Federal Court of Australia

Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd (No 2) [2022] FCA 867

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| File number(s): |  |
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| Judgment of: | **ROFE J** |
|  |  |
| Date of judgment: | 25 July 2022 |
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| Catchwords: | **COSTS** – whether applicant should have to pay multiple sets of costs – where third respondent had separate representation to first, second, and fourth respondents – whether there was possibility of conflict of interest between the respondents  **COSTS** – appropriate apportionment – where respondents ultimately successful – where third respondent unsuccessfully relied on exemption from infringement in s 119C of the *Patents Act 1990* (Cth) – whether appropriate to award costs based on success of separate grounds  **COSTS** – whether third respondent entitled to indemnity costs following an offer of compromise – whether applicant unreasonably refused offer |
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| Legislation: | *Federal Court of Australia Act 1976* (Cth)  *Patents Act 1990* (Cth)  *Federal Court Rules 2011* (Cth) |
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| Cases cited: | *Anchorage Capital Partners Pty Ltd v ACPA Pty Ltd (No 2)* [2018] FCAFC 112  *CHF16 v Minister for Immigration and Border Protection (No 2)* (2017) 257 FCR 161  *Clarence City Council v Commonwealth of Australia (No 2)* [2020] FCAFC 147  *Hood v Down Under Enterprises International Pty Limited (No 2)* [2022] FCAFC 106  *Idenix Pharmaceuticals LLC v Gilead Sciences Pty Ltd (No 2)* [2018] FCAFC 7  *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540  *Les Laboratoires Servier v Apotex Pty Ltd* (2016) 247 FCR 61  *McKay Super Solutions Pty Ltd (Trustee) v Bellamy’s Australia Ltd (No 2)* [2019] FCA 215  *Phonographic Performance Company of Australia Ltd v Copyright Tribunal of Australia (Costs)* [2019] FCAFC 192  *Seiko Epson Corp v Calidad Pty Ltd* [2018] FCA 104  *Treasury Wine Estates Limited v Maurice Blackburn Pty Ltd (No 2)* [2021] FCAFC 38  *Van Eeden v Henry* (2005) 62 NSWLR 301  *Walker v New South Wales Bar Association (No 2)* [2016] FCA 1051  *Wills v Chief Executive Officer of the Australian Skills Quality Authority (Costs)* [2022] FCAFC 43 |
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| Counsel for the Applicant: | C H Smith |
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| Solicitor for the Third Respondent: | DLA Piper Australia |

ORDERS

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|  | | VID 311 of 2021 |
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| BETWEEN: | JUSAND NOMINEES PTY LTD  Applicant | |
| AND: | RATTLEJACK INNOVATIONS PTY LTD  First Respondent  PAN AUSTRALIS PTY LTD  Second Respondent  MURRAY ENGINEERING PTY LTD  Third Respondent  **LEIGH SUTTON**  Fourth Respondent | |
|  |  | |
| AND BETWEEN: | RATTLEJACK INNOVATIONS PTY LTD  Cross-Claimant | |
| AND: | JUSAND NOMINEES PTY LTD  Cross-Respondent | |

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| order made by: | ROFE J |
| DATE OF ORDER: | 25 July 2022 |

THE COURT ORDERS THAT:

1. Order 3 of the orders made on 16 May 2022 be vacated.
2. Pursuant to rule 40.02(b) of the *Federal Court Rules 2011* (Cth) (**Rules**), the Applicant/Cross-Respondent pay the First, Second and Fourth Respondents’ and the Cross-Claimant’s (collectively, the **Rattlejack Parties**) costs of the proceeding in a lump sum, as agreed between the Applicant/Cross-Respondent and the Rattlejack Parties.
3. If, within six weeks from the date of this order, the Applicant/Cross-Respondent and Rattlejack Parties cannot agree on the amount of the lump sum, then that costs dispute be referred to a Registrar of this Court to fix the amount of the referred costs dispute and:
   1. within four weeks of the referral, the Rattlejack Parties file and serve any costs summary and submissions in accordance with the Costs Practice Note (GPN-COSTS);
   2. within eight weeks of service of the Rattlejack Parties’ costs summary and submissions, the Applicant/Cross-Respondent file and serve any costs response and submissions in accordance with the Costs Practice Note; and
   3. pursuant to rule 1.37 of the Rules, the Registrar determine the quantum of costs in any referred costs dispute in such manner as they think fit, including, if thought appropriate, on the papers, and within two weeks of the making of the determination, make orders for the payment of the amounts so determined.
4. The Applicant/Cross-Respondent pay the Third Respondent $10,000 in respect of their costs.
5. If a Notice of Appeal is filed within 28 days of these orders, then orders 2, 3, and 4 be stayed until final determination of that Appeal.

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

REASONS FOR JUDGMENT

ROFE J:

1. On 16 May 2022 I published my reasons for judgment and made orders in relation to the issues on liability in this proceeding: *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540 (the **16 May 2022 Reasons** and the **16 May 2022 Orders**). These reasons should be read together with the 16 May 2022 Reasons.
2. Order 3 of the 16 May 2022 Orders provided that the applicant/cross-respondent (**Jusand**) pay the costs of the respondents/cross-claimants.
3. Order 6 gave the parties the opportunity to seek variation of Order 3 by filing short submissions and any supporting material within seven days of judgment. Order 6 provided that the other parties would then be given the opportunity to make submissions in reply, and that the issues would be determined on the papers.
4. Jusand, the first, second and fourth respondents (the **Rattlejack Parties**), and the third respondent (**Murray Engineering**) all took up the invitation and made submissions seeking a variation of Order 3.
5. Jusand seeks variation of Order 3 to the effect that:
6. Jusand pay the costs of the Rattlejack Parties; and
7. Murray Engineering pay the applicant’s costs referable to the issue raised by the defence in s 119C of the *Patents Act 1990* (Cth) (the **Act**).
8. Jusand filed two affidavits of Philip Andrew Goatcher (the lawyer with carriage of the matter for Jusand) in support of its position: the first dated 23 May 2022 and the second dated 30 May 2022.
9. The Rattlejack Parties seek variation of Order 3 to the effect that:
10. Jusand pay the Rattlejack Parties’ costs of the proceeding in a lump sum, pursuant to r 40.02(b) of the *Federal Court Rules 2011* (Cth) (the **Rules**); and
11. if the parties cannot agree on the amount of the lump sum, the costs dispute be referred to a Registrar of this Court.
12. Murray Engineering seeks variation of Order 3 to the effect that:
13. Jusand pay Murray Engineering’s costs of the proceeding in a lump sum, pursuant to r 40.02(b) of the Rules; and
14. The lump sum payment comprise:
    1. 60% of Murray Engineering’s solicitor’s costs incurred prior to 11:00am on 6 September 2021;
    2. 100% of Murray Engineering’s solicitor’s costs from 11:00am on 6 September 2021 to the conclusion of trial; and
    3. 100% of Murray Engineering’s counsel’s fees.
15. Murray Engineering filed one affidavit of Greg Bodulovic (the lawyer with carriage of the matter for Murray Engineering) in support of its position, dated 23 May 2022.
16. Both Jusand and Murray Engineering filed submissions in answer.

# Background to costs issues

1. Jusand commenced these proceedings against the first respondent, Rattlejack Innovations Pty Ltd (**Rattlejack**), on 9 June 2021. In addition to final relief for infringement of claims of its three Patents, Jusand sought an interim injunction against Rattlejack to restrain its dealings with its SafetySpear product.
2. In response to the interim injunction application Rattlejack filed affidavits made 6 July 2021 from Mark Coughlan, CEO of Murray Engineering and Mr Keith Law, Area Manager for Byrnecut Australia Pty Ltd (**Byrnecut**). The affidavits gave details of a memorandum of understanding for distribution of SafetySpears between Rattlejack and Murray Engineering, an order by Byrnecut for the supply of 200 SafetySpears, the delivery of 80 SafetySpear products to Byrnecut, and the deployment of 26 of the SafetySpear products at Byrnecut mines. These matters were not known to Jusand prior to the filing of the two affidavits.
3. On 16 July 2021, I made orders, amongst others, that all questions of liability be determined separately to questions of the quantum of any pecuniary relief, and setting the issues of liability down for trial commencing 27 September 2021.
4. On 3 August 2021, I made orders by consent joining the second, third, and fourth respondents (being Pan Australis Pty Ltd, Murray Engineering, and Leigh Sutton) to the proceeding.
5. On 5 August 2021, Murray Engineering filed a notice of acting, indicating that it had appointed different solicitors to those acting for the Rattlejack Parties.
6. On 6 August 2021, Jusand’s solicitors wrote to Murray Engineering’s solicitors. In that letter Jusand’s solicitors raised the issue of Murray Engineering having separate representation to the Rattlejack Parties, and whether it would be entitled to the costs of that separate representation:

Finally, while your client is entitled to obtain separate representation in this proceeding, our client does not accept that this is reasonable in all of the circumstances of this case, and that may have costs consequences should Jusand be unsuccessful in this proceeding. Our client reserves its rights in that respect.

1. On 13 August 2021, Murray Engineering filed its Defence. Other than the s 119C exemption to infringement, the matters raised in its Defence did not depart from that of the Rattlejack Parties. Murray Engineering did not join Rattlejack’s cross-claim, but in its Defence it pleaded that the:

Patent has been at all material times invalid on the grounds specified in the cross-claim filed by the First Respondent on 7 July 2021 and any amended cross-claim filed by the First Respondent after that date (Cross-Claim), and is liable to be revoked.

1. On 19 August 2021, in the context of correspondence about security for costs in relation to Murray Engineering’s costs in addition to those of the Rattlejack parties, Jusand’s solicitors again raised the issue of Murray Engineering’s separate representation:

It now appears that, notwithstanding our letter dated 6 August 2021, in which we noted that, while the third respondent was entitled to choose separate representation in this proceeding, it did not follow that it is reasonable to expect that such representation should be paid for by the applicant, the third respondent is not prepared to consent to the proposed orders. We note, for example, that in relation to infringement the third respondent has not filed any additional evidence and does not seek to do so. Nor has it sought to be joined to the first respondent’s cross-claim (although in its defence it relies on that cross-claim).

1. On 30 August 2021, Jusand’s solicitors raised the issue of separate representation for Murray Engineering for the third time in further correspondence relating to security for costs:

As to the question of separate representation, while (as has been accepted in earlier correspondence) the applicant acknowledges that the third respondent is *entitled* to separate representation, the third respondent is *not* entitled to expect that the applicant will pay for that separate representation – even if the applicant were ultimately unsuccessful – in circumstances where there is no conflict of interest between the respondent parties.

…

We also confirm, for the avoidance of doubt, that the applicant’s provision of that guarantee does *not* indicate acceptance by the applicant that:

* Any respondent is entitled to the provision of security by the applicant; or
* The third respondent, having elected to be separately represented in circumstances where there is no conflict with the other respondents, is entitled to have any part of its legal costs paid by the applicant – regardless of the outcome of the proceeding.

[emphasis in original]

1. On 2 September 2021, Murray Engineering’s lawyers prepared and sent a Notice of Offer to Compromise to Jusand (the **Offer**). The Offer was expressed to be open for 14 days after service. The Offer provided that:
2. Murray Engineering would cease the sale, supply, distribution, and use of the SafetySpear product the subject of the proceedings, unless and until it was determined that the relevant claims of the patents were invalid or the SafetySpear did not infringe;
3. The proceedings against Murray Engineering would be dismissed;
4. Murray Engineering would pay Jusand the sum of $10,000 within 14 days of acceptance of the offer; and
5. The parties would otherwise bear their own costs.
6. On 17 September 2021, Jusand’s lawyers sent an email to Murray Engineering’s lawyers rejecting the Offer.
7. The hearing of the liability issues took place via Microsoft Teams on 27 to 30 September 2021.
8. At [18] of the 16 May 2022 Reasons, I summarised my findings on the liability issues:
9. the SafetySpear does not infringe the Asserted Claims;
10. the Asserted Claims do not lack clarity;
11. the Asserted Claims are invalid as they do not meet the requirements of ss 40(2)(a) and 40(3) of the Act; and
12. the Byrnecut “trials” of the 200 SafetySpears do not constitute experimental use for the purposes of s 119C of the Act.

# Costs issues

1. The Rattlejack Parties and Murray Engineering proposed, and Jusand agreed, that whatever the costs order ultimately made, there should be an order pursuant to r 40.02(b) of the Rules, that the costs of the proceeding be paid in a lump sum, and a further order that failing agreement on the amount of the lump sum, the costs dispute be referred to a Registrar to fix the amount.
2. Three substantive costs issues remain between Jusand and Murray Engineering. First, is Murray Engineering entitled to its costs of being separately represented. Second, who bears the costs of Murray Engineering’s unsuccessful s 119C exemption to infringement case. Third, if entitled to its costs, whether Murray Engineering’s costs should be paid at a higher rate as from 6 September 2021 as a consequence of Jusand’s failure to accept the Offer.

## Costs of Murray Engineering’s separate representation

1. Murray Engineering led no evidence on infringement or validity, and made no written or oral submissions on those issues. The only additional issue advanced by Murray Engineering was its unsuccessful attempt to invoke the exemption in s 119C of the Act.
2. Jusand further submits that Murray Engineering has not identified any material way in which it might be in conflict with the Rattlejack Parties on the issue of infringement.
3. Murray Engineering submits that it was reasonable for it to seek separate representation. Murray Engineering submits it was unreasonably joined to the proceeding less than two months before the trial, especially in circumstances where if Jusand was successful against Rattlejack, Rattlejack would no longer supply the SafetySpear to Murray Engineering. Given the compressed time frame, Murray Engineering submits it was justified to engage separate representation when it was not clear whether its interests would be aligned with those of the Rattlejack Parties.
4. Further, it is submitted that Murray Engineering did not unnecessarily or unreasonably duplicate costs. Following the provision of legal advice, Murray Engineering relied on the Rattlejack Parties’ evidence of validity and non-infringement.
5. Murray Engineering maintains that its interests were not identical or wholly aligned to the Rattlejack Parties. Murray Engineering is an unrelated and unaffiliated commercial entity with no common directors or shareholders to the Rattlejack Parties. Murray Engineering was alleged to have been involved in separate acts of infringement. The supply of the SafetySpear to Murray Engineering was an arm’s length commercial transaction.
6. Several principles can be gleaned from the authorities dealing with this issue.
7. While the general rule that costs generally follow the event is well established, there are certain limited exemptions. The general rule is also subject to the requirement that costs are paid in a way that is fair, having regard to what the court considers to be the responsibility of each party in incurring the costs: see *Clarence City Council v Commonwealth of Australia (No 2)* [2020] FCAFC 147.
8. The Court will not normally allow more than one set of costs to successful litigants where there is no possible conflict of interest in the presentation of their cases: see *CHF16 v Minister for Immigration and Border Protection (No 2)* (2017) 257 FCR 161 at [18] (***CHF16***); *Walker v New South Wales Bar Association (No 2)* [2016] FCA 1051 at [15]; *Phonographic Performance Company of Australia Ltd v Copyright Tribunal of Australia (Costs)* [2019] FCAFC 192 at [9]. The “central question” is whether there was any actual or possible conflict of interests: *CHF16* at [19].
9. If successful parties with the same interests elect to be separately represented, they bear the onus of demonstrating that a sufficient reason exists for the unsuccessful party to be burdened with more than one set of costs: *McKay Super Solutions Pty Ltd (Trustee) v Bellamy’s Australia Ltd (No 2)* [2019] FCA 215 at [38].
10. The Court should only exercise its discretion to award costs in a way which accepts double representation where the requirements of justice require that to be done. These cases will arise, but likely only rarely: see *Van Eeden v Henry* (2005) 62 NSWLR 301 at [33]; approved in *CHF16* at [18].
11. I also note that s 43 of the *Federal Court of Australia Act 1976* (Cth) confers a broad discretion on this Court as to costs awards.
12. Having regard to the authorities, the main issue for determination are:
13. Whether there was an actual or possible conflict of interest between Murray Engineering and the Rattlejack Parties; and
14. Even if there was such a conflict of interest, whether an award for the costs of double representation is required in the interests of justice and fairness, having regard to the responsibility of the parties in incurring the costs.
15. As Mr Goatcher noted in correspondence, it was not reasonable for Jusand to join Murray Engineering at the outset, as it was only after the filing of Mr Coughlan and Mr Law’s affidavits that Jusand became aware of Murray Engineering’s activities. Thus Murray Engineering was joined as a respondent to the proceeding just over a month after the proceedings were commenced, and after orders were made for a trial in late September 2021.
16. Murray Engineering asserts that as an independent third party distributor it was unnecessary for it to be joined, given that if Jusand was successful against Rattlejack, the SafetySpear product would not be manufactured by Rattlejack and supplied to Murray Engineering. In response, Jusand submits that it was reasonable for Jusand to add Murray Engineering as a respondent as it was a commercial partner of Rattlejack and the second respondent, it contributed towards the tooling costs for manufacturing the SafetySpear products, and would share in any profits. Jusand also notes that Murray Engineering was potentially liable for an account of profits as a party distributing the SafetySpear products and that it would not have been bound by an injunction ordered against the Rattlejack parties.
17. The general rule against separate representation does not apply where separate representation is needed because of an actual or potential conflict of interest. Murray Engineering has not articulated any actual or potential conflict of interest at the time it was joined beyond noting that “Rattlejack and Murray Engineering’s interests were not identical and were not wholly aligned”. No conflict of interest was identified during the hearing.
18. Further, Murray Engineering failed to respond to Jusand’s solicitor’s correspondence which expressly raised the issue of whether Murray Engineering would be entitled to get its costs paid by Jusand in the event that Jusand was unsuccessful. No explanation was given to Jusand as to why it was reasonable for Murray Engineering to have separate representation.
19. I do not accept that there was an actual conflict of interest between Murray Engineering and the Rattlejack Parties. However, it was not unreasonable in the circumstances for Murray Engineering to seek independent initial advice once joined to the proceedings on whether there was any conflict of interest that would prevent joint representation. Once no conflict or potential for any conflict of interest had been identified, it was not reasonable for Murray Engineering to be separately represented and expect the costs of that representation to be paid by Jusand if Jusand was unsuccessful.
20. Mr Bodulovic asserts that given the compressed timetable of the proceeding, Murray Engineering was forced to expend a significant amount on legal fees (in the order of $275,000) over a short period of time.
21. Three invoices for Murray Engineering’s legal fees formed confidential annexures to Mr Bodulovic’s affidavit. A perusal of these invoices shows that much of the work done by Murray Engineering’s lawyers was not limited to the s 119C exemption from infringement case. Murray Engineering’s proposal to reduce its total costs by 10% if it were not to have its costs of the s 119C exemption case shows the extent to which Murray Engineering’s lawyers were working on issues other than s 119C.
22. Murray Engineering has not demonstrated a sufficient reason for Jusand to be burdened with more than one set of costs. In the circumstances of this case I do not consider that it is reasonable for Murray Engineering to recover its costs in full. I consider that an amount of $10,000 is appropriate, in respect of Murray Engineering’s costs of seeking legal advice at the outset as to whether there was any actual or potential conflict of interest with Murray Engineering being represented together with the Rattlejack Parties.

## Section 119C exemption to infringement case

1. Murray Engineering was unsuccessful in its s 119C exemption to infringement case.
2. Jusand submits that Murray Engineering should pay Jusand’s costs referable to Murray Engineering’s s 119C exemption to infringement case. Jusand notes that it does not seek to vary the costs orders in relation to any of the issues on which it succeeded, such as clarity.
3. Jusand submits that, in contrast to other issues on which it succeeded, Murray Engineering’s s 119C case was a “standalone defence”, which focussed solely on the specific way in which Murray Engineering used the SafetySpear at the Byrnecut mine sites. As a standalone defence, Jusand submits that the costs can sensibly be separated from those of other issues, and as Murray Engineering was wholly unsuccessful, it should pay the costs associated with the issue.
4. The only evidence filed by Murray Engineering was directed to the s 119C case. The evidence comprised affidavits from three witnesses, including Mr Coughlan, Murray Engineering’s CEO, relating to the “trial” of the SafetySpear at the Byrnecut mines. Murray Engineering’s written and oral submissions related solely to the s 119C exemption case.
5. Murray Engineering submits that it classified, and continues to classify, its use of the SafetySpear as a trial. It also submits that the exemption was based on facts to which only Murray Engineering was privy. Given s 119C has not been previously considered in Australian case law, Murray Engineering submits that its reliance on it cannot be said to be “obviously bad or unreasonably maintained”, nor “trivial, unreasonable or unmeritorious”.
6. In response to Jusand’s submission that the costs relating to this issue can sensibly be separated, Murray Engineering submits that evidence filed in support of the experimental use issue was considered in the Court’s determination of other issues including infringement and invalidity: see 16 May 2022 Reasons at [194], [196], [198], [199] and [215]. Murray Engineering submits that for this reason, its costs cannot be clearly separated into costs incurred supporting the validity case and costs incurred running the defence.
7. The power of the Court in relation to costs is well established. Given the broad discretion conferred on this court by s 43 of the *Federal Court of Australia Act 1976* (Cth), a successful party may be awarded less than its costs, or costs may be apportioned based on the success of different issues: see *Idenix Pharmaceuticals LLC v Gilead Sciences Pty Ltd (No 2)* [2018] FCAFC 7 at [2].
8. In *Les Laboratoires Servier v Apotex Pty Ltd* (2016) 247 FCR 61 (***Servier***), the Full Court of this Court acknowledged at [301] that:

… Courts have been increasingly concerned, generally, to use all proper means to encourage parties to consider carefully what matters they will put in issue in their litigation. This has led to decisions whereby the successful party does not recover all of its costs where it has been unsuccessful on a discrete issue or in what is decided to be an unmeritorious objection. While it is acknowledged that, ordinarily, costs follow the event, the wide discretion in awarding costs has led to circumstances where a successful party who has failed on certain issues may be ordered to pay the other party’s costs of them, although warnings have been stated that care should be taken in such a course and consideration be given to whether the issues on which the successful party failed are clearly dominant or separable and to whether the issues involved different factual enquiries in the one proceeding or multiple causes of action, even if based on a common substratum of fact.

[citations omitted]

1. In *Seiko Epson Corp v Calidad Pty Ltd* [2018] FCA 104, Burley J observed at [15] that it is “common practice” for costs to be awarded by reference to issues “where they can sensibly be separated”.
2. Murray Engineering’s s 119C exemption to infringement case was a discrete issue, the costs of which can be readily separated from the other aspects of the proceeding.
3. Murray Engineering’s evidence was filed solely in relation to the s 119C case. The Rattlejack parties did not refer to the Murray Engineering evidence in their submissions on the invalidity case. The references to that evidence in the Reasons as supporting or not being in conflict with other evidence on some other issue, does not alter the fact that the evidence was filed for the purposes of the s 119C exemption case.
4. I accept that s 119C had not previously been subject to judicial consideration and that it was not unreasonable for Murray Engineering to raise the s 119C exemption. However, I do not consider that it is reasonable for Jusand to pay Murray Engineering’s costs of a readily severable issue, on which it was entirely unsuccessful.
5. In the circumstances I consider it appropriate that Murray Engineering and Jusand bear their own costs of the s 119C exemption case.

## The Offer

1. Murray Engineering submits that pursuant to r 25.14(2) of the Rules, Jusand should pay its costs on an indemnity basis from 11:00am on 6 September 2021 (being 11:00 am on the second business day after service of the Offer).
2. Rule 25.14(2) provides:

**25.14 Costs where offer not accepted**

…

(2) If an offer is made by a respondent and an applicant unreasonably fails to accept the offer and the applicant’s proceeding is dismissed, the respondent is entitled to an order that the applicant pay the respondent’s costs:

(a) before 11.00am on the second business day after the offer was served — on a party and party basis; and

(b) after the time mentioned in paragraph (a) — on an indemnity basis.

1. Jusand submits that pursuant to r 25.14(2), Murray Engineering must establish that Jusand’s refusal of the Offer was unreasonable. Jusand offered four reasons as to why Murray Engineering failed to satisfy the onus.
2. First, Jusand submits that it was unsuccessful solely in respect of the construction of the term “anchor member” in the infringement case. It submits that its case was reasonably arguable, and Jusand should not have known that, at the time of the Offer, its proffered construction would likely fail. Murray Engineering has not asserted otherwise.
3. Second, and for the same reasons advanced as to Jusand’s submissions on the reasonableness of Murray Engineering’s separate representation, Murray Engineering had no reasonable basis for incurring additional legal fees subsequent to the date of the Offer.
4. Third, in the context of the litigation as a whole, the timing and the $10,000 amount in the Offer was purely tactical and not a reasonable offer. Therefore, it was not unreasonable for Jusand to reject it.
5. Fourth, if Jusand’s submissions in relation to the costs associated with the s 119C issue are accepted, Murray Engineering has not shown how the Offer was better than the outcome achieved.
6. Murray Engineering made no submissions in support of its proposed variation for payment of its costs at a higher rate after 6 September 2021.
7. Relevant considerations for determining whether the rejection of an offer was “unreasonable” are set out in *Anchorage Capital Partners Pty Ltd v ACPA Pty Ltd (No 2)* [2018] FCAFC 112 at [6]–[8]:

A well-established circumstance justifying an award of indemnity costs is an imprudent refusal of an offer to compromise. In such cases, a key question is whether the offeree’s refusal of the offer was “unreasonable” when viewed in light of the circumstances existing at the time the offer was rejected.

The circumstances to be taken into account in determining whether rejection of an offer was “unreasonable” cannot be stated exhaustively but may include, for example:

(a) the stage of the proceeding at which the offer was received;

(b) the time allowed to the offeree to consider the offer;

(c) the extent of the compromise offered;

(d) the offeree’s prospects of success, assessed as at the date of the offer;

(e) the clarity with which the terms of the offer were expressed; and

(f) whether the offer foreshadowed an application for an indemnity costs in the event of the offeree rejecting it.

An unsuccessful party is not liable to pay indemnity costs merely because it received an offer to settle on terms more favourable than it achieved at trial and rejected that offer. As we observed in the Appeal Reasons, albeit in the context of r 25.14(2) of the FCRs, assessment of the “unreasonableness” of an offeree’s refusal of a settlement offer is a broad-ranging inquiry that is not restricted to consideration of the extent or quantum of the compromise offered.

[citations omitted]

1. The passage above has been subsequently adopted by the Full Court of this court on several occasions, including in *Wills v Chief Executive Officer of the Australian Skills Quality Authority (Costs)* [2022] FCAFC 43 at [23]; *Hood v Down Under Enterprises International Pty Limited (No 2)* [2022] FCAFC 106 at [23]; and *Treasury Wine Estates Limited v Maurice Blackburn Pty Ltd (No 2)* [2021] FCAFC 38 at [26].
2. At the time the Offer was made, Jusand had raised in correspondence on three occasions the issue of whether Murray Engineering was entitled to have the costs of its separate representation in the proceeding paid by Jusand in the event that Jusand was unsuccessful. Murray Engineering chose not to respond to Jusand on the issue of its separate representation.
3. As at the date of the Offer, Murray Engineering had not provided any explanation of why Murray Engineering considered that it was reasonable to expect that Jusand should pay the costs of its separate representation. On the evidence the Offer was not accompanied by any correspondence setting out perceived difficulties with Jusand’s case, or explanation of why Murray Engineering considered it reasonable for Jusand to accept the Offer in the circumstances at the time of the Offer.
4. Murray Engineering’s silence on the issue of the costs of its separate representation is relevant to the extent of the compromise being offered. In the absence of any explanation as to why the rule against double representation would not apply in this case, Jusand continued to maintain its view that in the event that it was unsuccessful, it would not be required to pay Murray Engineering’s costs, in which case, the Offer did not represent much of a compromise.
5. In my view, Murray Engineering has not established that Jusand acted *unreasonably* in failing to accept the Offer, having regard, in particular, to the extent of the compromise offered and the offeree’s prospects of success assessed as at the date of the Offer.
6. In the circumstances, I do not consider that Murray Engineering has discharged its onus of demonstrating why the rejection was unreasonable, and as such I am not inclined to make the orders sought for indemnity costs.

## Rattlejack Parties’ costs

1. Jusand and the Rattlejack Parties agree that the relevant costs order should be that costs be awarded on a lump-sum basis pursuant to r 40.02(b) of the Rules. In my view this is appropriate.
2. It is to be hoped that the parties will be able to agree the costs amount to be paid. In the event that they are not able to agree, Jusand and the Rattlejack Parties differ as to the proposed form of the order providing for the costs assessment mechanism in circumstances where the parties are unable to agree.
3. The Rattlejack Parties propose the following:

2. If, within two weeks from the date of this order, [Jusand] and the Rattlejack Parties cannot agree on the amount of the lump sum, then that costs dispute be referred to a Registrar of this Court to fix the amount of the referred costs dispute and:

(a) Within four weeks, the Rattlejack Parties file and serve any costs summary and submissions in accordance with the Costs Practice Note (GPN-COSTS).

(b) Within seven weeks, [Jusand] file and serve any costs response and submissions in accordance with the Costs Practice Note.

(c) Pursuant to rule 1.37 of the Rules, the Registrar determine the quantum of costs in any referred costs dispute in such manner as they think fit, including, if thought appropriate, on the papers, and within two weeks of the making of the determination, make orders for the payment of the amounts so determined.

1. Jusand submits that any steps on costs should only commence at the end of the 28 day period during which an appeal may be filed. Jusand also notes that in the event that the costs process is not stayed, it seeks a period of eight weeks to prepare and serve its costs response outlined in proposed Order 2(b). Mr Goatcher’s evidence is that Jusand has retained a costs lawyer to review and respond to any forthcoming costs summaries. The costs lawyer has advised that he anticipates the preparation of responses and submissions will take in the vicinity of eight weeks.
2. In the circumstances where Jusand has appealed the 16 May 2022 Reasons and 16 May 2022 Orders, it is appropriate to make an order that contemplates the possibility of an appeal, and that in that event, the costs assessment process should be stayed until the final determination of that appeal.
3. I also accept Jusand’s evidence as to the time required for preparation of costs responses and submissions and will adjust the proposed orders accordingly.

# Conclusion

1. I will make orders giving effect to these reasons.

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| I certify that the preceding seventy-six (76) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Rofe. |

Associate:

Dated: 25 July 2022