be physically present and actively supervise each stage of the exercise. In the absence of any identified gaps or errors in the disclosure, it is purely speculative and without merit.

50. As to the application for live inspection of the CSP system, this was offered by the claimant as part of its application at the May CMC as an alternative to manual extraction and production of the CSP records. The defendants opposed that application. The court ruled in favour of the defendants, holding the claimant to its initial agreed and approved DRD obligations. That does not involve live inspection of the CSP system. The court would be content for the parties to agree to a form of live inspection but, in the absence of such agreement, is not prepared to impose and/or police it. The defendants have not established that such live inspection is reasonable and proportionate or necessary for the just disposal of the proceedings.

51. As to the order sought in relation to post-incident debrief presentations, the order made by the court was that the claimant was required to conduct a reasonable search limited to PowerPoint file types (.ppt, .pptx) for post-incident debrief presentations that contain any of the search terms identified in the order and limited to the custodians identified in the DRD. It is not disputed that the claimant complied with that order. Further the claimant also searched for and disclosed responsive documents in relation to additional file types, namely, .oddp, .pptm, .potx, .pot, .ppsx, .pps, .ppsm, .key file types. Mr Pantlin confirms that no date range restrictions were applied and that the searches were carried out across all the claimant's custodians identified in the DRD using the search terms required by the May order.

52. The defendants' application is premised on the limited number of documents disclosed but they have failed to identify any specific gaps in the disclosure or errors in the

disclosure exercise carried out by the claimant. This application is purely speculative and is dismissed.

Defendants' de-designation application

53. By application notice dated 2 May 2023 the defendants seek an order, amending the confidentiality status of parts of the claimant's disclosure which they consider were improperly designated as confidential for the purpose of the Confidentiality Order.

54. The claimant has re-designated some of the documents initially identified as confidential but there are 123 documents falling into three categories in respect of which the designation remains in dispute:

    i) Confidential Customer Information - 17 documents;

    ii) Inner Confidentiality Ring Information - 28 documents;

    iii) Outer Confidentiality Ring Information - 78 documents.

55. The parties had asked the court to deal with this application in writing but the court decided that it should be dealt with at a hearing because none of the documents in dispute was provided to the court so as to enable it to determine the appropriate level of confidentiality, if any, to be applied. Further, the submissions contained redactions, preventing the court from considering the respective positions of the parties. Happily, the parties have now provided the court with unredacted versions of their written submissions and copies of the relevant documents. The court also had the benefit of 'speed submissions' from Mr Riordan and Mr Weale at the hearing.

56. The defendants' position is that none of the 123 documents has been properly categorised as confidential. Certain of the documents show details of a campaign being conducted against the SDM by the claimant and IBM Corp in the marketplace. It is said that there is no basis for restricting the defendants' ability to see such documents. A general theme is that the claimant has sought to designate documents as confidential merely because they are internal business documents, or show correspondence between the claimant and third parties, without seeking to justify why those documents merit protection as confidential information, still less that they are so sensitive as to meet the criteria required for designation as Inner Confidentiality Ring or Customer Confidential Information. The documents designated Outer Confidentiality Ring Information are not properly considered confidential; they are responses to enquiries from the marketplace about the SDM, relate to public industry events hosted by IBM or are in the nature of administrative or marketing discussions that are not confidential in nature.

57. The claimant resists the application and maintains that its designations are appropriate in light of the letter and the spirit of the Confidentiality Order. It submits that the application is premature, unsupported by evidence and fails to identify any legitimate basis for challenging the claimant's designation of the documents. The Customer Confidential Information designated documents reveal aspects of the business and commercial strategy of some of the claimant's customers. Although some of the documents refer to discussions which the defendants had with the claimant's customers, the fact of reporting these remains confidential as against the defendants and the public. The Inner Confidentiality Ring designated documents relate to internal commercial

strategy discussions within and between the claimant and other IBM entities in relation to LzLabs and the SDM. They are commercially and competitively sensitive documents and remain confidential as regards the defendants and the public. The Outer Confidentiality Ring designated documents, while not so commercially sensitive as to warrant Inner Confidentiality Ring designation, nevertheless require at least the minimum degree of protection afforded by the Confidentiality Order as against the public and individuals within the defendants.

58. The Confidentiality Order made by Waksman J dated 21 December 2022 contained the following provisions:

> "1.1.2 'Confidential Customer Information' means:
>
> (a) any information contained or identified in any document:
>
> (i) which relates and/or refers to Source Code Information of a customer, potential customer, business partner, or third party; or
>
> (ii) which is otherwise proprietary or confidential to, and/or protected by confidentiality arrangements in place with customer, potential customer, business partner, or other third party.
>
> 1.1.9 'Inner Confidentiality Ring Information' means:
>
> (a) documents (or any part thereof) that have been or are to be disclosed by a Party to these Proceedings and that (i) are designated by the disclosing Party as Inner Confidentiality Ring Information in writing in accordance with paragraph 7 of this Confidentiality Order, or (ii) are designated as Inner Confidentiality Ring Information by the Court; and
>
> (b) documents (or any part thereof) which contain or otherwise disclose Inner Confidentiality Ring Information falling within paragraph 1.1.9(a), above, but excluding a redacted version or copy of such a document which does not contain or otherwise disclose any such content.
>
> Inner Confidentiality Ring Information shall include but shall not be limited to:
>
> (c) all copies, extracts and complete or partial summaries of the Inner Confidentiality Ring Information, together with portions of transcripts or any Confidential Proceedings Document and exhibits or annexes that contain or otherwise disclose the Inner Confidentiality Ring Information;
>
> (d) portions of Inner Confidentiality Ring Information filed at Court or served on another Party;

and

(e) any information, findings, data or analysis derived from or containing or otherwise disclosing the Inner Confidentiality Ring Information,

provided that in all instances set out above: (i) Inner Confidentiality Ring Information is information which by its nature is highly sensitive commercial information that is reasonably necessary and proportionate to designate as Inner Confidentiality Ring Information in accordance with the terms of this Order and (ii) the designating Party has an honest and reasonable belief as to the designation acting in good faith.

1.1.12 'Outer Confidentiality Ring Information' means:

(a) documents (or any part thereof) that have been or are to be disclosed by a Party to these Proceedings and that (i) are designated by the disclosing Party as Outer Confidentiality Ring Information in writing in accordance with paragraph 7 of this Confidentiality Order, or (ii) are designated as Outer Confidentiality Ring Information by the Court; and

(b) documents (or any part thereof) which contain or otherwise disclose Outer Confidentiality Ring Information falling within paragraph 1.1.12(a), above, but excluding a redacted version or copy of such a document which does not contain or otherwise disclose any such content.

Outer Confidentiality Ring Information shall include but shall not be limited to:

(c) all copies, extracts and complete or partial summaries of the Outer Confidentiality Ring Information, together with portions of transcripts or any Confidential Proceedings Document and exhibits or annexes that contain or otherwise disclose the Outer Confidentiality Ring Information;

(d) portions of Outer Confidentiality Ring Information filed at Court or served on another Party;

(e) documents which contain special categories of personal data within the meaning of Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 (the General Data Protection Regulation); and

(f) any information, findings, data or analysis derived from or containing or otherwise disclosing the Outer Confidentiality Ring Information.

> 1.1.18 'Source Code Information' means:
>
> (a) any Confidential Information insofar as it consists of computer source code (whether written in a high-level language, low level-language, Assembler or other instructions) and related instructions and associated metadata;
>
> (b) Winsopia Responses; and
>
> (c) Requests sent from the First Defendant to the Second Defendant through the DR System,
>
> unless upon the agreement of the Parties or an application to the Court it is determined that some or all of the information in paragraphs (b) and (c) above should not be treated as Source Code Information.
>
> 1.1.19 'Winsopia Response' means any information sent from the Second Defendant to the First Defendant through the "Discovery Request system" (as provided for in the Services Agreement dated 4 December 2013 between the First and Second Defendants (the "DR System")) and any attachments to a Winsopia Response (including any attachment that was sent separately from the corresponding Winsopia Response due to attachment size constraints in the DR System)."

59. Source Code Information, Confidential Customer Information and Inner Confidentiality Ring Information is made available only to the Inner Confidentiality Ring members.

60. Inner Confidentiality Ring members include: (i) external legal advisers and counsel who have signed a confidentiality undertaking; (ii) necessary secretarial and/or other support personnel working under supervision of such legal advisers; (iii) external technical experts who have signed a confidentiality undertaking; and (iv) necessary support personnel working under the supervision of the external experts who have signed a confidentiality undertaking.

61. Outer Confidentiality Ring members include: (i) Inner Confidentiality Ring members; (ii) for each of the claimant and first to third defendants, up to two named officers who have signed a confidentiality undertaking; (iii) the fourth and fifth defendants; and (iv) necessary secretarial and/or other support personnel working under the supervision of the external legal advisers.

62. The parties are required to keep the designation of confidential documents under review and to de-designate documents as soon as reasonably practicable where appropriate.

63. The relevant principles are set out in the Court of Appeal decision, *Oneplus Technology (Shenzhen) Co, Ltd v Mitsubishi Electric Corp* [2020] EWCA Civ 1562 (CA) per Floyd LJ:

> "[39] Drawing all this together, I would identify the following non-exhaustive list of points of importance from the authorities:
>
> i) In managing the disclosure of highly confidential information in intellectual property litigation, the court must balance the interests of the receiving party in having the fullest possible access to relevant documents against the interests of the disclosing party, or third parties, in the preservation of their confidential commercial and technical information: *Warner-Lambert* at page 356; *Roussel* at page 49.
>
> ii) An arrangement under which an officer or employee of the receiving party gains no access at all to documents of importance at trial will be exceptionally rare, if indeed it can happen at all: *Warner-Lambert* at page 360: *Al Rawi* at [64].
>
> iii) There is no universal form of order suitable for use in every case, or even at every stage of the same case: *Warner-Lambert* at page 358; *Al-Rawi* at [64]; *IPCom 1* at [31(ii)].
>
> iv) The court must be alert to the fact that restricting disclosure to external eyes only at any stage is exceptional: *Roussel* at [49]; *Infederation* at [42].
>
> v) If an external eyes only tier is created for initial disclosure, the court should remember that the *onus* remains on the disclosing party throughout to justify that designation for the documents so designated: *TQ Delta* at [21] and [23].
>
> vi) Different types of information may require different degrees of protection, according to their value and potential for misuse. The protection to be afforded to a secret process may be greater than the protection to be afforded to commercial licences where the potential for misuse is less obvious: compare *Warner-Lambert* and *IPCom 1*; see *IPCom 2* at [47].
>
> vii) Difficulties of policing misuse are also relevant: *Warner-Lambert* at 360; *Roussel* at pages 51-52.
>
> viii) The extent to which a party may be expected to contribute to the case based on a document is relevant: *Warner-Lambert* at page 360.
>
> ix) The role which the documents will play in the action is also a material consideration: *Roussel* at page 49; *IPCom 1* at [31(ii)].

> x) The structure and organisation of the receiving party is a factor which feeds into the way the confidential information has to be handled: *IPCom 1* at [33].
>
> [40] To this I would add that the court must be alert to the misuse of the opportunity to designate documents as confidential. It remains the case that parties should not designate such material as AEO, even initially, unless they have satisfied themselves that there are solid grounds for establishing that restricting them in that way is necessary to protect their confidential content."

Confidential Customer Information - 17 documents

64. The claimant submits that the 17 documents are correctly designated as Customer Confidential Information pursuant to paragraph 1.1.2(a)(ii) of the Confidentiality Order because they all contain information which is proprietary or confidential to, and/or protected by confidentiality arrangements in place with a customer, potential customer, business partner, or other third party.

65. I have considered the documents and reach the following determination as to their categorisation:

    i) CLA-001752, CLA-001753 and CLA-001760 contain customer-specific mainframe specification requirements, which on their face are commercially sensitive and confidential. The defendants suggest that they are based on proposals which LzLabs sent to the customer and which were then forwarded to the claimant. If that is correct, the defendants must have access to such documents. Regardless, they are correctly designated as Customer Confidential Information.

    ii) CLA-001766, CLA-001771 and CLA-001765 are slides and a covering email concerning IBM's analysis of LzLabs and IBM, prepared in confidence for a customer. It does not contain customer confidential information but is a confidential communication with the customer and is correctly designated as Customer Confidential Information.

    iii) CLA-001826 and CLA-001828 are communications between the claimant and a customer regarding commercial negotiations. They are correctly designated as Customer Confidential Information.

    iv) CLA-001635, CLA-001636, CLA-001637, CLA-001638, CLA-001640, CLA-001641 and CLA-001642 form part of an internal email chain containing confidential information for a client. It does not contain customer confidential information but is prepared for the purpose of a confidential communication with the customer and is correctly designated as Customer Confidential Information.

    v) CLA-001708 and CLA-001709 are communications between the claimant and a customer regarding LzLabs but also containing confidential information about the claimant's business. They are correctly designated as Customer Confidential Information.

Inner Confidentiality Ring Information - 28 documents

66. The claimant submits that the 28 documents are correctly designated as Inner Confidentiality Ring Information pursuant to paragraph 1.1.9(e) of the Confidentiality Order because they all contain information which by its nature is highly sensitive commercial information that is reasonably necessary and proportionate to designate as Inner Confidentiality Ring Information.

67. I have considered the documents and reach the following determination as to their categorisation:

    i) CLA-001589, CLA-001591, CLA-001593, CLA-001594, CLA-001595 and CLA-001605 are internal email chains containing confidential information prepared for the purpose of advising clients and are correctly designated as Inner Confidentiality Ring Information.

    ii) CLA-001710 is an internal discussion by the claimant as part of its commercial strategy for a client. As such, it is correctly designated as Inner Confidentiality Ring Information.

    iii) CLA-001713, CLA-001716, CLA-001717, CLA-001718, CLA-001719, CLA-001722, CLA-001723, CLA-001728, CLA-001729, CLA-001784 and CLA-001785 are internal discussions by the claimant concerning its commercial strategy for clients. As such, they are correctly designated as Inner Confidentiality Ring Information.

    iv) CLA-001779, CLA-001783, CLA-001786, CLA-001787, CLA-001788, CLA-001789, CLA-001797, CLA-001798 and CLA-001800 are internal discussions by the claimant concerning LzLabs and its commercial strategy for clients. As such, they are correctly designated as Inner Confidentiality Ring Information.

    v) CLA-001807 comprises the claimant's internal presentations relating to the development of a product. The defendants state that the service under consideration went live on or around 30 June 2022 but that does not detract from the confidentiality of the internal presentations discussing the claimant's strategy for the product. The documents are correctly designated as Inner Confidentiality Ring Information.

Outer Confidentiality Ring Information - 78 documents

68. The claimant submits that the 78 documents are correctly designated as Outer Confidentiality Ring Information pursuant to paragraph 1.1.12 of the Confidentiality Order because they all contain information which is confidential and/or commercially sensitive warranting protection beyond CPR 31.22.

69. I have considered the documents and reach the following determination as to their categorisation:

    i) CLA-001585, CLA-001598, CLA-001600, CLA-001601, CLA-001606, CLA-001608, CLA-001668, CLA-001675, CLA-001677, CLA-001727, CLA-001731, CLA-001738 and CLA-001746 are identical versions of the same letter

sent by IBM Corp to clients or potential clients, setting out its reaction to the LzLabs SDM offering. The letters are not marked confidential and do not contain confidential information about the claimant, IBM Corp or the clients. Therefore, they should be removed from the confidentiality ring, together with a covering email at CLA-001607.

ii) CLA-001474, CLA-001475 and CLA-001476 are emails concerning the agenda and attendees at the Enterprise Systems Summit in 2016. They do not contain any confidential information and they should be removed from the confidentiality ring.

iii) CLA-001806 is a covering email in respect of the development of IBM product offerings. It is confidential and commercially sensitive information and is properly designated as Outer Confidentiality Ring Information.

iv) The other documents the subject of the application (including CLA-001609) are internal discussions regarding LzLabs or discussions with clients regarding LzLabs and relate to IBM's commercial strategy. They are properly designated as Outer Confidentiality Ring Information.

Points arising out of the July CMC and draft order

70. There is a dispute between the parties as to the date by which the claimant should give disclosure of Mr Anzani's documents. The court considers that such disclosure should be given by 22 September 2023.

71. In my judgment following the July 2023 CMC, I decided that, in the light of the deletion of Mr Knight's documents, the claimant should extract, process and search the .nsf files of Mr Roseblade, Mr Bates, Mr Wilson and Mr Ball. Unfortunately, it has since transpired that the documents of Mr Bates, Mr Wilson and Mr Ball have also been deleted.

72. Mr Pantlin has produced a twelfth witness statement dated 15 August 2023, identifying an alternative individual, Mr Ian Lyon, whose .nsf file would be available for extraction. He explains that Mr Lyon works in the claimant's sales team and was the sales manager to whom Mr Knight reported.

73. The defendants are not satisfied that Mr Lyon is a satisfactory substitution for Messrs Bates, Wilson and Ball, who were themselves substitutes for Mr Knight.

74. In these circumstances, the court considers that it would be appropriate for the claimant to provide information to the defendants as to Mr Knight's position and role in the company, his team, his line manager and any other relevant individuals, so that the defendants can consider appropriate individuals as substitute custodians.

Claimant's Inner Confidentiality Ring application

75. By application dated 8 August 2023, the claimant seeks an order that Robert Jones and George Burgess each become an Inner Confidentiality Ring Member pursuant to paragraphs 1.1.10(d) and 6.1.5 of the Confidentiality Order of Waksman J dated 21 December 2022.

76. The claimant relies on the information set out in the application notice and the fourteenth witness statement of Ms Vernon dated 15 August 2023. The application is opposed by the defendants who rely upon the nineteenth witness statement of Ms Scott dated 14 August 2023.

77. The claimant's position is that Mr Jones and Mr Burgess have specialist IBM mainframe expertise that is relevant to the task that the claimant and its external experts are required to undertake in reviewing the defendants' technical disclosure. Ms Vernon explains that Mr Burgess and Mr Jones will provide support for the claimant's external experts in their review of the defendants' disclosure and preparation of the experts' reports. Mr. Burgess and Mr. Jones have relevant knowledge of the IBM mainframes and IBM mainframe software, having worked at IBM companies over a number of years as these technologies developed. It is necessary for the external experts to have support from people with a high degree of familiarity with the IBM mainframe software in order to fully and properly assess the use of it in circumstances where no one at IBM is permitted access to the inner confidentiality ring or source code confidential information.

78. Ms Vernon states that currently six members of the Inner Confidentiality Ring, namely Max Whitmore, Christabel Sitienei, Jon Chen, Stephen Chan, Liam Peers and Nethra Venkatesh, provide technical support, working under the direction of the claimant's external experts. However, she states that they do not have the necessary skillsets of Mr Jones or Mr Burgess.

79. The defendants object to the admission of Messrs Jones and Burgess to the Inner Confidentiality Ring on the basis that they both had multi-decade careers at IBM and only recently left. Mr Burgess spent a total of 25 years at IBM Laboratories United Kingdom and IBM Global Services China Software Group Sales and Delivery, as well as at the claimant, leaving in 2022. Mr Jones was employed by the claimant for over 20 years, and he spent a further five years at IBM Laboratories United Kingdom until August 2021. It is said that they are not sufficiently independent from the claimant, IBM Corporation, or other IBM group entities and they should therefore not be allowed access to the defendants' confidential and commercially sensitive information, namely the SDM source code.

80. The court appreciates the sensitivities raised by affording a competitor access to confidential and commercially sensitive information, including the source code of all parties. However, it is clear that there are few individuals who possess the necessary technical knowledge required for analysis of the technical documents and preparation of the expert evidence in this case. That is exemplified by the fact that three of the defendants' external experts are former employees of IBM. Ms Vernon has confirmed that neither Mr Burgess nor Mr Jones have any ongoing consultancy agreements with the claimant or any other IBM group entity.

81. Mr Burgess and Mr Jones will be supervised by the external, independent experts and will be required to sign the confidentiality undertaking. Those are sufficient safeguards and I grant permission for them to be admitted to the Inner Confidentiality Ring as necessary support personnel.

Conclusion

82. The parties are invited to draw up an agreed order reflecting the court's decisions set out above. All consequential and other matters, if not agreed, will be dealt with by the court at the next CMC.