FEDERAL COURT OF AUSTRALIA

Dallas Buyers Club LLC v iiNet Limited (No 3) [2015] FCA 422

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| Citation: | Dallas Buyers Club LLC v iiNet Limited (No 3) [2015] FCA 422 |
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| Parties: | **DALLAS BUYERS CLUB LLC and VOLTAGE PICTURES LLC v IINET LIMITED, INTERNODE PTY LTD, AMNET BROADBAND PTY LTD, DODO SERVICES PTY LTD, ADAM INTERNET PTY LTD and WIDEBAND NETWORKS PTY LTD** |
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| File number: | NSD 1051 of 2014 |
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| Judge: | **PERRAM J** |
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| Date of judgment: | 6 May 2015 |
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| Catchwords: | **DISCOVERY** – preliminary discovery application – whether prospective applicant to bear costs of proceedings – whether security required before discovery is provided  **PRACTICE AND PROCEDURE** – whether appropriate to make other orders sought to regulate conduct of parties to proceeding |
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| Legislation: | *Constitution* Ch III, s 51(xxxix)  *Civil Dispute Resolution Act 2011* (Cth)  *Federal Court Rules 2011* (Cth) r 7.22 |
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| Cases cited: | *ObjectiVision Pty Ltd v Visionsearch Pty Ltd (No 3)* [2015] FCA 304  *Steffen v ANZ Banking Group* [2009] NSWSC 883  *Totalise plc v The Motley Fool Ltd* [2002] 1 WLR 1233 |
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| Date of hearing: | 22 April 2015 |
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| Place: |  |
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| Division: | GENERAL DIVISION |
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| Category: | Catchwords |
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| Number of paragraphs: | 22 |
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| Counsel for the Prospective Applicants: | Mr I Pike SC |
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| Solicitor for the Prospective Applicants: | Marque Lawyers |
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| Counsel for the Respondents: | Mr RPL Lancaster SC and Mr C Burgess |
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| Solicitor for the Respondents: | Thomson Geer Lawyers |

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| IN THE FEDERAL COURT OF AUSTRALIA |  |
| NEW SOUTH WALES DISTRICT REGISTRY |  |
| GENERAL DIVISION | NSD 1051 of 2014 |

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| BETWEEN: | DALLAS BUYERS CLUB LLC  First Prospective Applicant  VOLTAGE PICTURES LLC  Second Prospective Applicant |
| AND: | IINET LIMITED  First Respondent  INTERNODE PTY LTD  Second Respondent  AMNET BROADBAND PTY LTD  Third Respondent  DODO SERVICES PTY LTD  Fourth Respondent  ADAM INTERNET PTY LTD  Fifth Respondent  WIDEBAND NETWORKS PTY LTD  Sixth Respondent |

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| JUDGE: | PERRAM J |
| DATE OF ORDER: | 6 MAY 2015 |
| WHERE MADE: | SYDNEY |

THE COURT ORDERS THAT:

1. Pursuant to rule 7.22 of the *Federal Court Rules 2011* (Cth), on a date to be fixed, each of the Respondents discover to the Prospective Applicants a verified list of each of the IP addresses listed in Exhibit DM-1 to the affidavit of Daniel Macek affirmed on 27 June 2014 for that Respondent, together with the name and residential address of the account holder associated with that IP address at the time indicated for that IP address as the “Hit Date UTC” in Exhibit DM-1.
2. The Prospective Applicants:
   1. are not permitted to disclose to any third party the name and address of any account holder disclosed to the Prospective Applicants pursuant to Order 1, other than agents or representatives of the Prospective Applicants who also undertake to be bound by this order;
   2. are only permitted to use the information disclosed pursuant to Order 1 for purposes relating to the recovery of compensation for infringement, including:
      1. seeking to identify end-users using BitTorrent to download the film ‘Dallas Buyers Club’ (the Film);
      2. suing end-users for infringement of copyright in the Film; and
      3. negotiating with end-users regarding their liability for such infringement.
3. The Respondents make any application for security for the costs of providing discovery by Wednesday 13 May 2015 together with any affidavits in support thereof.
4. The Prospective Applicants file and serve any affidavits in response by Wednesday 20 May 2015.
5. Stay Order 1 until further order.
6. Direct the Prospective Applicants to provide the Respondents with the undertaking they propose to give to the Court about the form of any letter they intend to send to account holders by Wednesday 13 May 2015, together with any evidence as to how compliance with the undertaking is to be enforced.
7. Fix for hearing at 2:15 pm on Thursday 21 May 2015 by video link from Brisbane:

(a) the Respondents’ application for security for costs;

(b) the Prospective Applicants’ application to lift the stay in Order 5 hereof on the basis of the proposed undertaking proffered pursuant to Order 6.

1. Order the Respondents to pay 75% of the Prospective Applicants’ costs of the proceedings, not including the costs associated with the hearing on 22 April 2015.
2. The Respondents reimburse the Prospective Applicant for Mr Macek’s travel, accommodation and living expenses involved in coming to Australia.
3. No order as to costs in respect of the hearing on 22 April 2015.

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

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| IN THE FEDERAL COURT OF AUSTRALIA |  |
| NEW SOUTH WALES DISTRICT REGISTRY |  |
| GENERAL DIVISION | NSD 1051 of 2014 |

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| BETWEEN: | DALLAS BUYERS CLUB LLC  First Prospective Applicant  VOLTAGE PICTURES LLC  Second Prospective Applicant |
| AND: | IINET LIMITED  First Respondent  INTERNODE PTY LTD  Second Respondent  AMNET BROADBAND PTY LTD  Third Respondent  DODO SERVICES PTY LTD  Fourth Respondent  ADAM INTERNET PTY LTD  Fifth Respondent  WIDEBAND NETWORKS PTY LTD  Sixth Respondent |

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| JUDGE: | PERRAM J |
| DATE: | 6 MAY 2015 |
| PLACE: | SYDNEY |

**REASONS FOR JUDGMENT**

1. The following issues require resolution following the principal judgment in *Dallas Buyers Club LLC v iiNet Limited* [2015] FCA 317:
2. should the Court order Dallas Buyers Club LLC and Voltage Pictures LLC (which, for convenience, I refer to together throughout as ‘Dallas Buyers Club’) to pay the respondents’ (‘the ISPs’) costs of the preliminary discovery application (as I foreshadowed I would at [93]);
3. should the ISPs bear the costs of bringing Mr Macek to Australia to give evidence;
4. should security be ordered for past and future costs;
5. how is the issue of any letter to account holders to be approached;
6. should the Court restrain Dallas Buyers Club from making certain comments in public forums;
7. should orders be made requiring Dallas Buyers Club to provide an undertaking as to the taking of genuine steps;
8. should Dallas Buyers Club give the ISPs an indemnity;
9. should orders be made with respect to the ISPs’ costs of communications with their customers; and
10. what form should the relief to be presently granted take.

### (a) The costs of the proceedings

1. At [93] in the principal judgment I indicated that Dallas Buyers Club should pay the costs of the preliminary discovery application. Dallas Buyers Club was not heard on that order and seeks now to argue that that course should not be taken. Principles of fairness require that it be heard on the issue. Costs are in the discretion of the Court and the ordinary rule is that the successful party is entitled to its costs. It seems clear that applications for preliminary discovery are not, however, ordinary proceedings. No rights are determined and no facts relating to any actual suit are found. In the case of identity discovery this is particularly so, where very often the prospective respondent will have no interest at all in the underlying dispute.
2. Consequently, it has been held that a respondent to such an application who does not take an adversarial position can be awarded costs even where a plaintiff succeeds in obtaining the preliminary discovery orders sought:  *Totalise plc v The Motley Fool Ltd* [2002] 1 WLR 1233 at 1241 [30] (CA). This principle has been applied by Australian Courts: see, for example, *Steffen v ANZ Banking Group* [2009] NSWSC 883 at [32]-[33] per McDougall J; *ObjectiVision Pty Ltd v Visionsearch Pty Ltd (No 3)* [2015] FCA 304 at [23]-[24] per Perry J.
3. The question then becomes, at least in this case, whether the ISPs adopted an adversarial position. Here questions of degree inevitably intrude. Mr Lancaster submitted that it was not adversarial merely to point out that the privacy interests of the account holders were involved. And, so he submitted, if that were so then there was no coherent way of drawing a line where robust protection of account holders’ privacy interests ended and adversarial conduct began.
4. The difficulty in locating where a line is to be drawn is a well-known problem in legal discourse. But here, as in other contexts, it is best answered not by seeking to find where the line is but instead by asking which side of the line one happens to be on.
5. In this case, I think that the ISPs are on the adversarial side of the line. As I recorded at [4], ‘[t]he ISPs have put nearly everything in issue’. Consequently, the case extended over three days. In principle, therefore, I accept, contrary to my initial disposition, that the applicants should have their costs.
6. The rider to this is that Dallas Buyers Club’s victory was itself less than complete. In particular, over its objection, I have required that any letter it proposes to send to account holders first be submitted to this Court for approval. The amount of court time this issue occupied at the hearing was relatively modest, however in those circumstances I propose to order the ISPs only to pay 75% of Dallas Buyers Club’s costs.

### (b) Mr Macek

1. Dallas Buyers Club pressed for a particular costs order to cover its expenses relating to the calling of Mr Macek. I concluded that the cross-examination of Mr Macek served little purpose, although I accepted it was nevertheless reasonable. This is not an unusual outcome in ordinary adversarial litigation. Not every cross-examination finds its mark and it is not the ordinary practice to award costs by reference to what happens with individual witnesses. On the other hand, there are some aspects of this matter which are perhaps a little different:

* it was a preliminary discovery application in which cross-examination does not usually feature;
* the cross-examination was directed at trying to show that there was insufficient evidence, for the purposes of a preliminary discovery application, from which it could be ascertained whether infringement had taken place. This was a herculean endeavour which was always likely to fail; and
* Mr Macek lives in Stuttgart.

1. I do not think the ISPs took any step which they were not entitled to take. Nevertheless, it cost money to get Mr Macek here and it was ultimately fruitless. I propose in those circumstances to order the ISPs to pay Dallas Buyers Club’s costs of flying Mr Macek to Australia, together with his accommodation and living expenses whilst here.

### (c) Security for Past and Future Costs

1. Dallas Buyers Club was ordered to provide security for costs at an earlier time. I do not consider that it should now provide further security in respect of the application itself. The unusual length of the hearing was dictated by the vigour with which the ISPs contested what was, from a legal perspective, a routine case. Whilst the ISPs were fully entitled to take whatever course they chose, I do not think I should indulge such tactics by making a further security order in respect of trial costs.
2. On the other hand, it is clear that Dallas Buyers Club must in principle pay the future costs to the ISPs of providing the discovery. The ISPs contended that I should secure the payment of those costs by making their ultimate compliance with the discovery orders contingent on those costs first being paid. Dallas Buyers Club submitted that this was not the appropriate course to take. It said that if the ISPs wished to obtain security for the provision of the discovery they should apply in the ordinary way with evidence of what their costs were likely to be, so that Dallas Buyers Club could, if it be so advised, contradict the amount of security that was sought.
3. Both parties are correct. The ISPs should not be required to complete the discovery process until the issue of security is finalised. Accordingly, I will stay the discovery order until that is done. On the other hand, I do not propose to make orders whose effect will be to give the ISPs a blank cheque for the costs of the process. They will need to apply in the ordinary way by means of an application supported by evidence of what the costs are likely to be.

### (d) The terms of the proposed letter to account holders

1. The ISPs sought specific directions as to the content of any letter which Dallas Buyers Club proposes to send to their account holders. There is, however, no present dispute about the content of that letter. The appropriate course is for Dallas Buyers Club to formulate a draft letter for the Court’s consideration. When the letter is in a form which is satisfactory I will then require the ISPs to give the account holder information sought to Dallas Buyers Club, on its undertaking to send a letter only in that form. I have a concern as to my ability to secure obedience to that undertaking, given the absence of Dallas Buyers Club from the jurisdiction. When it eventually applies for the approval of the text of its letter I would be assisted by evidence dealing with that issue.
2. As to the content of the letter, it is premature in advance of argument to express any concluded views on the issue. Matters which appear to be relevant include:

* the range of sophistication of the various recipients;
* the range of conducts potentially involved;
* the range of remedies against infringers which might exist; and
* the nature of this Court’s preliminary discovery orders.

1. As the ISPs correctly submit, it should not be assumed that every recipient has engaged in infringement. On the other hand, it would be to engage in fantasy to think that some of them have not.

### (e) Restraining public remarks by Dallas Buyers Club

1. The ISPs submitted that the Court should restrain Dallas Buyers Club from making public threats as to what might happen to infringers. Particular reliance was placed on evidence of what Mr Wickstrom appears to have said during a radio interview on Triple J. In that interview, he intimated that such persons might find their accounts shut down.
2. What Dallas Buyers Club says in public has nothing to do with the narrow issue before this Court, which is whether the ISPs should hand over their account holders’ details. Whilst this Court will regulate what Dallas Buyers Club can do with the information which this Court’s compulsory processes have delivered to it, this is not a more general licence to regulate Dallas Buyers Club’s actions in public. If the ISPs wish to restrain Dallas Buyers Club in its general conduct then they will have to sue it in a regularly constituted suit.

### (f) Undertaking as to the taking of genuine steps

1. The *Civil Dispute Resolution Act 2011* (Cth) requires a party to take genuine steps to resolve a dispute prior to commencing a proceeding. Whether access to federal courts can be limited in this way without infringingChapter III of the *Constitution* is a question which does not presently arise. It is likely, however, that practical fetters on the ability to litigate which are not reasonably and appropriately adapted to the regulation of the judicial power will not be supported by the incidental power in s 51(xxxix) of the *Constitution*, which is the only head of legislative power upon which the validity of the *Civil Dispute Resolution Act* rests. What might constitute such a fetter is difficult to identify in the abstract. Generally speaking, however, it is likely to involve a comparison between the fetter placed on the right to litigate and some end related to the administration of justice. It may be that the *Civil Dispute Resolution Act* satisfies this requirement because the fetter erected serves the end of reducing the amount of litigation the Courts are required to hear. It would be otherwise if a fetter served purposes unrelated to the administration of justice.
2. The *Civil Dispute Resolution Act* applies to Dallas Buyers Club in any dispute which it is minded to bring. I have no reason to believe that it will flout the legislation. Hence there can be no reason for me to impose any condition that it comply with its obligations thereunder.

### (g) Indemnity

1. The ISPs seek an indemnity from Dallas Buyers Club in relation to all claims brought against them in relation to the disclosure by them of account information. Since the ISPs will be obeying a Federal Court order in providing that information they will have no such liability. They do, it is true, have an exposure to misconceived suits which have no basis. However, that is not Dallas Buyers Club’s responsibility and I do not see that it should be required to indemnify the ISPs in respect of such actions.

### (h) Communications with customers

1. The ISPs also seek an order that their costs include the costs of communicating with their clients in relation to the preliminary discovery. I see no reason why Dallas Buyers Club should pay that expense. If the ISPs wish to write such a letter then that is a matter for them.

### (i) Form of Relief

1. I make the following orders:
2. Pursuant to rule 7.22 of the *Federal Court Rules 2011* (Cth), on a date to be fixed, each of the Respondents discover to the Prospective Applicants a verified list of each of the IP addresses listed in Exhibit DM-1 to the affidavit of Daniel Macek affirmed on 27 June 2014 for that Respondent, together with the name and residential address of the account holder associated with that IP address at the time indicated for that IP address as the “Hit Date UTC” in Exhibit DM-1.
3. The Prospective Applicants:
   * + 1. are not permitted to disclose to any third party the name and address of any account holder disclosed to the Prospective Applicants pursuant to Order 1, other than agents or representatives of the Prospective Applicants who also undertake to be bound by this order;
       2. are only permitted to use the information disclosed pursuant to Order 1 for purposes relating to the recovery of compensation for infringement, including:
          1. seeking to identify end-users using BitTorrent to download the film ‘Dallas Buyers Club’ (the Film);
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          3. negotiating with end-users regarding their liability for such infringement.
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5. The Prospective Applicants file and serve any affidavits in response by Wednesday 20 May 2015.
6. Stay Order 1 until further order.
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1. Order the Respondents to pay 75% of the Prospective Applicants’ costs of the proceedings, not including the costs associated with the hearing on 22 April 2015.
2. The Respondents reimburse the Prospective Applicant for Mr Macek’s travel, accommodation and living expenses involved in coming to Australia.
3. No order as to costs in respect of the hearing on 22 April 2015.

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| I certify that the preceding twenty-two (22) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Perram. |

Associate:

Dated: 6 May 2015