Federal Court of Australia

Boomerang Investments Pty Ltd v Padgett (Costs of the Liability Phase) [2021] FCA 385

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| File number: | NSD 1738 of 2017 |
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| Judgment of: | **PERRAM J** |
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| Date of judgment: | 21 April 2021 |
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| Catchwords: | **COSTS** – where Applicants partially successful at trial – whether to adopt an issue-by-issue, party-by-party or global approach to question of costs – whether costs to be determined on a party and party or indemnity basis – appropriate measure of discounts  |
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| Legislation: | *Copyright Act 1968* (Cth) ss 115(4), 195AI(2), 195AX*Federal Court Rules 2011* (Cth) r 40.08  |
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| Cases cited: | *Barrett Property Group Ltd v Metricon Homes Pty Ltd (No 2)* [2007] FCA 1823*Boomerang Investments Pty Ltd v Padgett (Liability)* [2020] FCA 535; 155 IPR 196*Boomerang Investments Pty Ltd v Padgett (Reasons Revision Application)* [2020] FCA 882*Boomerang Investments Pty Ltd v Padgett (Scope of Injunction)* [2020] FCA 1413; 383 ALR 292*Clipsal Australia Pty Ltd v Clipso Electrical Pty Ltd (No 4)* [2017] FCA 436*Colgate-Palmolive Company v Cussons Pty Ltd* [1993] FCA 801; 46 FCR 225*Firebird Global Master Fund II Ltd v Republic of Nauru (No 2)* [2015] HCA 53; 90 ALJR 270*InterTAN Inc v DSE (Holdings) Pty Limited* [2005] FCAFC 54*Les Laboratoires Servier v Apotex Pty Ltd* [2016] FCAFC 27; 247 FCR 61*Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)* [2007] FCAFC 172*Walker v Citigroup Global Markets Pty Ltd* [2005] FCA 1866  |
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| Sub-area: | Copyright and Industrial Designs |
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| Date of last submissions: | 19 November 2020 (Applicants)20 October 2020 (First and Second Respondents)14 October 2020 (Third Respondent) 14 October 2020 (Fourth Respondent)  |
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| Date of hearing: | Determined on the papers  |
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| Counsel for the Applicants: | Mr M R Hall SC with Ms J M Beaumont |
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| Solicitor for the Applicants: | Banki Haddock Fiora |
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| Counsel for the First and Second Respondents: | Mr R Cobden SC with Mr W H Wu |
|  |  |
| Solicitor for the First and Second Respondents: | Gilbert + Tobin |
|  |  |
| Counsel for the Third Respondent: | Mr P Flynn SC |
|  |  |
| Solicitor for the Third Respondent: | Simpsons Solicitors |
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| Counsel for the Fourth Respondent: | Mr C Dimitriadis SC with Ms E E Whitby |
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| Solicitor for the Fourth Respondent: | HWL Ebsworth Lawyers |

ORDERS

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|  | NSD 1738 of 2017 |
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| BETWEEN: | BOOMERANG INVESTMENTS PTY LTD ACN 009 670 919First ApplicantJOHANNES VAN DEN BERGSecond ApplicantALEXSANDRA MILLER MALCOLM YOUNG Third Applicant**AUSTRALASIAN PERFORMING RIGHT ASSOCIATION LTD ACN 000 016 099**Fourth Applicant**AUSTRALASIAN MECHANICAL COPYRIGHT OWNERS SOCIETY LTD**Fifth Applicant |
| AND: | JOHN PADGETTFirst RespondentLORI MONAHANSecond RespondentKOBALT MUSIC PUBLISHING AUSTRALIA PTY LIMITED ACN 144 996 609 Third Respondent**SOCIÉTÉ AIR FRANCE, SA**Fourth Respondent |

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| order made by: | PERRAM J |
| DATE OF ORDER: | 21 April 2021 |

THE COURT ORDERS THAT:

1. The First Respondent and Second Respondent pay 50% of the Applicants’ costs as taxed, assessed or agreed.
2. The Fourth Respondent pay 47.5% of the Applicants’ costs as taxed, assessed or agreed.
3. The Applicants pay 90% of the Third Respondent’s costs as taxed, assessed or agreed.

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

REASONS FOR JUDGMENT

PERRAM J:

1. The question which now arises is what costs orders should be made with respect to the liability phase of the trial. Judgment was delivered on 24 April 2020: *Boomerang Investments Pty Ltd v Padgett (Liability)* [2020] FCA 535; 155 IPR 196 (‘Liability Judgment’). The outcome of the Liability Judgment was complex and the parties were directed to bring in short minutes of order giving effect to it. Before that could be done there were two further issues which arose and which needed to be resolved before the orders could be finalised. On 11 June 2020 I heard argument on the Applicants’ application that I should revise the reasons for judgment because of a suggested misapprehension of fact. On 25 June 2020 I refused that application: *Boomerang Investments Pty Ltd v Padgett (Reasons Revision Application)* [2020] FCA 882. The parties remained locked in heated dispute – their instinctive posture – about the form of the orders. All those debates, great and small, were ventilated at a further hearing held on 26 August 2020. Most of them were resolved at the hearing but a significant issue about the scope of the injunctive relief against the Fourth Respondent (‘Air France’) was reserved. I resolved that issue and some other minor issues via orders made on 28 August 2020 and published accompanying reasons on 2 October 2020: *Boomerang Investments Pty Ltd v Padgett (Scope of Injunction)* [2020] FCA 1413; 383 ALR 292 (‘Scope of Injunction Judgment’).
2. In the meantime, a timetable had been set for the making of submissions on the question of costs. That timetable had run its course when on 19 November 2020 the Applicants delivered their submissions in reply to those of the Respondents. These reasons deal with those submissions. The question of damages lies in the future.

# Costs Contentions

## Applicants v Glass Candy

1. The Applicants submit that the First and Second Respondents (‘Glass Candy’) should pay their costs since they were successful. Further, they say these costs should be assessed on an indemnity basis. They accept there should be a discount of 20% to reflect the fact that they lost on some issues which, however, they characterise as minor.
2. Glass Candy submits that the question of costs should be deferred until the quantum of damages recovered by the Applicants against Glass Candy is ascertained. It insinuates that it is likely that the Applicants will recover only modest damages and this will be relevant to the question of costs ostensibly on two bases: (a) it will throw light on who really won the case; and (b) if less than $100,000 is eventually recovered then Glass Candy reminds the Court of r 40.08 of the *Federal Court Rules 2011* (Cth) which permits a reduction in costs where an applicant recovers less than $100,000 or the proceeding could more suitably have been brought in another court, eg, the Federal Circuit Court of Australia. Glass Candy foreshadows that if costs are determined now they may need to be revisited after the damages are determined.
3. If the Court, however, is determined to resolve the issue of costs now, Glass Candy submits that there should be a costs order which reflects the issues upon which each party lost and won. In particular:
4. The Second Applicant (Mr Johannes van den Berg, who I will call Mr Vanda) and the Third Applicant (the estate of the late Mr George Young) should pay Glass Candy’s costs in relation to the moral rights claim (which Glass Candy won);
5. Glass Candy should pay 1/3 of the First (‘Boomerang’), Fourth (‘APRA’) and Fifth (‘AMCOS’) Applicant’s costs in relation to the copyright infringement claim which should in turn be discounted by a further 50%; and
6. Costs should not proceed to taxation without further leave of the Court.

## Applicants v Air France

1. The Applicants submit that the Fourth Respondent, Air France, should pay their costs since they were successful in obtaining declaratory and injunctive relief against it. They say that these costs should be assessed on an indemnity basis. They accept that there should be a discount of 20% to reflect the fact that they lost on some issues which, again, they characterise as but minor.
2. Air France does not agree with this. It submits that the position of the five Applicants is not the same. It says that Boomerang, Mr Vanda, the estate of Mr Young and AMCOS failed in substance against it and they should therefore pay its costs on a party and party basis. It accepts that APRA did succeed against it but Air France says that even this success was mixed. Consequently, Air France urges the Court to make no order as to costs as between it and APRA.

## Applicants v Kobalt

1. The Applicants were wholly unsuccessful against the Third Respondent, Kobalt Music Publishing Australia Pty Ltd (‘Kobalt’) and accept that, in principle, they should pay its costs. However, they say that even though they lost to Kobalt nevertheless they did succeed on several issues and this should be reflected in a discount of 40% applied to Kobalt’s costs. Kobalt says there should be no such discount and that the Applicants should pay its costs on an indemnity basis.

# Costs Questions

1. The matters to be resolved therefore are:

#### Glass Candy

1. Should the question of costs in relation to Glass Candy be postponed until after the determination of damages?
2. Should the costs be determined on an issue-by-issue basis and party-by-party basis?
3. What should the costs order be?
4. What discounts should be applied to that costs order?
5. Are indemnity costs warranted?

#### Air France

1. Should the costs be determined on an issue-by-issue basis and party-by-party basis?
2. What should the costs order be?
3. What discounts should be applied to that costs order?
4. Are indemnity costs warranted?

#### Kobalt

1. Are indemnity costs warranted?
2. Should there be a discount on the costs order of 40%?
3. It is convenient to deal with these questions in the above order.

## Glass Candy

### Question 1: should costs be postponed until after the determination of quantum?

1. Glass Candy submits that the compensatory damages the Applicants are likely to receive will be nominal and that additional damages (based on flagrancy) will not be awarded because the only conduct found to be flagrant occurred in the United States. The Applicants do not meet these submissions beyond referring to the Liability Judgment at [432] but instead submit that it was Glass Candy who advocated that costs should be determined at this stage and that it is therefore too late for such a contention to be raised.
2. The infringements which the Court found that Glass Candy had engaged in consisted of 12 downloads in Australia of *Warm in the Winter* (‘Warm’) from the Big Cartel website: Liability Judgment at [346]. The revenue raised by this was $11.50. I apprehend that Glass Candy’s point is that the compensatory damages arising from these downloads will be $11.50. This contention has crept into view a few times already in this litigation. At [432] of the Liability Judgment I noted one such appearance but observed that the Respondents would ‘no doubt have to deal with a contention by the Applicants that their damages should be assessed on a foregone licence basis’. Whilst there is a simplicity in Glass Candy’s submission that the compensatory damages will only be $11.50 I do not see how that issue can be determined in a costs debate.
3. Insofar as the issue of additional damages is concerned the Applicants have the benefit of findings that (a) Glass Candy knowingly copied the sung lyric ‘love is in the air’ sometime between May 2008 and May 2009; and, (b) the resulting recording was eventually recorded as Track 7 on the *Airplane Baby* CD in May 2009: Liability Judgment [199]. The recording occurred in Portland and Montreal. It did not occur in Australia. The making of the recording was the reproduction in a material form of a substantial part of *Love is in the Air* (‘Love’) and, had it occurred in Australia, would have been an infringement of the relevant element of the Australian copyright.
4. The Applicants’ case for additional damages under s 115(4) of the *Copyright Act 1968* (Cth) (‘the Act’) is based on the finding that the making of this recording involved deliberate copying of Love, and therefore that the infringements were flagrant: Liability Judgment [432]*.* Glass Candy submits that the only infringements that Glass Candy was found to have committed were the 12 downloads from the Big Cartel website. It says that there is no finding that *those* infringements were flagrant. Further, the only activity to which the Applicants can point as flagrant – the initial recording of Warm in Portland and Montreal somewhere between May 2008 and May 2009 – is not alleged to be an infringement of the Australian copyright. Consequently, so the argument goes, there can be no award of additional damages under s 115(4).
5. As engaging as this argument is, to accept it at the level of a costs debate I would have to conclude that this was definitively what was going to happen at the damages trial. But only one side of this argument has been heard and there may be several ripostes; for example, the subsequent communication of the song from the Big Cartel website for downloading in Australia may be seen as the fruit of an earlier and deliberate act of copying and, as such, is to be tarred with the same brush.
6. Tarred fruit aside, I do not accept that I can proceed on the basis urged by Glass Candy. It is of course possible that Glass Candy will succeed in eventually making good this point. If so, it may apply to revisit any costs orders which are now made. There are practical reasons for this course, too. It makes more sense to resolve the costs questions arising from the liability trial at this stage. If the issue is deferred until after the damages hearing, it will be that much further from everyone’s minds. Further, the submissions have been made and it is more efficient for the issue to be decided now. I therefore do not think it appropriate to defer this question until after the damages hearing. In that circumstance, it is not necessary to consider the Applicants’ submission that it is not procedurally open to Glass Candy to submit that the costs questions should be deferred until after the damages hearing.

### Question 2: should the costs be determined on an issue-by-issue basis as between each of the Applicants and Glass Candy?

1. Glass Candy submitted that a successful party’s costs might be reduced by reference to discrete issues on which the party had failed and, indeed, that the successful party might in some circumstances be ordered to pay the costs of a discrete issue upon which it was unsuccessful. The costs discretion is unfettered but the following themes may be extracted from the authorities:
2. First, the general rule is that costs follow the event.
3. Secondly, the general rule may be departed from and a successful party may (a) be prevented from recovering all of its costs in relation to an issue on which it failed; or, (b) be ordered to pay the costs in relation to an issue on which it failed. If the question of who won the litigation is contestable then this may warrant a consideration on an issue-by-issue basis. But where it is not, there are ‘good reasons not to encourage applications regarding costs on an issue-by-issue basis, involving apportionments based on degrees of difficulty of issues, time taken to argue them and the like’: *Firebird Global Master Fund II Ltd v Republic of Nauru (No 2)* [2015] HCA 53; 90 ALJR 270 at [6] per French CJ, Kiefel, Nettle and Gordon JJ. Even where the question of who won the litigation is contestable, there may be practical reasons militating against approaching the matter on an issue-by-issue basis. For example, whilst it may be possible to separate the legal issues it may be that the factual substratum on which those issues rest is common to more than one issue: *Les Laboratoires Servier v Apotex Pty Ltd* [2016] FCAFC 27; 247 FCR 61 (‘*Les Laboratoires Servier*’) at [300] per Bennett, Besanko and Beach JJ.
4. So too, a court may take into account, but is not bound to, that awarding costs on an issue-by-issue basis may encourage parties to consider carefully what matters they will put in issue: *Les Laboratoires Servier* at [301]. The empirical evidence for this thought experiment, however, is thin. Whilst it is tempting to think that the economic incentive not to incur irrecoverable costs on failed issues should exert a disciplining effect on parties and their advisers about the issues they select to run, a number of practical matters conspire to reduce any such effect. The first of these is that any costs consequence is far off in the future and costs are not usually taxed before the end of a proceeding. The natural human tendency is to underestimate the future cost of present conduct, as anyone who has been to a decent dinner party will attest. Secondly, for the suggested economic incentive to be effective it would need to be understood by the parties (and their advisers) that there was a real risk that the general rule would be departed from and the exception engaged. However, the general rule is not called the general rule for nothing and it is therefore rational for parties (and their advisers) to think that there will be no costs penalty for losing on particular issues because, *generally*, it is the fact that there will not be. This naturally encourages a mindset in which issues proliferate because of a sense that, so long as one wins, it will not matter and, if one is going to lose, well, it is going to be a full-blown disaster anyway so one may as well hang the expense. For the economic incentive actually to exert influence on decision-making it would be necessary for it to be understood as the general rule, rather than as the exception to that rule. The present litigation is a good example of how little effect this supposed encouragement towards issue-parsimony has in real litigation. It involved sophisticated parties who were well represented but even so there was no issue which was too sickly not to have its day in court.
5. Thirdly, there is an interest for all parties in the costs hearing not descending into a re-run of the trial: *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)* [2007] FCAFC 172 at [8]-[9] per Heerey, Sundberg and Bennett JJ. That was said, of course, in the context of patent litigation where sometimes different considerations may be at play, but nevertheless it is, with respect, a sound observation. To that may be added two further observations: (a) hearing complex issue-by-issue costs argument diverts limited judicial resources from the central task of hearing trials; (b) once an issue-by-issue approach is taken it makes more complex the task of taxation.
6. I do not think it would be appropriate to separate out the issues as between the Applicants and Glass Candy. Both sides had some significant wins and some significant losses. The Applicants succeeded in showing that Glass Candy deliberately copied the sung lyric ‘love is in the air’ from Love*.* This was a large factual undertaking and was hard fought. In a sense, although it was far from the only issue in the case, itwas one of the central questions. On the other hand, the Applicants certainly suffered some serious setbacks in the course of securing this victory. They failed to show that the copyright in the literary work had been infringed. In relation to the musical work, it is true that they succeeded in showing that the line ‘love is in the air’ in Warmwas objectively similar to ‘H1’ but they failed in relation to ‘H2’ or ‘H3’ about which there was both plenty of expert evidence and plenty of disputation (H1, H2 and H3 were slightly different variants of the sung lyric in Love: see [80] and following of the Liability Judgment). The Applicants lost the moral rights claim although it must be said not because the Court was not satisfied that Lovehad not been subject to derogatory treatment within the meaning of s 195AI(2) of the Act but only because that provision did not apply in Montreal and Portland where the derogation took place: s 195AX. But it was still a loss. Glass Candy stressed that it defeated Boomerang by proving that it did not own the copyright in Love which is true. But it was a victory secured only at the price of proving that the copyright in Lovewas owned by APRA and AMCOS. Viewed from a little distance, this kind of victory appears to be a net neutral result.
7. It is also true, as Glass Candy correctly submits, that the case in relation to streaming from music services (such as iTunes) failed because the streaming services held relevant APRA and AMCOS licences. But the Applicants did succeed in relation to the Big Cartel website and the full consequences of that outcome are yet to be seen. Further, in reality Glass Candy let Kobalt have the principal running on that issue and largely (although I accept not altogether) adopted its submissions about it.
8. Glass Candy also raised some other points on the issue-by-issue question but they were less material than the ones to which I have just referred. I am cognisant of these other matters but they seemed tangential and minor.
9. This is a case where the question of who, if anyone, won is quite contestable and it would be open to me to approach the matter on an issue-by-issue approach. However, I do not propose to do so. Picking over the corpse of the trial to perform such an analysis would require much guesswork on my part and there are clearly overlapping issues. For example, I am less than confident of my ability to disentangle the labours that went into the Big Cartel download issue from those which went into the streaming service issues. Further, I am not confident that my impression of how much sitting time was taken at trial on particular issues necessarily fairly reflects the time which was actually spent on those issues by the parties. For example, whilst it is true Glass Candy tended to let Kobalt have the running on the streaming issues it is apparent that Glass Candy had looked at those issues from its own perspective and made additional submissions about them. It is quite possible that Glass Candy’s decision to let Kobalt have the principal running on the issue was, in fact, just a sensible use of court time. I am not confident therefore that an issue-by-issue analysis would result in an outcome which was fair.

### Question 3: What should the costs order be?

1. Whilst the question of who won the liability phase of the trial is contestable, the better view is that the Applicants overall did win. They have established infringement and they have demonstrated that the sung lyric was deliberately copied. They failed on the streaming services and the moral rights claim and some other issues but I do not think that transforms the overall picture. The appropriate order, in principle, is therefore that Glass Candy pay the costs of the Applicants.

### Question 4: What discounts should be applied?

1. In all the circumstances, it seems to me to that it would be appropriate in principle to order that those costs be reduced by 25%. In arriving at that figure I have taken into account, inter alia, the fact that the moral rights claim failed and that Boomerang’s claim failed.

### Question 5: Are indemnity costs warranted?

1. It was necessary for the Applicants to show that Glass Candy copied the sung lyric ‘love is in the air’ from Love. There were two ways that could be demonstrated. It could either be shown that the sung lyric had been unconsciously copied or deliberately copied. Either would have satisfied the requirement of causation. The Applicants pursued a case based on deliberate copying because they wished to seek additional damages under s 115(4) of the Act and wished to rely upon deliberate copying as evidence of flagrancy. They were successful in demonstrating that the copying was deliberate. Had Glass Candy not given false evidence about how it came to write Warm the issue of causation would not have delayed the trial to the extent that it did. There were, however, other defences on which Glass Candy was entitled to rely which had nothing whatsoever to do with the question of deliberate copying (and, indeed, it was to some extent successful in relation to those other matters). Conceptually, it was possible that Glass Candy could still have won despite losing on the issue of deliberate copying. For example, if it had successfully resisted the evidence about the Big Cartel website there would have been nothing left of the Applicants’ case. That the Applicants only succeeded in proving 12 acts of downloading shows that Glass Candy came close to winning this part of the case too. But the reality is that to come close to winning is still, when all is said and done, to lose.
2. It remains true therefore that the question of whether Glass Candy copied the sung lyric was a central issue in the case and the melancholy fact is that it did give deliberately false evidence about this matter. This, of course, is not good and ought not to be encouraged. But the situation is not nearly as bad as it was in *Clipsal Australia Pty Ltd v Clipso Electrical Pty Ltd (No 4)* [2017] FCA 436 at [9] where it may be said that the entire defence was a concocted try-on. In this case, by contrast, there were other legitimate issues. As such it probably lies midway somewhere between *Walker v Citigroup Global Markets Pty Ltd* [2005] FCA 1866 at [31]-[32] per Kenny J (where there was false evidence but it was not necessarily on the critical forensic path) and *Barrett Property Group Ltd v Metricon Homes Pty Ltd (No 2)* [2007] FCA 1823 at [13]-[14] per Gilmour J (where the false evidence was of ‘central importance’). At the end of the day, the false evidence was a central issue in the case but there were other issues too which were disconnected from it and, indeed, on which Glass Candy may be said to have had some measure of success. Indeed, they may yet succeed at the damages trial in making the Applicants’ victory somewhat of a Pyrrhic one.
3. I therefore think it is inappropriate to make an indemnity costs order on the basis of litigation misconduct of the kind described in *Colgate-Palmolive Company v Cussons Pty Ltd* [1993] FCA 801; 46 FCR 225 (‘*Colgate-Palmolive*’) at 233-234 per Sheppard J. Had truthful evidence been given, it is likely that the trial would have been foreshortened to an extent but I do not think that quite gets the Applicants over the line on the question of indemnity costs. On the other hand, it *is* appropriate to recognise in the costs orders the fact that Glass Candy significantly extended the hearing by making up an elaborate backstory as to how Warmcame to be written which fell apart in the witness box. Although there is perhaps not a lot of science about this, based on my impression of how the trial was conducted, an appropriate measure would be to remove the 25% discount I otherwise would have imposed on the Applicants’ costs.
4. That leaves the Applicants’ other basis for seeking indemnity costs which was the sending of a Calderbankoffer on 18 February 2019. It was addressed to all parties and was relevantly as follows:

We are instructed that the Applicants will settle this matter on the following basis:

1. The First and Second Respondents agree that they will not enter into, or authorise or permit anyone on their behalf to enter into any agreement for the synchronisation of that part of *Warm in the Winter* that contains the phrase ‘love is in the air’ and/or its musical counterpart.
2. That the parties agree on a simple factual public statement that the matter has been settled, and that the terms of the settlement otherwise remain confidential.
3. That the proceedings be discontinued with no order as to costs.
4. There are two main reasons why this letter does not provide a basis for an indemnity costs order. First, the offer extended to the literary work claim. The Applicants’ case failed on that issue. Secondly, the offer was not in its terms capable of independent acceptance by each Respondent. That matters because: the case against each Respondent differed; the Respondents conducted their cases largely independently and had separate representation (albeit that they relied to some extent on each other’s evidence and submissions); and, as I have already explained, the Third Respondent was wholly successful. In those circumstances, it is difficult to see how the decision by any of the Respondents not to accept the offer could be characterised as unreasonable.
5. Given the grim tit-for-tat nature of this litigation, Glass Candy naturally also relied upon a letter where they offered to settle for a payment to the Applicants of USD15,000. On the present hearing, Glass Candy submitted that this was more than the Applicants were going to receive at the damages trial. I think it premature to deal with that issue. I do not know what the Applicants will in fact recover. After the damages case, if the Applicants recover less than USD15,000 this matter may, if Glass Candy wish, be revisited since costs orders are interlocutory.
6. The appropriate order is that Glass Candy pay the Applicants’ costs as taxed, assessed or agreed.

## Air France

### Question 6: Should the costs be determined on an issue-by-issue and party-by-party basis?

1. Air France submits that only APRA succeeded against it. It says that Boomerang failed to prove it had title to sue, Mr Vanda and the Estate of Mr Young failed on their moral rights claim and that AMCOS failed too since no acts of downloading were alleged against Air France. APRA succeeded against it in relation to the playing of *France is in the Air* (‘France’) as its Australian telephone hold music but failed in relation to Air France’s YouTube channel since YouTube held a licence from APRA permitting it to stream France. On this basis it suggests that an appropriate outcome would be that there should be no order as to costs as between it and APRA and that the other Applicants, having lost, should pay its costs.
2. The Applicants say that they prevailed on what I have described above as a central issue in the case and that in relation to the playing of the hold music on Air France’s Australian telephone line they succeeded in demonstrating infringement.
3. As with Glass Candy, I do not think it would be useful to seek to apportion the costs on an issue-by-issue approach and it seems to me that the parties’ contentions about the various degrees of success should be globally reflected instead in an appropriate discount. The exclusion of an issue-by-issue approach carries with it a rejection of a party-by-party approach (as in the case of Glass Candy).

### Question 7: What should the costs order be?

1. The Applicants succeeded in showing that:
* Glass Candy had deliberately copied the sung lyric from Love in Warm;
* Air France copied the sung lyric from Love in France and that its advertising agency EURO RSCG BETC (‘BETC’) had done this deliberately: Liability Judgment [254];
* The use of France in Air France’s telephone hold music infringed APRA’s copyright.
1. On the other hand, Air France defeated:
* the authors’ moral rights claims;
* the literary work claim;
* the Applicants’ contention that the sung lyric ‘France is in the air’ had been selected to exploit Love;
* the Applicants’ case on the streaming of France;
* Boomerang’s case in relation to the telephone hold music (however, it did so only at the cost of losing the same issue to APRA).
1. Three further matters should be noted. First, a case against Air France was not pursued by AMCOS. Secondly, by the time of the trial Air France had stopped using France as its telephone hold music, no doubt to everyone’s relief. I nevertheless granted an injunction to prevent any repetition: Scope of Injunction Judgment. Air France said this was not necessary but without it there was nothing to stop Air France using France again on streaming services (since each such service had an APRA licence). I concluded that having expended significant resources on the France campaign it had some motive to use it again and, in the absence of an undertaking, it was appropriate that it be restrained from doing so. Thirdly, as I have noted above, Glass Candy was held liable for authorising Air France’s infringement.
2. I have come to the view that as in the case of Glass Candy, the bottom line is that the Applicants succeeded and should, in principle, have their costs.

### Question 8: What discounts should be applied to the costs order?

1. In light of the above matters, I think a discount of 25% is appropriate.

### Question 9: Are indemnity costs warranted?

1. As in the case of Glass Candy, Air France put forward an account of how its advertising agency BETC came to use the sung lyric from Love in France which I found to be based on false evidence, here of M. Caurret. This prolonged the trial although not as much as the evidence of Mr Padgett and Ms Monahan (Glass Candy) did. Nevertheless, some substantial delay was caused when the initial attempt to take evidence from the Air France witnesses from Paris had to be abandoned in the face of insurmountable technological problems. This would have happened in any event and regardless of the evidence of M. Caurret since other Air France witnesses were involved too. For the same reasons I have given in the case of Glass Candy I also conclude that it would not be appropriate to award indemnity costs on a *Colgate-Palmolive* basis but there must be some recognition of the delay occasioned by M. Caurret’s evidence. I have concluded that a reduction in the discount I would otherwise apply, of 20% of the costs as taxed, assessed or agreed, is appropriate in all the circumstances.
2. For the same reasons I have given in relation to Glass Candy, I do not accept that the Applicants’ Calderbank offer was unreasonably refused by Air France.
3. The appropriate order is therefore that Air France pay 95% of the Applicants’ costs as taxed, assessed or agreed (ie 100% of the costs as taxed, assessed or agreed minus 25% of that amount plus 20% of that amount).
4. For completeness, I have not discounted the fact that Air France supported Glass Candy’s case on deliberate copying just as I have not discounted the fact that Glass Candy authorised Air France’s infringement. In a sense, both are involved in the other’s false account of how Warm and France came to be.

## Kobalt

1. There is no dispute that the Applicants should pay Kobalt’s costs. The only questions which arise for determination are whether indemnity costs are warranted and the appropriate measure of any discount.

### Question 11: Are indemnity costs warranted?

1. I do not accept Kobalt’s submission that its victory was so comprehensive that it should have its costs on an indemnity basis. It is true that I observed at [390] of the Liability Judgment that the Applicants’ case against Kobalt made ‘no sense’ but the issues in this area were very complex and I do not think that the fact that the case rested on a mistaken apprehension of Kobalt’s licensing arrangements or their effects means that the Applicants engaged in a species of litigation misconduct of the kind referred to in *Colgate-Palmolive*. Nor does it mean that the Applicants’ case answers the description of any of the categories referred to by the Full Court in *InterTAN Inc v DSE (Holdings) Pty Limited* [2005] FCAFC 54 at [11] per Ryan, Finkelstein and Bennett JJ, upon which Kobalt relies in its submissions. It is to be remembered that the Applicants were confronted at trial by three sets of well-resourced and well-represented opponents who, it is fair to say, threw their all at the Applicants. If Kobalt had been the only Respondent then I might have seen some force in its application for indemnity costs. But where the Applicants were having to play tennis against three sets of robust opponents I am less inclined to view the fact that a ball got past them as evidence of slovenly lawyering warranting an indemnity costs order and more inclined to view it as the consequence of the Respondents’ strategy of putting the Applicants maximally to their mettle.

### Question 12: Should there be a discount on the costs order of 40%?

1. The Applicants submitted that Kobalt had called Dr Ford, an expert musicologist, on the questions of originality, objective similarity and substantial reproduction and that the Applicants had been successful on those issues. This is generally correct although the Applicants did fail on H2 and H3. Further, Kobalt had made submissions about those issues which overlapped with those made on behalf of Glass Candy. This is also correct. They also submitted that whilst Kobalt had successfully resisted Boomerang on the question of title to sue this had been at the price of losing the same issue to APRA. Further, Kobalt had also launched an attack on the effect of the various assignments of the copyright which the Applicants had successfully repulsed. They also criticised Kobalt for the filing of its rejoinder submissions which were filed without leave and ultimately rejected. I accept that there should be some discount for this but not the 40% claimed. I will discount Kobalt’s costs by 10%.
2. Usually costs orders take effect as a joint and several liability. That is unworkable in the present case given that separate discounts are appropriate. Consequently, I will make separate costs orders in accordance with the above conclusions.

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| I certify that the preceding fifty (50) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Perram. |

Associate:

Dated: 21 April 2021