FEDERAL COURT OF AUSTRALIA

Qudos Mutual Limited v Infosys Limited (No 2) [2019] FCA 1373

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| File number: | NSD 2075 of 2018 |
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| Judge: | **BURLEY J** |
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| Date of judgment: | 27 August 2019 |
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| Catchwords: | **COSTS** – application for preliminary discovery pursuant to r 7.23 of the *Federal Court Rules 2011* (Cth) – where prospective applicant was successful in obtaining discovery from first prospective respondent but in narrower categories than claimed – where further documents requested following an initial discovery – discretion in making costs orders pursuant to s 43(2) of the *Federal Court of Australia Act 1976* (Cth) |
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| Legislation: | *Federal Court of Australia Act 1976* (Cth) s 43(2)  *Federal Court Rules 2011* (Cth) r 7.23 |
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| Cases cited: | *Pfizer Ireland Pharmaceuticals v Samsung Bioepis AU Pty Ltd (No 2)* [2019] FCA 657  *Qudos Mutual Limited v Infosys Limited* [2019] FCA 702 |
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| Date of hearing: | 2 May 2019 | |
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| Date of last submission: | 11 June 2019 | |
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| Registry: | New South Wales | |
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| Division: | General Division | |
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| National Practice Area: | Intellectual Property | |
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| Sub-area: | Copyright and Industrial Designs | |
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| Category: | Catchwords | |
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| Number of paragraphs: | 15 | |
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ORDERS

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|  | | NSD 2075 of 2018 |
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| BETWEEN: | QUDOS MUTUAL LIMITED (ACN 087 650 557)  Prospective Applicant | |
| AND: | INFOSYS LIMITED (A FOREIGN COMPANY TRADING AS A FOREIGN REGISTERED COMPANY IN AUSTRALIA, REGISTERED IN AUSTRALIA AS INFOSYS TECHNOLOGIES LIMITED) (ABN 52 090 591 209)  First Prospective Respondent  INFOSYS TECHNOLOGIES AUSTRALIA PTY LIMITED (ACN 054 141 365)  Second Prospective Respondent | |

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| JUDGE: | BURLEY J |
| DATE OF ORDER: | 27 August 2019 |

THE COURT ORDERS THAT:

1. Pursuant to r 7.23 of the *Federal Court Rules 2011* (Cth), the first prospective respondent (**Infosys**) produce to the prospective applicant (**Qudos**):
   1. by 3 September 2019, a copy of:
      1. the source code of the user acceptance testing website (the Qudos UAT site) hosted by Infosys on the NextDC data centre (or any equivalent data centre) which contained a copy of the online and mobile banking platform developed by Infosys for Qudos pursuant to the Master Banking Services Agreement dated 25 March 2015, as at 19 February 2018;
      2. the source code of the user experience and user interface of the mobile and online banking solution that Infosys developed for Australian Military Bank Limited (the AMB UX code) as at 19 February 2018, including the revision history thereof up to that date; and
   2. by 17 September 2019:
      1. documents recording the development and preparation by Infosys of the source code identified in (1)(a)(ii) up to 19 February 2018, including minutes of meetings and correspondence between Infosys and Australian Military Bank Limited related to its development and preparation.
2. Qudos pay 20% of Infosys’ costs of the preliminary discovery application.
3. If no proceedings are commenced by Qudos within 60 days of the date of compliance with the orders for preliminary discovery in Order 1 above, alleging that by producing computer software in the circumstances outlined in [1] of *Qudos Mutual Limited v Infosys Limited* [2019] FCA 702, Infosys acted in breach of confidence, infringed copyright or acted in breach of contract, Qudos is to pay Infosys’ reasonable costs of compliance with the orders for preliminary discovery in Order 1 above and with the orders made on 20 December 2018.
4. Otherwise than provided by Order 3 above, the costs of compliance with the orders for preliminary discovery be costs in the cause of the proceedings identified therein.
5. Qudos pay the second prospective respondent’s costs of the preliminary discovery application.
6. The proceedings otherwise be dismissed.

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

REASONS FOR JUDGMENT

BURLEY J:

1. By originating application dated 5 November 2019, the prospective applicant **Qudos** Mutual Limited sought orders for preliminary discovery under r 7.23 of the *Federal Court Rules 2011* (Cth) (**FCR**). On 20 December 2018, the Court made consent orders for the production of some of the categories of discovery sought by Qudos in its originating application (**20 December 2018 orders**). Following production by the first prospective respondent, **Infosys**, Qudos amended its originating application to include additional proposed categories of discovery. Infosys resisted the provision of documents and on 20 May 2019, I delivered my decision (***Qudos Mutual*** *Limited v Infosys Limited* [2019] FCA 702), determining that Qudos is entitled to orders for the production of a limited class of the documents that it sought, corresponding to the categories set out in [5] of *Qudos Mutual* (**20 May 2019 categories**). Prior to making final orders, I allowed the parties an opportunity to file written submissions on the questions of costs as well as the time required for compliance with the form of order set out at [5] in *Qudos Mutual*, which the parties have now done. In these reasons I adopt the abbreviations used in *Qudos Mutual*.
2. The parties have now agreed on a time for compliance with the form of order that was made in *Qudos Mutual* at [5]. However, they disagree as to the appropriate orders to be made regarding costs.
3. Qudos submits that there should be no order as to costs, save that its costs of and incidental to the application, and Infosys’ reasonable expenses of compliance, should be the costs in any proceeding commenced by Qudos against Infosys, provided that the proceeding plead some or all of the facts or matters relied upon in the application for preliminary discovery of documents within the 20 May 2019 categories, and provided that, subject to further order, the proceeding is commenced within 60 days of the date of compliance with the orders for preliminary discovery. Alternatively, it submits that if no such proceedings are commenced, Qudos should pay Infosys’ costs of compliance with the 20 May 2019 categories.
4. Infosys contends that Qudos should pay 75% or alternatively 50% of Infosys’ costs of the application and all of its costs of compliance, and that Qudos should pay all of the second prospective respondent’s costs, against whom the application was unsuccessful.
5. The principles relevant to the award of costs in relation to preliminary discovery are summarised in *Pfizer Ireland Pharmaceuticals v Samsung Bioepis AU Pty Ltd (No 2)* [2019] FCA 657 (Burley J) (***Pfizer No 2***) at [25], and in the cases referred to there. Ultimately, the award of costs involves the exercise of the discretion conferred by s 43(2) of the *Federal Court of Australia Act* 1976 (Cth), having regard to the circumstances of the case.
6. In the present case, the following matters are salient to the consideration of the award of costs:
7. After the proceedings were commenced in November 2018, Infosys voluntarily supplied documents to address some of the matters raised in the affidavits in support; *Qudos Mutual* at [23];
8. The documents produced included a copy of the then current version of the source code underlying the AMB UX;
9. After reviewing those documents, Qudos formed the view, supported by the expert evidence of Mr Rodney McKemmish, that it required further documents for inspection and in particular that it required the February 2018 source code of the AMB UX; *Qudos Mutual* at [30];
10. Qudos also pressed for production of the balance of the documents sought in its originating application. The types of documents sought were found to be extremely broad and the form of the list was prolix and oppressive; *Qudos Mutual* at [53];
11. Infosys contended that the documents voluntarily provided were sufficient to enable Qudos to form a decision as to whether or not to commence proceedings. It filed the evidence of Mr Darren Michael to contest the views held by Mr McKemmish. It also objected to the form of the orders sought;
12. The liability of Infosys to provide further documents was resolved in favour of Qudos, although the categories of documents sought were put into the simplified and narrower form of the 20 May 2019 categories;
13. Qudos was unable to justify the joinder of **Infosys Technologies** Australia Pty Ltd as the second prospective respondent.
14. Having regard to the whole of the decision in *Qudos Mutual*, it is apparent that each party had a measure of success in the application. Infosys succeeded in challenging the form of the orders sought, but failed in its arguments that no additional discovery should be given at all. In the result, Qudos succeeded in its application. Infosys took the position that it fundamentally opposed orders for the supply of documents, which was a position found not to be justified.
15. Qudos submits that by putting on the evidence of Mr Michael contesting matters of fact and arguing that no discovery should be required, Infosys entered the fray on a contested basis such that it exposed itself to an order for costs. It submits that in so doing, Infosys is exposed to an order for costs because it took an “adversarial” approach to the application.
16. Infosys contends that the oppressive scope of the discovery sought by Qudos, and the reasonable approach it took by agreeing to initial production in response to the application in December 2018, justifies a costs award in its favour. It submits that after Infosys initially gave production, Qudos altered its course by insisting on the February 2018 source code and requesting production of the Qudos UAT site, and no satisfactory explanation has been given by Qudos as to why it had not sought these earlier. The first time that Qudos indicated that it wanted any such documents was in the Mr McKemmish’s second affidavit, which was filed on 26 February 2019, and Qudos did not amend its originating application to reflect a request for those documents until 11 April 2019. It submits that to the extent that it took an adversarial approach to the application, this was necessitated by the difficulties caused by the form of orders that Qudos sought.
17. Qudos contends that it did not change its position in any relevant sense. To the extent that there was a difficulty arising from a lack of specificity as to the date or the versions of the source code sought in the original orders, that is not a circumstance for which blame can be apportioned. It submits that it is to be inferred that Infosys in effect exploited the ambiguity of the 20 December 2018 orders in relation to the original production of documents, by producing documents on the narrowest basis available.
18. In the ordinary course, costs would not be awarded in favour of a prospective applicant, having regard to the extraordinary nature of the jurisdiction exercised under FCR 7.23, where intrusive discovery orders are made in the absence of substantive proceedings. Where the prospective applicant fails, it will have to pay the costs. Where it succeeds, it is generally appropriate for no order as to costs to be made unless the prospective respondent steps into the fray.
19. In the present case, there is merit flowing both ways. I accept that Qudos could, and should, have been more careful to avoid ambiguity in its orders. The cost of the effort wasted as a result should not fall on the shoulders of Infosys. Similarly, Qudos’ requested categories of discovery were poorly worded, for the reasons set out in *Qudos Mutual* at [53]. On the other hand, rather than opposing the form of the production sought, Infosys elected to step into the fray, and opposed the grant of any further orders, albeit having volunteered production without opposition in the 20 December 2018 orders.
20. Taking these matters together, in my view the appropriate orders to make are that Qudos should bear a limited amount of the costs of its application. Ultimately, Qudos’ success in the proceedings was limited to orders for the production of documents that was specifically sought by it midway through the proceedings (being the Qudos UAT Site and the February 2018 source code of the AMB UX), as well as a narrower range of other documents than it sought in its originating application. A protracted litigation may well have been avoided if the original categories had been confined and included the Qudos UAT Site and the February 2018 source code of the AMB UX.
21. The orders will be that Qudos should pay:
22. Infosys Technologies’ costs of the preliminary discovery application;
23. A small proportion, being 20%, of Infosys’ costs of the preliminary discovery application;
24. If no proceedings are commenced by Qudos within 60 days of the date of compliance with these orders, the costs of compliance with the orders for preliminary discovery;
25. If proceedings are commenced, the costs of compliance with the orders for preliminary discovery be costs in the cause of those proceedings.
26. Additionally, I will formally make the orders for preliminary discovery set out in [5] of *Qudos Mutual* that incorporates orders for the time of compliance as agreed between the parties.

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| I certify that the preceding fifteen (15) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Burley. |

Associate:

Dated: 27 August 2019