Federal Court of Australia

Energy Beverages LLC v Cantarella Bros Pty Ltd (No 2) [2022] FCA 394

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| File number(s): | NSD 1711 of 2019  NSD 1858 of 2019  NSD 63 of 2021 |
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| Judgment of: | **HALLEY J** |
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| Date of judgment: | 14 April 2022 |
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| Catchwords: | **PRACTICE AND PROCEDURE** – application for stay of dismissal orders pursuant to r 36.08 of the *Federal Court Rules 2011* (Cth) (**Rules**) – whether stay or rectification of the Trade Marks Register more suitable course pending determination of appeal – consideration of *Woolworths Ltd v BP plc* (2006) 150 FCR 134; [2006] FCAFC 52 and *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97; [2006] FCAFC 132 – preservation of status quo and subject matter of appeal – whether stay in public interest – application granted  **PRACTICE AND PROCEDURE** – application for stay of costs orders pursuant to r 36.08 of the Rules – stay of costs order not necessary or appropriate – application dismissed  **COSTS** – application for indemnity costs pursuant to s 43(3)(g) of the *Federal Court of Australia Act 1976* (Cth) (**FCA Act**) – principles in respect of *Calderbank* offers – where appellant party did not accept offer by respondent to settle proceedings – whether rejection of offer unreasonable or imprudent – where appellant would have been in materially better position if it had accepted offer – application granted  **COSTS** – application for costs of stay and indemnity costs applications – neither party wholly successful – no order as to costs in respect of stay and indemnity costs applications  **PRACTICE AND PROCEDURE** – application for suppression orders pursuant to s 37AF of the FCA Act – whether necessary to prevent prejudice to proper administration of justice – consideration of public policy – application granted |
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| Legislation: | *Federal Court of Australia Act 1976* (Cth) ss 37AG, 43  *Federal Court Rules* *2011* (Cth) r 36.08 |
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| Cases cited: | *Alexander v Cambridge Credit Corporation Ltd* *(Receivers Appointed)* (1985) 2 NSWLR 685  *Anchorage Capital Partners Pty Limited v ACPA Pty Ltd (No 2)* [2018] FCAFC 112  *Beling v Sixty International S.A. (No 2)* [2015] FCA 355  *Calderbank v Calderbank* [1975] 3 All ER 333  *Cantor v Audi Australia Pty Limited (No 4)* [2019] FCA 1633  *Centor Australia Pty Ltd v RMD Industries Pty Ltd (No 2)* [2013] FCA 1407  *CGU Insurance Limited v Corrections Corporation of Australia Staff Superannuation Pty Ltd* [2008] FCAFC 173  *Dukemaster Pty Ltd v Bluehive Pty Ltd* [2003] FCAFC 1  *Elliott v State of Victoria (Department of Education & Training)* [2018] FCA 1029  *Energy Beverages LLC v Cantarella Bros Pty Ltd* [2022] FCA 113  *Hazeldene’s Chicken Farm Pty Ltd v Victorian WorkCover Authority (No 2)* (2005) 13 VR 435; [2005] VSCA 298  *Merial Inc v Intervet International BV (No 4)* (2017) 124 IPR 1; [2017] FCA 223  *Powerflex Services Pty Ltd v Data Access Corporation* (1996) 67 FCR 65  *Red Bull Australia Pty Limited v Sydneywide Distributors Pty Limited t/as Sydneywide Bottlers Australia* [2001] FCA 1750  *Re Wilcox; Ex parte Venture Industries Pty Ltd* (1996) 72 FCR 151  *Tsirigotis v Victoria (Department of Education and Training)* [2020] FCA 1771  *Woolworths Ltd v BP plc* (2006) 150 FCR 134; [2006] FCAFC 52  *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97; [2006] FCAFC 132 |
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| Division: | General Division |
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| Registry: | New South Wales |
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| National Practice Area: | Intellectual Property |
|  |  |
| Sub-area: | Trade Marks |
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| Number of paragraphs: | 132 |
|  |  |
| Date of hearing: | 29 March 2022 |
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| Counsel for the Appellant: | Mr N Murray SC with Ms S Ryan SC |
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| Solicitor for the Appellant: | Davies Collison Cave Law |
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| Counsel for the Respondent: | Mr A Bannon SC with Mr B Cameron |
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| Solicitor for the Respondent: | Herbert Smith Freehills |

ORDERS

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|  | | NSD 1711 of 2019 |
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| BETWEEN: | ENERGY BEVERAGES LLC  Appellant | |
| AND: | CANTARELLA BROS PTY LTD  Respondent | |

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| order made by: | HALLEY J |
| DATE OF ORDER: | 14 April 2022 |

**THE COURT ORDERS THAT:**

1. Order 2 made on 18 February 2022 in this proceeding requiring the appellant to pay the respondent’s costs, as taxed or agreed (**Costs Order**) be varied to provide that the appellant is to pay the respondent’s costs, as taxed or agreed, up to 30 June 2021 and the appellant is to pay the respondent’s costs on an indemnity basis as and from 30 June 2021.
2. There be no costs orders with respect to the application by the appellant for a stay of the Costs Order and the respondent’s application for an indemnity costs order.
3. Pursuant to s 37AF of the *Federal Court of Australia Act 1976* (Cth) and on the ground that it is necessary to prevent prejudice to the proper administration of justice, publication or other disclosure of the following is prohibited, other than to the parties and their legal representatives in this proceeding for a period of 5 years from the date of this order:
   1. the parts of Confidential Annexures SMG-005 and 006 to the affidavit of Sue Maree Gilchrist affirmed on 8 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the “Appellant’s submissions in support of suppression order”dated 5 April 2022 (**Appellant’s Suppression Submissions**);
   2. the parts of the “Appellant’s Confidential Submissions in Answer on Costs” dated 22 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the Appellant’s Suppression Submissions;
   3. the parts of the “Respondent’s Submissions on Further Costs Orders” dated 8 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the Appellant’s Suppression Submissions; and
   4. the Confidential Annexure to the reasons for judgment delivered on 14 April 2022 accompanying these orders (**Confidential Judgment Annexure**).
4. To give effect to Order 3, Confidential Annexures SMG-005 and 006 to the affidavit of Sue Maree Gilchrist affirmed on 8 March 2022, the “Appellant’s Confidential Submissions in Answer on Costs” dated 22 March 2022 and the “Respondent’s Submissions on Further Costs Orders” dated 8 March 2022 be removed from the Court file forthwith and replaced with appropriately redacted versions, to be prepared by the appellants within 14 days of the making of this order in accordance with r 2.29 of the *Federal Court Rules 2011* (Cth). The unredacted versions and the Confidential Judgment Annexure are to be stored in a sealed envelope in the Court file.
5. No access is to be granted to any third party to the Confidential Judgment Annexure or the unredacted version of the documents listed in Order 4 above for a period of 5 years from the date of this order, or without leave of a judge of the Court.

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

ORDERS

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|  | | NSD 1858 of 2019 |
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| BETWEEN: | ENERGY BEVERAGES LLC  Appellant | |
| AND: | CANTARELLA BROS PTY LTD  Respondent | |

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| order made by: | HALLEY J |
| DATE OF ORDER: | 14 April 2022 |

THE COURT NOTES THAT:

1. The appellant undertakes to the Court to prosecute its application for leave to appeal, and any subsequent appeal, in this proceeding, expeditiously.

**THE COURT ORDERS THAT:**

1. Order 1 made on 18 February 2022 in this proceeding dismissing the notice of appeal (**Dismissal Order**) be stayed until determination of the application for leave to appeal and any subsequent appeal.
2. Order 2 made on 18 February 2022 in this proceeding requiring the appellant to pay the respondent’s costs, as taxed or agreed (**Costs Order**) be varied to provide that the appellant is to pay the respondent’s costs, as taxed or agreed, up to 30 June 2021 and the appellant is to pay the respondent’s costs on an indemnity basis as and from 30 June 2021.
3. There be no costs orders with respect to the applications by the appellant for a stay of the Dismissal Order and the Costs Order and the respondent’s application for an indemnity costs order.
4. Pursuant to s 37AF of the *Federal Court of Australia Act 1976* (Cth) and on the ground that it is necessary to prevent prejudice to the proper administration of justice, publication or other disclosure of the following is prohibited, other than to the parties and their legal representatives in this proceeding for a period of 5 years from the date of this order:
   1. the parts of Confidential Annexures SMG-005 and 006 to the affidavit of Sue Maree Gilchrist affirmed on 8 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the “Appellant’s submissions in support of suppression order”dated 5 April 2022 (**Appellant’s Suppression Submissions**);
   2. the parts of the “Appellant’s Confidential Submissions in Answer on Costs” dated 22 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the Appellant’s Suppression Submissions;
   3. the parts of the “Respondent’s Submissions on Further Costs Orders” dated 8 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the Appellant’s Suppression Submissions; and
   4. the Confidential Annexure to the reasons for judgment delivered on 14 April 2022 accompanying these orders (**Confidential Judgment Annexure**).
5. To give effect to Order 5, Confidential Annexures SMG-005 and 006 to the affidavit of Sue Maree Gilchrist affirmed on 8 March 2022, the “Appellant’s Confidential Submissions in Answer on Costs” dated 22 March 2022 and the “Respondent’s Submissions on Further Costs Orders” dated 8 March 2022 be removed from the Court file forthwith and replaced with appropriately redacted versions, to be prepared by the appellants within 14 days of the making of this order in accordance with r 2.29 of the *Federal Court Rules 2011* (Cth). The unredacted versions and the Confidential Judgment Annexure are to be stored in a sealed envelope in the Court file.
6. No access is to be granted to any third party to the Confidential Judgment Annexure or the unredacted version of the documents listed in Order 6 above for a period of 5 years from the date of this order, or without leave of a judge of the Court.

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

ORDERS

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|  | | NSD 63 of 2021 |
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| BETWEEN: | ENERGY BEVERAGES LLC  Appellant | |
| AND: | CANTARELLA BROS PTY LTD  Respondent | |

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| order made by: | HALLEY J |
| DATE OF ORDER: | 14 April 2022 |

THE COURT NOTES THAT:

1. The appellant undertakes to the Court to prosecute its application for leave to appeal, and any subsequent appeal, in this proceeding, expeditiously.

**THE COURT ORDERS THAT:**

1. Order 1 made on 18 February 2022 in this proceeding dismissing the amended notice of appeal (**Dismissal Order**) be stayed until determination of the application for leave to appeal and any subsequent appeal.
2. Order 2 made on 18 February 2022 in this proceeding requiring the appellant to pay the respondent’s costs, as taxed or agreed (**Costs Order**) be varied to provide that the appellant is to pay the respondent’s costs, as taxed or agreed, up to 30 June 2021 and the appellant is to pay the respondent’s costs on an indemnity basis as and from 30 June 2021.
3. There be no costs orders with respect to the applications by the appellant for a stay of the Dismissal Order and the Costs Order and the respondent’s application for an indemnity costs order.
4. Pursuant to s 37AF of the *Federal Court of Australia Act 1976* (Cth) and on the ground that it is necessary to prevent prejudice to the proper administration of justice, publication or other disclosure of the following is prohibited, other than to the parties and their legal representatives in this proceeding for a period of 5 years from the date of this order:
   1. the parts of Confidential Annexures SMG-005 and 006 to the affidavit of Sue Maree Gilchrist affirmed on 8 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the “Appellant’s submissions in support of suppression order”dated 5 April 2022 (**Appellant’s Suppression Submissions**);
   2. the parts of the “Appellant’s Confidential Submissions in Answer on Costs” dated 22 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the Appellant’s Suppression Submissions;
   3. the parts of the “Respondent’s Submissions on Further Costs Orders” dated 8 March 2022 that are highlighted in pink, blue, red and green in the Annexures to the Appellant’s Suppression Submissions; and
   4. the Confidential Annexure to the reasons for judgment delivered on 14 April 2022 accompanying these orders (**Confidential Judgment Annexure**).
5. To give effect to Order 5, Confidential Annexures SMG-005 and 006 to the affidavit of Sue Maree Gilchrist affirmed on 8 March 2022, the “Appellant’s Confidential Submissions in Answer on Costs” dated 22 March 2022 and the “Respondent’s Submissions on Further Costs Orders” dated 8 March 2022 be removed from the Court file forthwith and replaced with appropriately redacted versions, to be prepared by the appellants within 14 days of the making of this order in accordance with r 2.29 of the *Federal Court Rules 2011* (Cth). The unredacted versions and the Confidential Judgment Annexure are to be stored in a sealed envelope in the Court file.
6. No access is to be granted to any third party to the Confidential Judgment Annexure or the unredacted version of the documents listed in Order 6 above for a period of 5 years from the date of this order, or without leave of a judge of the Court.

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

REASONS FOR JUDGMENT

HALLEY J:

# Introduction

1. On 18 February 2022 I made orders dismissing each of the appeals by the appellant (**EB**) against three decisions of Delegates of the Registrar of Trade Marks (**Dismissal Orders**), ordered EB to pay the costs of the respondent (**Cantarella**) in each appeal (**Costs Orders**) and delivered my reasons for judgment: *Energy Beverages LLC v Cantarella Bros Pty Ltd* [2022] FCA 113.
2. Following the delivery of judgment Cantarella foreshadowed that it might seek a further order in relation to its costs and EB sought and I granted an interim stay of the Dismissal Orders and the Costs Orders.
3. On 22 February 2022, I extended the stay of the Dismissal Orders until 6.00 pm on 29 March 2022 and listed any further applications for a continuation of the stay of the Dismissal Orders and any further or varied order for costs for hearing at 10.15 am on 29 March 2022.
4. On 4 March 2022, EB filed applications for leave to appeal in NSD 1858/2019 (**MOTHERSKY appeal**) and NSD 63/2021 (**MOTHERLAND appeal**).
5. On 29 March 2022, EB made further stay applications and Cantarella applied for indemnity costs orders in each of the proceedings. The parties also sought suppression orders over the content of without prejudice communications that each relied upon in relation to Cantarella’s application for indemnity costs.
6. EB sought a stay of:
7. the Dismissal Orders and the Costs Orders in the MOTHERSKY appeal until the determination of the applications for leave to appeal and any subsequent appeal in the proceedings or until further order;
8. the Dismissal Orders and the Costs Orders in the MOTHERLAND appeal until the determination of the applications for leave to appeal and any subsequent appeal in the proceedings or until further order; and
9. the Costs Orders in NSD 1711/2019 (**MLIC appeal**) until the determination of the applications for leave to appeal and any subsequent appeal in the MOTHERSKY and MOTHERLAND appeals or until further order.
10. At the conclusion of the hearing of the applications made by EB and Cantarella, I reserved my judgment and made orders staying the Dismissal Orders in the MOTHERSKY appeal and the MOTHERLAND appeal and the Costs Orders in each of the proceedings until the determination of the Applications made on 29 March 2022.
11. In the absence of a stay of the Dismissal Orders in the MOTHERSKY appeal and the MOTHERLAND appeal, the MOTHERSKY trade mark will proceed to registration in classes 30 and 41 with a priority date of 11 January 2017 and the MOTHERLAND trade mark in class 32 will be removed from the Trade Marks Register (**Register**).
12. In the event that EB is granted leave to appeal and the appeals in the MOTHERSKY and MOTHERLAND appeals are ultimately successful it is not in dispute that the Court has power to rectify the Register: *Woolworths Ltd v BP plc (No 2)* (2006) 154 FCR 97; [2006] FCAFC 132 (***Woolworths No 2***) at [139]-[152] (Heerey, Allsop and Young JJ).
13. The issue to be determined on this application by EB is whether the more appropriate course in this case is to stay the Dismissal Orders until the determination of the appeals or to rely on the power of the Court to restore the Register if the appeals succeed.
14. For the reasons that follow, I am satisfied that it is appropriate in the present context for there to be a further stay of the Dismissal Orders pending the determination of the applications for leave to appeal and any subsequent appeals. I do not consider, however, that EB has advanced any compelling reason why there should be any stay of the Costs Orders.
15. Cantarella and EB exchanged a series of without prejudice save as to costs offers in the period between 2 December 2019 and 29 June 2021. Cantarella initially sought to rely on eight discrete offers (the last of which was made twice) that it made during that period, the rejection of the first of which it contended gave rise to an indemnity costs order from as early as 12 December 2019. In the course of the hearing on 29 March 2022, Mr Bannon SC, who appeared for Cantarella, notified the Court and EB that Cantarella now only sought to rely on the last three offers made on 19 March 2021, 25 June 2021 and 29 June 2021 (**Offers**), the first of which it alleged gave rise to an entitlement to indemnity costs from 23 June 2021 (being the date on which EB rejected the offer).
16. For the reasons that follow, I am also satisfied that I should exercise the costs discretion to vary the Costs Orders to provide that EB is to pay Cantarella’s costs of each proceeding from 30 June 2021 on an indemnity basis.
17. Both EB and Cantarella also seek their costs of and incidental to the hearing of their respective stay and costs applications but I have concluded that given their overlapping success and failure there should be no order for these costs.
18. Finally, I am satisfied that it is appropriate to make suppression orders to the effect of the reformulated request made by EB on 5 April 2022. By reason of the making of those suppression orders it has been necessary to redact parts of these reasons for judgment and prepare a confidential annexure to these reasons. That confidential annexure is also to be subject to the suppression orders. In the confidential annexure, those parts of the judgment which have been redacted have been reinserted in the paragraphs of these reasons from which they have been removed and they have been underlined to distinguish them from the unredacted parts of those paragraphs in these reasons.

## Evidence

1. EB relied on an affidavit of Ms Miriam Cecily Zanker sworn on 22 March 2022 in support of the application for suppression orders, an affidavit of Ms Courtney Ann White dated 28 March 2022 and subsequently affirmed on 29 March 2022 in support of the stay applications and an affidavit of Ms Alexa Lewis dated 4 April 2022 in support of its application for suppression orders. None of these witnesses were cross examined.
2. Cantarella relied on two affidavits of Ms Sue Maree Gilchrist, the first affirmed on 8 March 2022 and the second dated 28 March 2022 and subsequently affirmed on 29 March 2022. These affidavits were read in opposition to the stay applications and in support of the indemnity costs application. Ms Gilchrist was not cross examined.

# Stay of Dismissal Orders

## Principles

1. Rule 36.08 of the *Federal Court Rules* *2011* (Cth) provides:

**36.08 Stay of execution or proceedings under judgment appealed from**

(1) An appeal does not:

(a) operate as a stay of execution or a stay of any proceeding under the judgment the subject of the appeal; or

(b) invalidate any proceedings already taken.

(2) However, an appellant or interested person may apply to the Court for an order to stay the execution of the proceeding until the appeal is heard and determined.

(3) An application may be heard under subrule (2) even though the court from which the appeal is brought has previously refused an application of a similar kind.

1. The principles governing the exercise of the Court’s discretion to grant a stay are well settled.
2. The starting point is that a successful party is entitled to the benefit of the judgment that it has obtained and the existence of an arguable case on appeal does not of itself justify the grant of a stay: *Red Bull Australia Pty Limited v Sydneywide Distributors Pty Limited t/as Sydneywide Bottlers Australia* [2001] FCA 1750 at [6] (Hely J) citing *Starborne Holdings Pty Ltd v Radferry Pty Ltd* (Cooper J, 21 May 1998, unreported).
3. It is not necessary to show any “special” or “exceptional circumstances”; it is sufficient if an applicant for a stay can demonstrate a reason or an appropriate case to justify the exercise of the discretion to grant a stay: *Alexander v Cambridge Credit Corporation Ltd* *(Receivers Appointed)* (1985) 2 NSWLR 685 at 693-4 (Kirby P, as his Honour then was, Hope and McHugh JJ); *Powerflex Services Pty Ltd v Data Access Corporation* (1996) 67 FCR 65 at 66 (Burchett, Heerey and Whitlam JJ).
4. There has been limited judicial consideration of whether a stay or reliance on the Court’s power to rectify the Register is the more suitable course pending the determination of an appeal from orders made by a primary judge that trade marks should proceed to registration or be removed from the Register. The only substantive consideration of this issue would appear to be the decisions of the Full Court in *Woolworths Ltd v BP plc* (2006) 150 FCR 134; [2006] FCAFC 52 (***Woolworths No 1***) and *Woolworths No 2*.
5. In *Woolworths No 1*, Sundberg and Bennett JJ confirmed at [48] that the Court does have power to cause removal of trade marks from the Register if an appeal is successful and that it has an inherent power to preserve the subject matter of the appeal from orders permitting a trade mark to proceed to registration.
6. In *Woolworths No 2*, Heerey, Allsop, as his Honour then was, and Young JJ stated:

154 BP submitted that, even if Woolworths establishes that the trade mark application ought to have been rejected, the Court should as a matter of discretion decline to order rectification of the Register. BP submitted that to do so would be unjust and prejudicial to it. It also submitted that the registration of the marks had transformed the nature of the proceedings, that any challenge to the registrations should now be argued on the basis of the different test that would apply in rectification proceedings.

155 We reject BP’s submission. The proceeding at trial was an opposition to registration; this Court is entertaining an appeal from the trial judge’s decision. It would be an unsatisfactory situation if, following the grant of leave to appeal under s 195(2) and having heard substantive argument on the merits, this Court should decline to exercise its power to correct a legal error in the Register by virtue only of the fact of registration of the trade marks in the interim. It was not possible for Woolworths to apply for rectification at the time of trial, as the trade marks had not yet been entered on the Register. The possibility of rectification proceedings arose after the primary judge had made his findings and the trade marks had been registered.

156 It is true that Woolworths could have, and probably should have, applied for a stay pending the outcome of its application for leave to appeal and any subsequent appeal. But we do not consider that this circumstance provides sufficient grounds to refuse Woolworths the relief to which it would otherwise be entitled. As Sundberg J and Bennett J noted in the leave application, if the trade marks should not have been registered, they should not remain on the Register; this is not only in Woolworths’ interests, it is also in the public interest. We consider that maintenance of the integrity of the register far outweighs any prejudice of the kind to which BP points.

1. The following propositions flow from the decisions of the Full Court in *Woolworths No 1* and *Woolworths No 2* and more general principles governing the exercise of the Court’s discretion to grant a stay:
2. in the usual course a party should be permitted to enjoy the fruits of its victory pending the determination of any appeal;
3. a party seeking a stay must demonstrate a reason or an appropriate case to justify the exercise of the discretion to grant a stay;
4. a stay will typically be granted if it is necessary in order to preserve the status quo and the subject matter of the appeal;
5. it is important to maintain the integrity of the Register and that consideration may well outweigh any particular prejudice to a party to the proceeding;
6. the Court has the power to rectify the Register if an appeal from orders permitting trade marks to proceed to registration or for marks to be removed from the Register is successful; and
7. a party seeking to challenge orders of a primary judge permitting trade marks to proceed to registration or for marks to be removed from the Register could be expected in the usual course to apply for a stay of the orders pending the outcome of its application for leave to appeal and any subsequent appeal.

## Submissions

1. EB submits that a stay pending the determination of the application for leave to appeal and any subsequent appeal is the more appropriate course than restoring the Register if an appeal is ultimately successful because, *first*, it is in the public interest to avoid situations in which a trade mark is registered but subsequently removed or a trade mark is removed and then subsequently restored and, *second*, a stay would preserve the subject matter of the appeal.
2. EB submits that a stay is necessary to protect the public interest in maintaining the integrity of the Register. It submits that if a stay were not granted but an appeal with respect to the MOTHERLAND mark was successful it would cause considerable inconvenience to traders and the wider public who had taken steps based on an ultimately incorrect state of the Register. It further submits that to the extent that Cantarella may have sought to enforce the MOTHERSKY mark, such proceedings would be wasted if EB was ultimately successful and any third party which may have modified its conduct on the basis that the MOTHERSKY mark was registered would have “done so for naught”.
3. EB submits that the availability of proceedings under the *Australian Consumer Law*, located in sch 2 of the *Competition and Consumer Act 2010* (Cth), and for passing off mean that Cantarella can take steps to protect its position during any stay pending the determination of the appeals but there is a very real risk of mischief if Cantarella seeks to assert its rights under the *Trade Marks Act 1995* (Cth) (**TM Act**) that might on appeal be found not to exist.
4. Cantarella advances five submissions in support of its contention that there should be no further stay of the Dismissal Orders.
5. *First*, Cantarella submits that the Register should reflect the status quo following the making of the Dismissal Orders. It submits that the necessary consequence of the Dismissal Orders is that the MOTHERSKY mark proceeds to grant and the MOTHERLAND mark is removed from the Register.
6. *Second*, Cantarella submits that the MOTHERSKY mark proceeding to grant will not materially add to the matters known to the public or impact their conduct and dealings. It submits that members of the public will be aware from the publication of the judgment that the appeal by EB from the Delegate’s decision to the Court has been unsuccessful and that Cantarella has a reputation in the MOTHERSKY mark that can be protected by actions in passing off or for misleading and deceptive conduct. It submits that this position will prevail independently of whether the MOTHERSKY mark proceeds to grant.
7. *Third*, Cantarella submits that the public interest is harmed by the Register continuing to represent the MOTHERLAND mark as valid. It submits that the mark was not used during the relevant non-use period and the public interest in the integrity of the Register will generally demand the removal of an unused trade mark. The Register currently misleads and offends the public interest.
8. *Fourth*, Cantarella submits that leave to appeal is required and presents a real barrier to EB in circumstances where EB has had the benefit of two hearings in relation to the MOTHERSKY and MOTHERLAND marks, its oppositions before the Delegates and the unsuccessful appeals from the decisions of the Delegates to this Court. It submits that the errors advanced by EB amount to a re-framing of arguments which have been repeatedly raised and rejected. It submits none is an error let alone a “clear prima facie” error.
9. *Fifth*, Cantarella submits that there is no risk of irreparable harm to EB if no stay is granted and it is ultimately successful because the Court has the power to remove the MOTHERSKY mark from the Register and reinstate the MOTHERLAND mark to the Register. It submits that *Woolworths No 1* and *Woolworths No 2* only stand for the proposition that the Court has the power to rectify the Register, not that an affected party should apply for a stay because it is a better vehicle for the preservation of the subject matter of the appeal than the power to rectify.

## Consideration

1. In determining whether to grant a stay of the Dismissal Orders pending the determination of the applications for leave to appeal and any subsequent appeals, the fundamental consideration is the preservation of the status quo and the subject matter of the appeal. Allied to that consideration is the integrity of the Register.
2. The relevant question is not whether the Court has power to rectify the Register if the appeals are successful but rather what is the more appropriate mechanism to preserve the status quo and the subject matter of the appeal.
3. Notwithstanding the success achieved by Cantarella before the Delegates and in this Court, the status quo is that the MOTHERSKY mark has not yet proceeded to grant and the MOTHERLAND mark is registered. The filing of an application for leave to appeal has had the practical effect of postponing the final determination of the opposition to the MOTHERSKY mark proceeding to grant and the MOTHERLAND mark being removed from the Register. In that sense the Register does accurately record the present position; the questions of whether the MOTHERSKY mark should proceed to grant and the MOTHERLAND mark should remain on the Register have not yet been finally determined. I am satisfied that there is currently no material misleading of the public or offence to the public interest.
4. Contrary to the position advanced by Cantarella, I do not accept that the statement by Heerey, Allsop and Young JJ in *Woolworths No 2* at [156] that “Woolworths could have, and probably should have, applied for a stay pending the outcome of its application for leave to appeal” can be construed as an observation directed at the uncertainty prior to *Woolworths No 1* about the ability of the Court to correct the Register if an appeal were successful. In context, it is clear that the statement at [156] was directed at the submission made by BP that it would now be unjust and prejudicial to rectify the Register, that registration of the marks had now transformed the nature of the proceedings, and that any challenge should now be argued on the basis of the different test that would apply for rectification proceedings. As is made clear from the balance of [156], their Honours were simply stating that the failure to apply for a stay in the context of the alleged prejudice to BP was not a sufficient basis to refuse the relief that Woolworths was seeking.
5. It is also necessary to consider the balance of convenience, including prejudice, in determining whether to grant a stay of the Dismissal Orders in the MOTHERSKY and MOTHERLAND appeals. Both EB and Cantarella were only able to point to potential and hypothetical prejudice.
6. EB points to the risk of trade mark infringement proceedings brought by Cantarella seeking to enforce the MOTHERSKY mark being undone because its registration of the mark was subsequently overturned. It submits that the only potential prejudice to Cantarella is that it would not be able to pursue trade mark infringement proceedings if the MOTHERSKY mark did not proceed to registration, but contends that it would be able to sufficiently protect its interests by its ability to seek passing off and misleading and deceptive conduct remedies.
7. Cantarella points to the prejudice to the public as a result of the current state of the Register, and states it is misleading because, contrary to the decision of the Delegates and the Dismissal Orders, it records that the MOTHERLAND mark is valid and the MOTHERSKY mark has not proceeded to registration. The Register, however, currently records for the MOTHERLAND mark that court action is pending and a non-use action is pending. Similarly, the Register currently records that the MOTHERSKY mark has been accepted for registration, it has been opposed and there is a pending court action. Moreover, independently of registration, any application for registration of a trade mark that was deceptively similar to MOTHERSKY in respect of similar goods would be blocked by s 44 of the TM Act — the application for the MOTHERSKY mark would be sufficient to enliven the section.
8. Nor, on balance, do I accept that the prospects of success for the application for leave to appeal and any subsequent appeal from the stay of the Dismissal Orders provide a compelling reason not to grant a stay. Given the limited nature of the alleged use of the MOTHERLAND mark and the success of EB in creating the close identification of the MOTHER marks with energy drinks, and that it has been unsuccessful before both the Delegates and in the appeals from their decision to this Court, EB may well face considerable hurdles to obtaining leave to appeal and in any subsequent appeal. Nevertheless, it is difficult and perhaps inappropriate, except in the most clear of cases, which this is not, for a primary judge to refuse a stay of orders that would provide for a mark to proceed to registration or for a mark to be removed, on the basis that an appellant had not demonstrated the existence of an arguable point on appeal.
9. In a trade mark context, the integrity of the Register is an important and overarching consideration with implications for third persons extending well beyond the parties to a proceeding. It is plainly desirable that the Register is only corrected once to reflect the ultimate determination of any opposition to an application for registration of a mark or removal of a mark. Any application of general principles in relation to the grant of a stay must take this into account.

# Stay of Costs Orders

## Submissions

1. EB accepts that stays of costs orders are not usually condoned absent impecuniosity or similar obstacles, but that there are unusual practical reasons for staying the Costs Orders. EB submits that a stay of the Costs Orders in each proceeding is the appropriate course because the three proceedings were heard together and, if it were ultimately successful in its challenge to the Dismissal Orders in either or both of the MOTHERSKY and the MOTHERLAND appeals, the time and money spent on reaching agreement or taxing the costs subject to the Costs Orders would be wasted.
2. Cantarella submits that there could be no suggestion that EB would not be able to recover any costs that it might have paid to Cantarella if different costs orders were made on appeal, and the potential for time and money to be wasted if different costs orders are made on appeal always arises. It submits, however, that this consideration has not been held to be sufficient in itself to justify a stay of the Costs Orders pending the determination of the appeals.

## Consideration

1. In the absence of any suggestion that Cantarella would not be able to repay any costs paid to it by EB if different costs orders were made following the determination of the MOTHERSKY and MOTHERLAND appeals I do not accept that a stay of the Costs Orders is necessary or appropriate.
2. That time and money could be wasted on reaching agreement on costs or taxing costs might be thought to be an inevitable consequence of any appeal. I do not see any difference in principle between having to reach a new agreement on costs or taxation of costs referrable to the MLIC proceedings independently of the MOTHERLAND and MOTHERSKY appeals, and the conventional position where time and money spent reaching agreement on the costs of a successful party at first instance is wasted because an appeal is upheld and it is then necessary to undertake an entirely new exercise, namely reaching agreement on or taxing the successful appellant’s costs.
3. I am not disposed to grant a stay of the Costs Orders.

# Application for Indemnity Costs Orders

## Principles

1. The principles governing an award of indemnity costs are well settled.
2. The power to make such an order is conferred in s 43(3)(g) of the *Federal Court of Australia Act 1976* (Cth) (**FCA Act**).
3. The following propositions emerge from the judgment of Black CJ in *Re Wilcox; Ex parte Venture Industries Pty Ltd* (1996) 72 FCR 151 at 152-3:
4. the starting point for any consideration of an application for indemnity costs is that in the ordinary case costs will follow the event and the Court will order the unsuccessful party to pay the costs of the successful party, on a party and party basis, a basis which will fall short of complete indemnity;
5. nevertheless, the Court has an absolute and unfettered jurisdiction in awarding costs, although that discretion must be exercised judicially;
6. indemnity costs may properly be awarded where there is some special or unusual feature in the case justifying the Court exercising its discretion in that way;
7. care must be taken not to circumscribe the discretion by reference to closed categories;
8. it is not a necessary condition of the power to award costs that a collateral purpose be shown;
9. the categories warranting the exercise of the discretion are not closed; and
10. in each case it will be necessary to look at the particular facts and circumstances to see whether an exercise of discretion to order costs on an indemnity basis is warranted.
11. It is a necessary precondition to obtain an indemnity costs order that the party to whom a *Calderbank* [*v Calderbank* [1975] 3 All ER 333] offer is addressed has not achieved a better result than provided for in the offer, but there is no presumptive entitlement to indemnity costs if that is established: *Beling v Sixty International S.A. (No 2)* [2015] FCA 355 at [23] (Mortimer J); *CGU Insurance Limited v Corrections Corporation of Australia Staff Superannuation Pty Ltd* [2008] FCAFC 173 at [75] (Moore, Finn and Jessup JJ).
12. The principles governing an award of indemnity costs in circumstances where an unsuccessful party has not accepted an offer to settle the proceeding were summarised by the Full Court in *Anchorage Capital Partners Pty Limited v ACPA Pty Ltd (No 2)* [2018] FCAFC 112 (Nicholas, Yates and Beach JJ):

6 A well-established circumstance justifying an award of indemnity costs is an imprudent refusal of an offer to compromise (*Colgate-Palmolive Co v Cussons Pty Ltd* (1993) 46 FCR 225 at 233 per Sheppard J). 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 (*Black v Lipovac* (1998) 217 ALR 386 at 432 per Miles, Heerey and Madgwick JJ; *CGU Insurance Ltd v Corrections Corporation of Australia Staff Superannuation Ltd* [2008] FCAFC 173 at [75] per Moore, Finn and Jessup JJ).

7 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.

(*Hazeldene’s Chicken Farm Pty Ltd v Victorian WorkCover Authority (No 2)* (2005) 13 VR 435 at [25] per Warren CJ, Maxwell P and Harper AJA; *Beling v Sixty International S.A.* (No 2) [2015] FCA 355 at [25] per Mortimer J).

8 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 (*CGU Insurance* at [75]; *Black* at [217]-[218]). 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.

1. An applicant for indemnity costs must demonstrate that the rejection of an offer was unreasonable or imprudent: *Dukemaster Pty Ltd v Bluehive Pty Ltd* [2003] FCAFC 1 at [7] (Sundberg and Emmett JJ).
2. Relevant factors to have regard to in exercising the discretion whether to award indemnity costs include the simplicity or complexity of the offer and the relationship of the terms of the offer to the relief sought in the proceedings. The latter consideration has variously been described as “closely related to the relief sought in the case” and “commensurate with a possible outcome in the proceeding”. In *Centor Australia Pty Ltd v RMD Industries Pty Ltd (No 2)* [2013] FCA 1407 (***Centor***), Dowsett J stated at [9]:

I find it difficult to assess the offer made on 7 December 2010 or the reasonableness of Centor’s conduct in not accepting it. This difficulty flows from the proposal that RMD have a royalty-free licence, not only in respect of the patent-in-suit but also in respect of all foreign counterparts, and a release from any liability worldwide. I have no idea of the consequences of that proposal, nor do I have any understanding of the consequences of an undertaking by Centor to use reasonable commercial endeavours to enforce the Patent as against other infringers in Australia. There can be no presumption that the offer is reasonable. RMD has not sought to demonstrate that it is so. I do not wish to be taken as encouraging further litigation in order to demonstrate or disprove the reasonableness of a party’s conduct in declining an offer. However it may well be that a *Calderbank* offer can only operate where the relevant offer is relatively simple in terms, and closely related to the relief sought in the case. The offer of 7 December 2010 seems to me to have gone well beyond the issues joined between the parties. Thus any examination of the offer or the reasonableness of Centor’s conduct would necessarily involve a major enquiry as to the possible legal and commercial effects of acceptance of the offer.

1. In *Merial Inc v Intervet International BV (No 4)* (2017) 124 IPR 1; [2017] FCA 223, Moshinksy J adopted a “commensurate with a possible outcome of the proceeding approach”, and stated at [54]:

As set out above, Merial’s *Calderbank* offer involved it receiving a worldwide, non-exclusive, royalty-free licence. The difficulty with such an offer for present purposes is that it is not commensurate with a possible outcome of the proceeding, making it difficult, if not impossible, to assess whether Intervet’s rejection of the offer was unreasonable: see *Centor Australia Pty Ltd v RMD Industries Pty Ltd (No 2)* [2013] FCA 1407 at [9] per Dowsett J. Thus, it is not established that it was unreasonable for Intervet to reject this offer in all the circumstances.

1. There is no strict requirement for a party making a *Calderbank* offer to provide a “reasoned explanation” of why the other party should agree to a settlement. In *Hazeldene’s Chicken Farm Pty Ltd v Victorian WorkCover Authority (No 2)* (2005) 13 VR 435; [2005] VSCA 298, Warren CJ, Maxwell P and Harper AJA stated:

26 It has been argued on occasion that the maker of a *Calderbank* offer should not be entitled to costs unless the offer sets out, with some reasonable specificity, the basis for the offeror’s contention that the offeree should accept the compromise — for example, because the offeree’s case was hopeless or because the offeree had no reasonable prospects of doing better in the proceeding than was being offered in advance.

27 Once again, we think it neither necessary nor desirable to lay down any general rule in this regard. We agree with what Redlich J said in *OCBC*, as follows:

Any attempt to prescribe the reasoning which must accompany [a *Calderbank*] offer should be resisted. Whether there is a need for the offeror to descend to specificity as to why the offer should be accepted must depend upon a consideration of all of the circumstances existing at the time of the offer. The extent to which the weakness of a party’s position is exposed through the pleadings, affidavits and the various communications between the parties during the course of the litigation may bear upon the significance of the absence of specificity in the informal offer.

[Footnote omitted.]

## Settlement Offers

1. The first of the settlement offers relied upon by Cantarella in support of its application for indemnity costs was a letter from Herbert Smith Freehills (**HSF**), the solicitors for Cantarella, to Davies Collison Cave (**DCC**), the solicitors for EB, dated 19 March 2021 (**19 March Offer**). It was marked “Without Prejudice Save as to Costs”. It was stated to be in response to a letter from DCC dated 29 January 2021 and a marked up settlement agreement attached to that letter.
2. HSF referred to the recent success that Cantarella had achieved before a delegate of the Registrar of Trade Marks with respect to EB’s opposition to Cantarella’s application for removal of the MOTHERLAND trade mark. HSF then stated that Cantarella now required that:

any settlement agreement include a requirement that your client pay its costs incurred in relation to this matter in full, [REDACTED]

1. The 19 March Offer attached a marked up version of the draft settlement agreement highlighting those amendments suggested by EB that were now agreed and further amendments that were sought by Cantarella. The offer relevantly included the following commentary with respect to clause 14c of the draft settlement agreement:

As noted above, in order to settle the proceedings, Cantarella requires that your client agree to pay our client’s costs incurred in relation to this dispute to date in full. This amounts to approximately $273,000 (including GST).

1. The draft settlement agreement also provided that:
2. the parties would jointly approach the Federal Court to request that consent orders be made in the MLIC appeal amending the scope of the specification of goods, setting aside the decision of the Delegate, and discontinuing the MLIC proceedings with no order as to cost (cl 4a);
3. the parties jointly approach the Federal Court to request that consent orders be made in the MOTHERSKY appeal amending the goods for which the mark was registered (to exclude pre-packaged beverages in class 30) and otherwise discontinuing the proceedings with no order as to costs (cl 4b); and
4. the parties jointly approach the Federal Court to request that consent orders be made in the MOTHERLAND appeal setting aside the decision of the Delegate and otherwise discontinuing the proceedings with no order as to costs (cl 4c).
5. The draft settlement agreement also provided that Cantarella would undertake and agree to conditions requested by EB including:
6. amending the goods covered by the MOTHERSKY application to exclude pre-packaged beverages (cl 1a);
7. not using, displaying or seeking to register MOTHER in isolation in respect of any goods or services (cl 1b);
8. not using or displaying the MOTHERSKY mark in a manner that makes MOTHER appear larger or more prominent than SKY (cl 1c);
9. consenting, as required, to the registration of any pending or future standalone MOTHER marks by EB in classes 29 and 30 (cl 1g); and
10. lodging a request with the Trade Marks Office for a withdrawal of its opposition to the registration of the MOTHERLAND mark (cl 1h)

(together **Cantarella Undertakings**).

1. The 19 March Offer concluded:

Please confirm if your client is willing to agree to resolve this matter on the terms set out in the enclosed agreement.

We look forward to your client’s prompt response.

1. By letter dated 23 June 2021, DCC responded to the 19 March Offer (**23 June Counter Offer**).
2. The 23 June Counter Offer attached a further mark-up of the draft settlement agreement highlighted to indicate amendments proposed by Cantarella that were now agreed and some further amendments sought by EB. DCC noted in the 23 June Response that “the parties are now very close to agreement on most issues”. Brief explanations were given for proposed amendments to clauses directed at the MOTHERSKY application for registration, references to [REDACTED] and a proposed amendment to the MOTHERLAND registration.
3. The following response was made by EB to the request in the 19 March Offer for payment of Cantarella’s costs:

***Settlement sum:*** [REDACTED]

1. The 23 June Counter Offer concluded:

Given the impending trial, and given there are now very few matters remaining to be agreed between the parties, our client requests your client’s response to this offer by **6:00pm on Friday 25 June 2021**.

If your client would like clarification of any aspect of the offer that is now put to it, we are open to discussing this matter by telephone.

1. By letter dated 25 June 2021, HSF responded to the 23 June Counter Offer by making a further offer to settle the proceedings (**25 June Offer**).
2. The 25 June Offer was in the following terms:

We refer to your “without prejudice” letter dated 23 June 2021 and the marked-up settlement agreement enclosed with your letter, responding to our “without prejudice” letter of 19 March 2021.

As stated in our 19 March 2021 letter, our client had incurred legal costs of approximately $273,000 as at the date of that letter. Your client has now taken over 3 months to respond to this offer. No explanation for the delay in providing a response has been provided.

In the period since 19 March 2021, our client has been required to undertake further significant work on this matter, including preparing evidence in answer on the MOTHERLAND appeal and preparing for the trial scheduled to commence imminently on 5 July 2021. Consequently, our client has now incurred legal costs, up to the date of your letter, of approximately $489,000. Such additional costs could have been avoided, or substantially avoided, if your client had responded promptly to our client’s offer.

Nevertheless, after careful consideration, we are instructed that Cantarella is prepared to accept your client’s proposed changes to the agreement, including:

• the amendments to clauses 1(a), 1(e), 4(b) regarding the exclusion of ready-to- drink beverages from the specification for the MOTHERSKY application;

• the amendments to clause 4(c) regarding the amendments to the goods specified in the MOTHERLAND Registration; and

• [REDACTED]

on the condition that your client pays a settlement sum of **$350,000** to Cantarella as a contribution towards the legal costs incurred by Cantarella in respect of the Federal Court appeals and the Trade Marks Office proceedings. We **enclose** a further marked-up version of the draft settlement agreement which reflects Cantarella’s position as set out above.

Please confirm if your client is willing to agree to resolve the proceedings on the terms set out above and in the enclosed agreement. Given the trial is due to commence on 5 July 2021, our client requires your client’s prompt response by **5:00pm on Monday 28 June 2021**. We reiterate that in the meantime, our client is continuing to prepare for the trial and is incurring further legal costs in doing so.

Should your client not be willing to agree on these terms, Cantarella will continue to vigorously pursue the proceedings to trial to protect its intellectual property rights and ensure the ongoing integrity of the Trade Marks Register.

We look forward to your client’s prompt response.

[Emphasis in original.]

1. At 6.35 pm on 28 June 2021, DCC emailed HSF with a holding response and then at 12 noon on 29 June 2021, DCC emailed a letter to DCC in the following terms:

We refer to your “without prejudice” letter dated 25 June 2021 and the “without prejudice” telephone discussion between Ms Zanker of our office and Ms Vandervliet of your office on 26 June 2021.

Please find ***\*enclosed*** our client’s response to your client’s settlement offer. In the attached document we have marked up (in red-line changes plus yellow highlighting) the further changes requested by our client. Many of these were discussed during our call on 26 June 2021.

We make the following additional comments:

1. **Clause 1(a):** As discussed, our client suggests a further amendment to the clarification statement it proposed on 23 June 2021, replacing “’instant service’ coffee beverages” with the following wording: “*barista-brewed coffee brewed into a cup and intended for immediate on-premise or take-away consumption*”. This amendment also takes into account the matters discussed with Ms Vandervliet on 26 June 2021 regarding take-away beverages.

2. **Clause 2(b):** As a result of amendments made to the specification of the MLIC Application which were accepted by IP Australia on 22 June 2021, some of the goods specified in class 29 (*food supplements and nutritional supplements (other than for medicinal use); natural products in this class incorporating herbal preparations (other than for medicinal use); food supplements with herbs (other than for medicinal use)*) have been re-classified as class 5 goods (*food supplements and nutritional supplements (other than for medicinal use); food supplements with herbs (other than for medicinal use)*). Accordingly, our client proposes amendments to clause 2(b) to reflect the updated specification, and the further amendments proposed to that specification (deletion of certain goods) to reflect the matters previously negotiated between the parties.

3. [REDACTED]

4. **Clause 14 (settlement sum):** [REDACTED]

Our client requests your client’s response to this offer by **9:00am on Thursday 1 July 2021**, but we are also open to further discussions by telephone, if your client requires any clarification of any aspect of this offer.

[Emphasis in original.]

1. At 5.11 pm on 29 June 2021, HSF emailed a final without prejudice letter of offer to DCC (**29 June Offer**), reiterating that Cantarella was willing to resolve the matter on the terms set out in the 25 June Offer , in the following terms:

We refer to your “without prejudice” letter dated 29 June 2021 and the marked-up settlement agreement enclosed with your letter, responding to our “without prejudice” letter of 25 June 2021.

Our client is extremely disappointed with the position your client has adopted. In particular, your client has yet again attempted to shift the goalposts on matters that were in effect agreed between the parties. We have raised this issue regarding your client’s conduct in these negotiations previously. However, in circumstances where our client was in effect agreeing to the form of the settlement agreement provided on 23 June 2021, including the further changes proposed on that date, with the exception of the settlement sum, our client considers that [REDACTED], is particularly egregious, and does not reflect a genuine attempt to resolve this matter.

[REDACTED]

Our client remains willing to resolve this matter on the terms set out in the settlement agreement attached to our letter of 25 June 2021. Unless your client indicates that it agrees with the offer provided to you on 25 June 2021 **by 10:00am on Wednesday 30 June 2021**, our client intends to proceed with the final hearing commencing next Monday as scheduled and will not be engaging in any further settlement negotiations with your client. We reiterate that our client’s offer comprising payment of a settlement sum by your client of $350,000 is a very reasonable offer, particularly in light of the significant further costs our client has incurred since 25 June 2021, and is continuing to incur in preparing for trial. We confirm that our client will rely on its offer of 25 June 2021 in support of its claim for costs in the proceedings.

We look forward to your client’s prompt response.

1. No further offer letters were exchanged between the parties and the hearing of the appeals commenced on 5 July 2021.

## Submissions

1. In essence, Cantarella submits that the rejection by EB of each of the last three offers was unreasonable because EB must have recognised at the time that its prospects of successfully appealing the decisions of the Delegates were poor and the acceptance of any of the three offers would have resulted in EB being in a materially better position than the position they are now in following the delivery of judgment.
2. Cantarella submits that the issues and evidence that EB relied upon in each of the proceedings before the Delegates were in substance the same as that relied upon in this Court in the appeals from each of the decisions of the Delegates.
3. Cantarella points to the following findings made by the Court:
4. the contentions advanced by EB before the Delegates were not materially different to those advanced in the proceedings (J [34(a)];
5. the evidence relied upon by EB was more extensive but not qualitatively different to that relied upon in the proceedings (J [34(b)]);
6. the “Recent EB Planning Documents” tendered by EB did not disclose any concluded decision to launch any MOTHER or MOTHER-derivative branded coffee in Australia (J [34(c)(ii)]); and
7. there was no evidence of confusion arising from the promotion and sale of coffee under the MOTHERSKY mark in the face of any of EB’s MOTHER marks (J [34(d)]).
8. It submits that EB must have known the case that it was seeking to establish before the Court at the time that it rejected each of the Offers, that it did not have any evidence that it intended to launch any MOTHER coffee product in Australia, and that it had no evidence of any actual confusion between the MOTHERSKY mark and the MOTHER mark.
9. Cantarella submits that the outcome of judgment in the proceedings is that the MOTHERSKY mark will proceed to registration, each of the MOTHERLAND and MLIC marks will be removed from the Register and EB must pay Cantarella’s costs of the proceedings on a party-party basis. It submits, by way of contrast, that had EB accepted any of the offers, the position would have been as follows:
10. EB would have retained the MOTHERLAND and MLIC marks;
11. the MOTHERSKY mark would have proceeded to grant;
12. the proceedings would have ended;
13. EB would have paid $273,000 (if the 19 March Offer had been accepted) or $350,000 (if the 25 June Offer or the 29 June Offer had been accepted) to Cantarella as a contribution to the legal costs that Cantarella had incurred; and
14. Cantarella would have assisted EB to obtain registration of additional marks and Cantarella would have been precluded from taking various steps that it might otherwise have taken in the market.
15. Cantarella further submits that by the time that the 25 June Offer and the 29 June Offer were made, the parties had served all their evidence and EB had served its outline of opening submissions. Cantarella submits that it was offering to accept a material discount to its actual costs ($350,000 rather than at least $489,000) and it was otherwise agreeing to all of the terms proposed by EB in the 23 June Counter Offer.
16. EB submits that none of the Offers engage the *Calderbank* principles and further, to the extent that any of the Offers were held to have engaged those principles it was not unreasonably or imprudently refused.
17. EB submits that each of the Offers:
18. formed part of a discursive negotiation over an extended period;
19. lacked the clarity of a discrete offer that could provide a basis for assessing the reasonableness of the offer;
20. did not provide any reasoned explanation for why EB ought to accept it;
21. were not expressed to be an offer made pursuant to the *Calderbank* principles; and
22. contained terms beyond those that Cantarella may have become entitled if it achieved a judgment in its favour.
23. EB submits that had it accepted the 25 June Offer it would have been subject to the following significant restraints and obligations:

[REDACTED]

[Footnotes omitted, emphasis in original]

(together **EB Concessions**).

1. EB further submits that Cantarella’s acceptance in the 25 June Offer of all of EB’s previously proposed amendments to the draft settlement agreement, other than the increased costs contribution of $350,000, demonstrated that its rejection of earlier offers was reasonable because it had been able to negotiate a more advantageous position.
2. EB alleges that the terms of the Offers were complex, wide-ranging and concerned matters that went well beyond the scope of the proceedings. It submits that in those circumstances it is difficult, if not impossible, for the Court to compare the position of EB following the delivery of judgment in the proceedings with the position that it would have been had it accepted any of the Offers, let alone assess the reasonableness of its decision not to accept any of the Offers.
3. EB further submits that the contribution that Cantarella was demanding towards its actual costs incurred exceeded the amount that Cantarella would have been entitled to recover for its costs under the Trade Mark Regulations and on a party-party basis in these proceedings.
4. EB submits that the fact that it did not consider Cantarella’s final position expressed in the Offers, to be commercially palatable, was not unreasonable, given the demand for the payment of “inflated” costs and the absence of [REDACTED].

## Consideration

1. It is first necessary to determine whether any of the Offers might have been framed in a manner that could potentially enliven the *Calderbank* principles.
2. There is considerable force in EB’s submissions that the Offers formed part of an ongoing negotiation that could not readily be characterised as a series of discrete offers attracting *Calderbank* principles. As noted above:
3. the 19 March Offer concluded with a request for confirmation that the terms in the enclosed draft agreement were acceptable; and
4. the 25 June Offer asked EB to confirm whether it was willing to resolve the proceedings on the terms set out in the offer and the attached revised draft settlement agreement and required EB’s “prompt response by **5:00pm on Monday 28 June 2021**”.
5. I am satisfied that neither the 19 March Offer nor the 25 June Offer was an offer that falls within the *Calderbank* principles. Each was more appropriately characterised as suggested settlement terms advanced in the course of an exchange of offers and counteroffers in an attempt by both parties to negotiate a commercial resolution of the appeals that had been brought by EB from the decisions of the Delegates.
6. In contrast, the 29 June Offer, that restated the 25 June Offer in response to EB’s rejection of that offer, stated:

Unless your client indicates that it agrees with the offer provided to you on 25 June 2021 **by 10.00am on Wednesday 30 June 2021**, our client intends to proceed with the final hearing commencing next Monday as scheduled and will not be engaging in any further settlement negotiations with your client.

1. I am satisfied that the 29 June Offer marked the end of the negotiation and was expressed in terms that potentially engaged with the *Calderbank* principles.
2. It is then necessary to consider whether the refusal of EB to accept the 29 June Offer was unreasonable or imprudent. For the reasons that follow I consider that EB’s refusal to accept the offer was unreasonable or impudent.
3. *First*, EB had sufficient information as at 29 June 2021 to make an informed assessment of their prospects for success in each of the appeals. The 29 June Offer did not independently explain why EB would not succeed in the proceedings. It did state, however, that Cantarella remained confident that the decisions of the Delegates would be upheld on appeal. The significance of the absence of any specific explanation in the offer of why EB would not succeed is materially reduced given the hearings before the Delegates and their decisions. The decisions of the Delegates ensured that EB was in a sound position to make an accurate assessment of the difficulties that EB would encounter and the height of the hurdles that they would have to overcome if they were to succeed in the appeals from the decisions of each of the Delegates.
4. By 29 June 2021, the parties had served all their evidence and EB had served its opening outline of submissions. Further, as I have found, the evidence relied upon by EB in these proceedings was not qualitatively different to the evidence relied upon before the Delegates, nor were the contentions unsuccessfully advanced before the Delegates materially different to those sought to be advanced in these proceedings.
5. *Second*, EB would have been in a materially better position had it accepted the 29 June Offer. The alleged complexity by reason of the incorporation of the terms of the draft settlement agreement did not prevent an assessment of the reasonableness of EB’s refusal of the offer. The draft settlement agreement was a document drafted by EB, the terms of which had largely been accepted by Cantarella. Its terms were directed at the subject matter of the appeals from the decisions of the Delegates. It did not, unlike the position in *Centor*, purport to provide a royalty-free licence of not only the subject matter of the dispute but in respect of all foreign counterparts and a release from liability worldwide. Self-evidently, any assessment by the Court of the value or significance of such matters would be inherently problematic.
6. Here, the relevant comparison between the positon that EB would have been in had it accepted the 29 June Offer and the position that it now finds itself in is stark. If it had accepted that offer it would have retained the registration of the MOTHERLAND and MLIC marks and it would not have been liable for the Costs Orders in a quantum in all likelihood substantially in excess of $350,000. Moreover, it would have had the benefit of the Cantarella Undertakings. Further, I do not accept that the EB Concessions materially detracted from the benefit of the Cantarella Undertakings nor materially diminished the value to EB of the MOTHERLAND and MLIC marks.
7. Further, I do not accept that any of the alleged “significant restraints and obligations” were sufficient, either individually or collectively, to establish that EB would not have been in a better position had it accepted the 29 June Offer.
8. I am satisfied that EB obtained a less favourable result in the proceedings than if it had accepted the 29 June Offer.
9. *Third*, the terms of the proposed settlement agreement incorporated in the 29 June Offer extended beyond the specific relief sought in the proceedings but were closely related to the relief that was sought. I do not interpret the phrase “commensurate with a possible outcome in the proceeding” as precluding the terms of a *Calderbank* offer extending beyond the relief that is or might be sought in the proceeding before the Court. The marks the subject of the relief sought in the proceedings were the MOTHERLAND, MLIC and MOTHERSKY. Further, the MOTHER marks were relied upon by EB in its challenge to the MOTHERSKY mark. The extended terms are directed at those marks.
10. *Fourth,* the request in the 29 June Offer for a contribution towards legal costs in an amount greater than what Cantarella might have been able to recover at that time for costs incurred to date as party-party costs and pursuant to the *Trade Mark Regulations 1995* (Cth) does not preclude a finding that a rejection of the Offer was unreasonable or support a finding that a rejection was eminently sensible.
11. As at 29 June 2021, Ms Gilchrist gave unchallenged evidence that Cantarella’s legal costs were as follows:
12. Federal Court proceedings – $448,255.02
13. MOTHERSKY opposition (Trade Marks Office) – $56,186.10
14. MLIC removal application (Trade Marks Office) – $40,767.32
15. MOTHERLAND removal application (Trade Marks Office) – $15,032.32

Total – $560,240.76

1. In the course of the hearing of the indemnity costs application the parties accepted, or at least Cantarella did not dispute EB’s contention, that the recoverable costs for each Trade Marks Office opposition or removal application given the scale for costs provided in the Trade Mark regulations would not exceed $5,000.
2. Further, Ms Gilchrist gave unchallenged evidence that in her experience a party generally recovers between 60% and 65% of their actual costs on a party-party basis in the Federal Court.
3. Hence as at 29 June 2021, Cantarella could have expected to recover on a taxation of costs in the Federal Court of between approximately $269,000 and $291,000, together with $15,000 with respect to the Trade Marks opposition and removal applications, an amount in aggregate of between $284,000 and $316,000. Both these figures are less than the $350,000 sought by Cantarella as a contribution to its costs incurred to date in the 29 June Offer.
4. I note for completeness that Mr Murray SC submitted that in order to obtain the “relevant measure” the actual costs incurred by Cantarella had to be discounted by 10% to reflect the value of the input tax credits that Cantarella would receive on the payment of GST on its fee notes to its solicitors. As Mr Bannon SC responded, this was a novel proposition in a costs context. I am not aware of any authority or practice that awards of costs are discounted to reflect potential input tax credits that might have been utilised by the party to whom costs are awarded. To the extent the comparison between actual costs and recoverable costs is relevant it should commence with actual costs that are not discounted for GST to reflect potential input tax credits.
5. Seeking to recover a figure in a settlement that represents a discount from actual costs rather than a discount from taxed or scale costs incurred to date, however, cannot necessarily preclude an offer from enlivening the *Calderbank* principles. Any request needs to be assessed in the context of the whole of the proposed settlement, not in isolation from the other terms of the offer, in particular, concessions made by the party making the offer. The request also needs to be considered against the likely quantum of the ultimate costs order that the party receiving the offer might face if it were ultimately unsuccessful in the proceedings.
6. In the present case, I am satisfied the terms of the 29 June Offer reflected the outcome of an extensive negotiation. It included concessions from both EB and Cantarella. Ultimately, Cantarella was prepared to make all the concessions incorporated in the draft settlement agreement if EB agreed to make a $350,000 contribution to its actual costs, as calculated by Ms Gilchrist in her second affidavit, of $453,372.33 incurred to the date of the 25 June Offer and $560,240.76 to the date of the 29 June Offer. The request for $350,000 cannot be divorced from the substantive concessions that Cantarella was otherwise prepared to make in the draft settlement agreement.
7. I am also satisfied that it must have been readily apparent to EB that, if the appeals from each of the three Delegates proceeded to a hearing and EB was unsuccessful, the party-party costs that EB would have become liable to pay would have substantially exceeded $350,000.

# Costs of the stay and costs applications

## Submissions

1. Both EB and Cantarella seek their costs of EB’s applications for a stay of the Dismissal Orders in the MOTHERSKY and MOTHERLAND appeals and the Costs Orders, and Cantarella’s application for indemnity costs.

## Consideration

1. Each of the applications was vigorously pursued and defended by EB and Cantarella.
2. Neither EB nor Cantarella has been wholly successful.
3. EB has succeeded in its application for a stay of the Dismissal Orders in the MOTHERSKY and MOTHERLAND appeals but failed in its application for a stay of the Costs Orders in each appeal. The principal focus of the stay applications, however, was on the Dismissal Orders and comparatively little attention was directed at the application for a stay of the Costs Orders.
4. Cantarella has been successful in obtaining an order for indemnity costs from 30 June 2021 but only abandoned its earlier claims for indemnity costs, from as early as 12 December 2019, in the course of EB’s oral submissions at the hearing. The late withdrawal of those claims could be expected to lead to a discount in any costs order made in favour of Cantarella with respect to its costs of the application for indemnity costs.
5. The stay and costs applications were heard together but sequentially. Discrete submissions in chief on the stay and costs applications were prepared by the parties but Cantarella’s submissions in reply were directed at both the stay and costs applications. The two affidavits of Ms Gilchrist were read by Cantarella on both the stay and costs applications.
6. On balance, and after taking into account the likely need for a discount to reflect Cantarella’s belated abandonment of its application for indemnity costs between 12 December 2019 and 23 June 2019, as well as the practical difficulties of undertaking a precise allocation of costs between the stay and indemnity costs applications, the costs incurred by EB on the stay application would have broadly equated to Cantarella’s discounted costs on its indemnity costs application.
7. In the circumstances I am satisfied that the appropriate exercise of the costs discretion is that there be no order as to costs with respect to the stay and indemnity costs applications, rather than making overlapping costs orders that Cantarella pay EB’s costs of the stay applications and EB pay a reduced percentage of Cantarella’s costs of the indemnity costs application.

# Suppression orders

## Principles

1. Suppression orders may only be made pursuant to s 37AG of the FCA Act if it is necessary to prevent prejudice to the proper administration of justice. The public policy in facilitating and encouraging the resolution of disputes through the exchange of settlement offers in without prejudice communications might be defeated if commercially sensitive and confidential approaches by parties to resolving disputes are made available to competitors and potential future disputants. The making of suppression orders over such information is consistent with this policy, which policy in turn is an important dimension to the proper administration of justice.
2. In *Elliott v State of Victoria (Department of Education & Training)* [2018] FCA 1029 (***Elliott***), Mortimer J stated at [24]:

I am also satisfied it is appropriate to make limited orders pursuant to s 37AG of the *Federal Court of Australia Act 1976* (Cth), preserving the confidentiality of the opinion given by counsel, and the terms of settlement. I am satisfied that the protection afforded by the prospect of a confidentiality regime under s 37AG as to the final terms of settlement, including but not limited to any payment made, has encouraged and facilitated the resolution of the proceeding. I consider it unlikely that such a settlement would have occurred without the prospect of such protection. The interests of the administration of justice are served by the making of limited orders to preserve the confidentiality of the terms, and of counsel’s opinion. The interests of justice are served not only for these parties, but so that future parties can also have confidence the Court may be prepared to facilitate the resolution of these kinds of proceedings by including such orders in any approval of a settlement. The resources of the parties and the Court have been conserved, and finality has been brought to a dispute which would have been intensive and time consuming for all concerned.

1. The observations of Mortimer J in *Elliott* at [24] were cited with approval in *Tsirigotis v Victoria (Department of Education and Training)* [2020] FCA 1771 at [20] (Anastassiou J).
2. Relevant considerations that can be taken into account in determining where the interests of the proper administration of justice might lie extend beyond the particular proceeding in which the suppression order is sought: *Cantor v Audi Australia Pty Limited (No 4)* [2019] FCA 1633 at [26] (Foster J).

## Interim suppression orders

1. On 29 March 2022, I made interim suppression orders pursuant to s 37AI of the FCA Act, at the request of the parties, over all of their extensive without prejudice communications contained in the two confidential annexures to the affidavit of Ms Gilchrist affirmed 8 March 2022 (**WP Communications**) and those parts of the submissions described as EB’s “Confidential Submissions on Costs” dated 22 March 2022 that were shaded grey in which the WP Communications had been described, paraphrased or quoted (**EB’s Costs Submissions**). No suppression orders were sought at this stage with respect to any submissions made by Cantarella. In the course of the hearing the practical implications of that request to the public administration of justice was raised with the parties. Cantarella, by its senior counsel Mr Bannon SC, confirmed that it no longer pressed for any suppression orders.
2. Mr Murray SC, senior counsel for EB, responded that he was unable to obtain instructions due to time differences with his client’s representatives in the United States. He asked for EB to be given an opportunity to make further submissions and lead further evidence in support of the application for suppression orders in the event that it determined to press the application for suppression orders. Mr Murray’s request was not opposed by Mr Bannon and at the conclusion of the hearing I directed that any further submissions and affidavit evidence in support of the application for suppression orders be filed by 4.30pm on 5 April 2022.

## Further submissions by EB

1. EB filed further submissions and an affidavit from Ms Alexa Lewis, Vice President, Associate General Counsel of Monster Energy US LLC, a related company of EB, dated 4 April 2022, in support of its application for suppression orders over the WP Communications, EB’s Costs Submissions and the highlighted parts of Cantarella’s “Submissions on Further Costs Orders” dated 8 March 2022 that had described, paraphrased or quoted the WP Communications.
2. EB also sought in the alternative suppression orders that were limited to those parts of the WP Communications, EB’s Costs Submissions and Cantarella’s Costs Submissions that revealed EB’s internal corporate positions, restrictions on EB’s activities, EB’s tactical approach to settlement discussions and settlement sum figures that EB was willing to pay. EB provided the Court with confidential marked up copies of the WP Communications (**alternative suppression orders**), EB’s Costs Submissions and Cantarella’s Costs Submissions identifying those parts of the documents that fell within those four categories.
3. Ms Lewis gives evidence in her affidavit that EB has a global trade mark portfolio comprising more than 1,360 registered and pending marks, and that as a result of this extensive portfolio of trade marks, EB is regularly involved in disputes around the world, including disputes relation to the prosecution, registration and infringement of these marks. She explains that EB attempts to resolve disputes on a confidential and without prejudice basis prior to hearing.
4. Ms Lewis states that publication of the material over which the suppression orders is sought would negatively impact on EB’s ability to conduct settlement negotiations in future cases both in Australia and around the world. She says that it is common practice for litigants to conduct world-wide searches of court records to identify information that might be deployed in litigation and EB’s tactical position in future litigation in Australia and overseas would be undermined if third parties became aware of the specific terms upon which EB had been prepared to agree or compromise this dispute and the process and strategy by which the proposed settlement position had been reached.

## Consideration

1. I can readily accept that the disclosure of detailed settlement discussions including specific terms on which a party might be prepared to resolve disputes and the strategies that it might adopt in pursuit of reaching agreement may well prejudice a party in future negotiations to resolve proceedings involving other disputants. Moreover, it appears readily apparent that a party’s willingness to engage in candid and effective settlement negotiations because of concerns that the content of those negotiations and settlement strategies might subsequently be disclosed may hinder such negotiations and make it less likely that settlements can be achieved.
2. The evidence of Ms Lewis, however, is expressed at such a degree of generality that it makes it difficult to make any conclusive decision as to the potential prejudice to EB if particular information contained in the WP Communications and the marked-up parts of EB’s Costs Submissions and Cantarella’s Costs Submissions were not suppressed. Nevertheless, I am prepared to accept that the alternative suppression orders represent, in the circumstances, a considered and appropriate identification of material that may well prejudice EB in its conduct of future settlement discussions with other disputants and discourage EB from making full and frank disclosures of offers that it might be prepared to make or accept in order to settle such disputes.
3. I am therefore satisfied that it is in the interests of the proper administration of justice for the alternative suppression orders to be made.

# Disposition

1. The Dismissal Orders made in the MOTHERSKY and MOTHERLAND appeals are to be stayed pending the determination of the applications for leave to appeal and any subsequent appeals but there is be no stay of any of the Costs Orders.
2. The Costs Orders are to be varied to provide that EB is to pay Cantarella’s costs of and incidental to the hearing of each of the appeals as and from 30 June 2021 on an indemnity basis.
3. There is to be no order for costs in respect of the costs of the stay applications or the indemnity costs application.
4. The alternative suppression orders sought by EB are to be made.

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| I certify that the preceding one hundred and thirty-two (132) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Halley. |

Associate:

Dated: 14 April 2022

**CONFIDENTIAL ANNEXURE**

[REDACTED]