IN THE HIGH COURT OF JUSTICE—CHANCERY DIVISION

Before: MR. JUSTICE BRIGHTMAN

26th November, 1975

IN THE SUPREME COURT OF JUDICATURE—COURT OF APPEAL

Before: THE MASTER OF THE ROLLS (LORD DENNING)
LORD JUSTICE ORMROD
LORD JUSTICE SHAW

2nd and 8th December, 1975

ANTON PILLER KG. *v.* MANUFACTURING PROCESSES LIMITED AND OTHERS*

Copyright — Confidential information — Passing off — Ex parte applications — Interlocutory injunctions — Order for inspection of defendants' premises — Circumstances in which ex parte order for inspection made — Operation of order for inspection — Effect of non-compliance with order — Inherent jurisdiction of court — Hearings in camera — Injunctions granted — Order for inspection made — Appeal allowed.

The plaintiffs were German manufacturers of sophisticated electrical components. The second and third defendants ran a company, the first defendants, which had been the plaintiffs' United Kingdom agents for the supply of its components. In this connection, the plaintiffs had supplied the first defendant with confidential information relating to such electrical components and with drawings, subject of copyright. The plaintiffs had discovered that the defendants had been in communication with third parties with the object of supplying drawings and other confidential material, so that components similar or identical to those manufactured by the plaintiffs could be manufactured by the third parties.

The plaintiffs sought ex parte relief to restrain the defendants from infringing copyright, passing off and misusing confidential information. The plaintiffs also sought an ex parte order that they might be permitted to enter the premises of the first defendant so as to inspect documents and remove them or copies of them. The plaintiffs represented that if the defendants were given notice of their application, they would take steps to destroy relevant documents or send them elsewhere so that there would be none in existence by the time the discovery was had in the action. Brightman, J. granted the relief sought by way of injunction but refused to make the order for inspection sought. The plaintiffs appealed.Both hearings were held in camera.

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* Also reported [1976] F.S.R. 129.

Held, *allowing the appeal,* (1) *that though at the extremity of the court's powers, the order for inspection sought would be made.*

(2) *That in enforcing the order, the plaintiff must act with great responsibility and circumspection.*

(3) (*per* **Lord Denning, M.R.**) *That such an order should only be made where it was essential that the plaintiff should have inspection so that justice could be done between the parties: and when if the defendant were forewarned, there was a grave danger that vital evidence would be destroyed.*

(4) *That the order sought was not a search warrant but merely an order that the defendants give the plaintiffs permission to inspect their premises. The defendants could refuse entry but at the risk of contempt proceedings. The plaintiffs could not force an entry.*

Entic *v.* Carrington (1765) 2 Wils. 275, *followed.*

East India Company *v.* Kynaston (1821) 3 Bli. 153, Hennessey *v.* Bohmann (1887) W.N. 14, *and* Morris *v.* Howell (1888) 22 L.R. Ir. 77, *considered.*

(5) (*per* **Ormrod, L.J.**) *That there were three essential pre-conditions for the making of such an order: first there must be an extremely strong prima facie case, secondly the damage, potential or actual, must be very serious for the applicant, and thirdly there must be clear evidence that the defendants have in their possession incriminating documents or things and that there is a real possibility that they may destroy such material before any application inter partes can be made.*

(6) (per **Shaw, L.J.**) *That the overriding consideration in the exercise of this jurisdiction was that it was to be resorted to only in circumstances where the normal processes of the law would be rendered nugatory if some immediate and effective measure was not available.*

By these ex parte applications, Anton Piller KG. sought to restrain Manufacturing Processes Limited, Bernard Preston Wallace, and Alfred Henry Stephen Baker from infringing their copyright in drawings passing off and misusing confidential information. The plaintiffs also sought an order for inspection of the first defendants' premises, the terms of the order sought being set out in the judgment of Brightman, J. The hearings both before Brightman, J. and the Court of Appeal were held in camera. The Court of Appeal gave judgment in public six days after making the order for inspection sought.

Hugh Laddie instructed by *Collyer-Bristow & Co.* (agents for *Band Hatton & Co.*, Coventry) appeared on both applications for the plaintiff.

Brightman, J.—It is of the essence of this case that the plaintiffs are seeking an emergency order against the defendants without the defendants being forewarned of the nature of the order until it is presented to them. For reasons which will become apparent I do not intend to name the parties to the suit. I invite the Press to take the same course over the next day or two if they have occasion to make any reference to this matter.

This is an action in respect of an alleged infringement of copyright, passing off and misuse of confidential information. The matter came before me yesterday afternoon as an ex parte motion claiming the usual injunctions until the motion can be heard inter partes, but also claiming what can best be described as a right to carry out a search of the defendants' premises.

The plaintiffs are manufacturers of sophisticated components used in certain expensive and advanced equipment. The second and third defendants run a small company which is the first defendant. The plaintiff appointed the defendants as United Kingdom agents for the supply of its components. There is strong prima facie evidence that the defendant company is now engaged in seeking to copy the plaintiffs' components for its own financial profit to the great detriment of the plaintiffs and in breach of the plaintiffs' rights. No problem arises in respect of ex parte injunctions over the next motion day. A problem does arise over the private search warrant. In exceptional or extreme circumstances the court has made an order ex parte requiring a defendant to permit the plaintiff access to the defendants' premises in order to search out and retain alleged infringing material and relevant documentary matter.

I have been referred to the judgment and order of Templeman, J. in a case, *EMI Ltd. and Others* v. *Pandit** [1975] 1 All E.R. 418 decided on 5th December last and to orders made by Goff, J. (as he then was) in *Pall Europe Ltd.* v. *Microfiltrex Ltd.*** decided on the 28th October of last year, and to orders made by Foster, J. in *A. & M. Records Inc.* v. *Darakdjian* decided on the 21st May of last year, and *E.M.I. Ltd.* v. *Khazan* decided on 3rd July of last year. All these orders were made ex parte. I am not able to tell what evidence was before the court in the cases before Goff, J. and Foster, J. The reason for making such orders ex parte is that the defendant is taken unaware before he has time to hide or destroy incriminating material.

I am prepared to grant injunctions in the present case in the terms of paragraphs 1, 2, 3 and 4 of the draft Minutes of Order over a limited period. I need not refer to the terms of those injunctions.I am not prepared to make an order in the terms sought by the final paragraphs of the draft Minutes. What is sought by those paragraphs is an order that the defendants permit such persons, not exceeding two, as may be duly authorised by the plaintiffs and members or employees, not exceeding two, of the plaintiffs' solicitors to enter forthwith the premises known as

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at any hour between 8 o'clock in the morning and 9 o'clock in the evening for the purpose of: (*a*) Inspecting all documents or articles relating to the design, manufacture, sale or supply of copies of the plaintiffs' equipment or parts thereof. (*b*) Removing into the plaintiffs' solicitors' custody (1) all original documents relating to the manufacture, operation or maintenance of the plaintiffs' equipment which documents have been supplied by the plaintiffs to the defendants; (2) all documents or articles relating to the design, manufacture, sale or supply of copies of the plaintiffs' equipment or parts thereof, save that the plaintiffs undertake that all documents or articles removed in pursuance of paragraph (*b*)(2) above will not be used by the plaintiffs save for the purposes of this action without the leave of the court. An order in those terms would be equivalent to a search warrant which to be effective must give the plaintiffs a roving commission to go through all the defendants' papers and stocks of equipment. I do not think that such an order ought to be granted

* [1976] R.P.C. 333. ** [1976] R.P.C. 326.

except in an extreme case where the ends of justice are almost certain to be frustrated if the order is not made. That is not, in my opinion, this present case. It must be borne in mind that if such an order is made the plaintiffs' representatives and advisers will descend unannounced upon the defendants' premises with a court order authorising them to carry out a search. Inevitably the defendants will not have their legal advisers at their elbows and will have little chance to obtain legal advice in time. It is conceivable, but it is not inevitable, that the refusal to make such an order in a particular case will lead to the suppression of evidence or the misuse of documentary material. Save in an extreme case I think that that risk must be accepted in civil matters. Otherwise it seems to me that an order on the lines sought might become an instrument of oppression, particularly in a case where a plaintiff of big standing and deep pocket is ranged against a small man who is alleged on the evidence of one side only to have infringed the plaintiff's rights. The position is quite different in a case like *E.M.I.* v. *Pandit* where the defendant was virtually a proven rogue, or where a roving commission through the defendants' papers is not involved.

In my judgment the plaintiffs have not made out the extreme case which in my view is essential to justify an order of this sort. The matter is one of importance. I think that a question of public policy is involved. If leave to appeal is needed, I grant such leave. If there is an appeal the plaintiffs' counsel is at liberty to inform the Court of Appeal that in my opinion the matter involves an important point of principle and is urgent.

The plaintiffs appealed and were represented as before. The defendants were not represented.

The Master of the Rolls.—During the last 18 months the judges of the Chancery Division have been making orders of a kind not known before. They have some resemblance to search warrants. Under these orders, the plaintiff and his solicitors are authorised to enter the defendant's premises so as to inspect papers, provided the defendant gives permission.

Now this is the important point: The court orders the defendant to give them permission. The judges have been making these orders on ex parte applications without prior notice to the defendant. None of the cases have been reported except the one before Templeman, J. on the 3rd December 1974. It is *E.M.I.* v. *Pandit* [1975] F.S.R. 111. But in the present case Brightman, J. refused to make such an order.

On appeal to us, Mr. Laddie appears for the plaintiff. He has appeared in most of these cases, and can claim the credit—or the responsibility—for them. He represented to us that in this case it was in the interests of justice that the application should not be made public at the time it was made. So we heard it in camera. It was last Tuesday. After hearing his submissions, we made the order. We now come to give our reasons in public. But at the outset I must state the facts, for it is obvious that such an order can only be justified in the most exceptional circumstances.

Anton Piller are German manufacturers of high repute. They make electric motors and generators. They play an important part in the big new computer

industry. They supply equipment for it. They have recently designed a frequency converter specially for supplying the computers of International Business Machines.

Since 1972, Pillers have had, as their agents in the United Kingdom, a company here called Manufacturing Processes Limited, which is run by Mr. A. H. S. Baker and Mr. B. P. Wallace. These agents are dealers who get machines from Pillers in Germany and sell them to customers in England. Pillers supply the English company with much confidential information about the machines, including a manual showing how they work, and drawings which are subject of copyright.

Very recently Pillers have found out—so they say—that these English agents have been in secret communication with other German companies called Ferrostaal and Lechmotoren. The object of these communications is that the English company should supply these other German companies with drawings and materials and other confidential information so that they can manufacture power units like Pillers. Pillers got to know of these communications through two "defectors", if I may call them so. One was the commercial manager of the English company, Mr. Brian Firth; the other was the sales manager, Mr. William Raymond Knight. These two were so upset by what was going on in the English company that on their own initiative, without any approach by Pillers whatever, on 2nd October 1975 one or both flew to Germany. They told Pillers what they knew about the arrangements with Ferrostaal and Lechmotoren. They disclosed also that the English company was negotiating with Canadian and United States firms. In making these disclosures, both Mr. Firth and Mr. Knight were putting themselves in a perilous position, but Pillers assured them that they would safeguard their future employment.

The disclosures—coming from defectors—might have been considered untrustworthy. But they were supported by documents which emanated from both Ferrostaal and Lechmotoren. They showed that the English company was in regular communication with those German companies. They were sending them drawings and arranging for inspection of the Piller machine, for the express purpose that the Lechmotoren company might manufacture a prototype machine copied from Pillers. One of the most telling communications was a telex from Lechmotoren to Mr. Wallace saying:

> "It is the opinion of Mr. S (of Lechmotoren) that the best way to find a final solution for the prototype is to send Mr. Beck to you as soon as the latest design of Piller has arrived in your factory. In this case it is guaranteed that the Lech prototype will have exactly the same features as the Piller type. We hope you will agree to this proposal and we ask you to let us have your telex in order to arrange Mr. Beck's visit accordingly".

On getting this information, Pillers were extremely worried. They were about to produce a fine new frequency converter caled the "Silent Block". They feared that the English company, in co-operation with the German manufacturers, would make a copy of their "Silent Block" and ruin their market. They determined to apply to the court for an injunction to restrain the English company from infringing their copyright or using confidential information or making copies of their machines. But they were fearful that if the English company were given notice of this application, they would take steps to destroy the documents or send them to Germany or elsewhere, so that there would be none in existence by the time that discovery was had in the action.

So on Wednesday, 26th November 1975, Pillers' solicitor prepared a draft writ of summons and, with an affidavit, they went before Brightman, J. and asked, first, for an interim injunction to restrain infringement, etc., and, secondly, for an order that they might be permitted to enter the premises of the English company so as to inspect the documents of the plaintiffs and remove them, or copies of them. Brightman, J. granted an interim injunction, but refused to order inspection or removal of documents. He said: "There is strong prima facie evidence that the defendant company is now engaged in seeking to copy the plaintiffs' components for its own financial profit to the great detriment of the plaintiffs and in breach of the plaintiffs' rights". He realised that the defendants might suppress evidence or misuse documentary material, but he thought that that was a risk which must be accepted in civil matters save in extreme cases. "Otherwise", he said, "it seems to me that an order on the lines sought might become an instrument of oppression, particularly in a case where a plaintiff of big standing and deep pocket is ranged against a small man who is alleged on the evidence of one side only to have infringed the plaintiff's rights".

Let me say at once that no court in this land has any power to issue a search warrant to enter a man's house so as to see if there are papers or documents there which are of an incriminating nature, whether libels or infringements of copyright or anything else of the kind. No constable or bailiff can knock at the door and demand entry so as to inspect papers or documents. The householder can shut the door in his face and say "Get out". That was established in the leading case of *Entick* v. *Carrington* (1765) 2 Wils. 275. None of us would wish to whittle down that principle in the slightest. But the order sought in this case is not a search warrant. It does not authorise the plaintiffs' solicitors or anyone else to enter the defendant's premises against his will. It does not authorise the breaking down of any doors, nor the slipping in by a back door, nor getting in by an open door or window. It only authorises entry and inspection by the permission of the defendants. The plaintiff must get the defendant's permission. But it does do this: It brings pressure on the defendants to give permission. It does more. It actually orders him to give permission—with, I suppose, the result that if he does not give permission, he is guilty of contempt of court.

This may seem to be a search warrant in disguise. But it was fully considered in the House of Lords 150 years ago and held to be legitimate. The case is *East India Company* v. *Kynaston* (1821) 3 Bli. 153. Lord Redesdale said at page 163:

> "The arguments urged for the appellants at the Bar are founded upon the supposition that the court has directed a forcible inspection. This is an erroneous view of the case. The order is to permit; and if the East India Company should refuse to permit inspection, they will be guilty of a contempt of the court. . . . It is an order operating on the person requiring the defendants to permit inspection, not giving authority of force, or to break upen the doors of their warehouse".

That case was not, however, concerned with papers or things. It was only as to the value of a warehouse; and that could not be obtained without an inspection. But the distinction drawn by Lord Redesdale affords ground for thinking that there is jurisdiction to make an order that the defendant "do permit" when it is necessary in the interests of justice.

Accepting such to be the case, the question is in what circumstances ought such an order to be made. If the defendant is given notice beforehand and is able to argue the pros and cons, it is warranted by that case in the House of Lords and by Order 29, rule 2(1) and (5), of the Rules of the Supreme Court. But it is a far stronger thing to make such an order ex parte without giving him notice. This is not covered by the Rules of Court and must be based on the inherent jurisdiction of the court. There are one or two old precedents which give some colour for it, *Hennessey* v. *Bohmann* (1877) W.N. 14, and *Morris* v. *Howell* (1888) 22 L.R. Ir. 77, an Irish case in 1888. But they do not go very far. So it falls to us to consider it on principle. It seems to me that such an order can be made by a judge ex parte, but it should only be made where it is essential that the plaintiff should have inspection so that justice can be done between the parties: and when, if the defendant were forewarned, there is a grave danger that vital evidence will be destroyed, the papers will be burnt or lost or hidden, or taken beyond the jurisdiction, and so the ends of justice be defeated: and when the inspection would do no real harm to the defendant or his case.

Nevertheless, in the enforcement of this order, the plaintiffs must act with due circumspection. On the service of it, the plaintiffs should be attended by their solicitor, who is an officer of the court. They should give the defendant an opportunity of considering it and of consulting his own solicitor. If he wishes to apply to discharge the order as having been improperly obtained, he must be allowed to do so. If the defendant refuses permission to enter or to inspect, they must not force their way in. They must accept his refusal, and bring it to the notice of the court afterwards, if need be on an application to commit.

You might think that with all these safeguards against abuse, it would be of little use to make such an order. But it can be effective in this way: It serves to tell the defendant that, on the evidence put before it, the court is of opinion that he ought to permit inspection—nay, it orders him to permit—and that he refuses at his peril. It puts him in peril not only of proceedings for contempt, but also of adverse inferences being drawn against him; so much so that his own solicitor may often advise him to comply. We are told that in two at least of the cases such an order has been effective. We are prepared, therefore, to sanction its continuance, but only in an extreme case where there is grave danger of property being smuggled away or of vital evidence being destroyed.

On the evidence in this case, we decided last Tuesday that there was sufficient jurisdiction to make an order. We did it on the precedent framed by Templeman, J. It contains an undertaking in damages which is to be supported (as the plaintiffs are overseas) by a bond for £10,000. It gives an interim injunction to restrain the infringement of copyright and breach of confidential information, etc. It orders that the defendant do permit one or two of the plaintiffs and one or two of their solicitors to enter the defendant's premises for the purpose of inspecting documents, files or things, and removing those which belong to the plaintiffs. This was, of course, only an interim order pending the return of the summons. It is to be heard, we believe, tomorrow by the judge.

Ormrod, L.J.—I agree with all the Master of the Rolls has said. The proposed order is at the extremity of this court's powers. Such orders, therefore, will rarely be made, and only when there is no alternative way of ensuring that justice is done to the applicant.

There are three essential pre-conditions for the making of such an order, in my judgment. First, there must be an extremely strong prima facie case. Secondly, the damage, potential or actual, must be very serious for the applicant. Thirdly, there must be clear evidence that the defendants have in their possession incriminating documents or things, and that there is a real possibility that they may destroy such material before any application inter partes can be made.

The form of the order makes it plain that the court is not ordering or granting anything equivalent to a search warrant. The order is an order on the defendant in personam to permit inspection. It is therefore open to him to refuse to comply with such an order, but at his peril either of further proceedings for contempt of court—in which case, of course, the court will have the widest discretion as to how to deal with it, and if it turns out that the order was made improperly in the first place, the contempt will be dealt with accordingly—but more important, of course, the refusal to comply may be the most damning evidence against the defendant at the subsequent trial. Great responsibility clearly rests on the solicitors for the applicant to ensure that the carrying out of such an order is meticulously, carefully done with the fullest respect for the defendant's rights, as my Lord has said, of applying to the court, should he feel it necessary to do so, before permitting the inspection.

In the circumstances of the present case, all those conditions to my mind are satisfied, and this order is essential in the interest of justice.

I agree, therefore, that the appeal should be allowed.

Shaw, L.J.—I agree with both judgments. The overriding consideration in the exercise of this salutary jurisdiction is that it is to be resorted to only in circumstances where the normal processes of the law would be rendered nugatory if some immediate and effective measure was not available. And, when such an order is made, the party who has procured the court to make it must act with prudence and caution in pursuance of it.

The Master of the Rolls.—Mr. Laddie, of course there is no opponent here. We do not do anything about the costs at the moment. But can you tell us what happened?

Laddie.—My Lord, we were allowed into the premises. An opportunity was afforded to the defendants to have their solicitors present; but I understand that opportunity was not taken up. Unfortunately, one of the directors was out of the country at the time, with one of the most important files with him. We have had access to that file now, after a delay. He wanted to see his solicitors. Of course, we did not object. I think the only thing I can say at the moment is that we are not satisfied even now that the important file was returned intact.

The Master of the Rolls.—At all events, the order has been effective?

Laddie.—My Lord, yes.

The Master of the Rolls.—In some cases it may not be; but we may say this is yet another case in which the order has been effective. What the result of it will be, no one knows.

Laddie.—Even on the partial sight that we had, some documents of relevance have been retained. My Lord, I am obliged.

The Master of the Rolls.—I am very glad the defendants obeyed the order and allowed the inspection.

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