Federal Court of Australia

Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd (No 2) [2022] FCAFC 121

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| Appeal from: | Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd [2021] FCA 809 |
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| File number(s): |  |
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| Judgment of: | **GREENWOOD, CHEESEMAN AND MCELWAINE JJ** |
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| Date of judgment: | 19 July 2022 |
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| Catchwords: | COSTS – determination of costs on appeal and first instance proceeding – application for an order that the respondents pay the appellant’s costs on an indemnity basis – where offer of compromise – where no reason to depart from guiding principle for the award of indemnity costs– where not unreasonable to not accept offer of compromise |
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| Legislation: | *Federal Court Rules 2011* (Cth) s 40.02(b)  |
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| Cases cited: | *Wills v Chief Executive Officer of the Australian Skills Quality Authority (Costs)* [2022] FCAFC 43  |
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| Division: | General Division |
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| Registry: |  |
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| National Practice Area: |  |
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| Sub-area: |  |
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| Number of paragraphs: | 9 |
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| Date of last submission/s: | Appellant: 13 July 2022Respondent: 15 July 2022  |
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| Date of hearing: | Determined on the papers |
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| Counsel for the Appellant: | Mr M Green and Mr W H Wu |
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| Solicitor for the Appellant: | McLean & Associates Solicitors |
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| Counsel for the First, Second, Fourth, Fifth, Sixth and Seventh Respondents: | Mr H P T Bevan |
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| Solicitor for the First, Second, Fourth, Fifth, Sixth and Seventh Respondents: | Mills Oakley |

ORDERS

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|  | NSD 1015 of 2021 |
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| BETWEEN: | CAMPAIGNTRACK PTY LTDAppellant |
| AND: | REAL ESTATE TOOL BOX PTY LTDFirst RespondentBIGGIN & SCOTT PTY LTDSecond RespondentDAVID SEMMENS (and others named in the Schedule)Third Respondent |

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| order made by: | GREENWOOD, CHEESEMAN AND MCELWAINE JJ |
| DATE OF ORDER: | 19 July 2022 |

THE COURT ORDERS THAT:

1. The first, second, fourth, fifth, sixth and seventh respondents must pay the appellant’s costs of the appeal to be determined on a party and party basis and awarded in a lump sum pursuant to rule 40.02(b) of the *Federal Court Rules 2011* (Cth) to be determined by a registrar of the court in such manner as the registrar deems fit, who shall then make an order fixing the amount of those costs, which are to be payable within 28 days of such order.
2. The first, second, fourth, fifth, sixth and seventh respondents must pay the applicant’s costs of proceeding NSD772/2017 to be determined on a party and party basis and awarded in a lump sum pursuant to rule 40.02(b) of the *Federal Court Rules 2011* (Cth) to be determined by a registrar of the court in such manner as the registrar deems fit, who shall then make an order fixing the amount of those costs, which are to be payable within 28 days of such order.

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

REASONS FOR JUDGMENT

THE COURT:

1. We published reasons for judgment in this matter on 6 July 2022: *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd* [2022] FCAFC 112. The appellant succeeded on the question of authorisation of copyright infringement against the first, second, fourth, fifth, sixth and seventh respondents (the **represented respondents**). Amongst other things, we ordered that the question of costs of the successful appeal and the trial proceeding be the subject of written submissions and be determined on the papers. We have received and considered submissions from the appellant and the represented respondents.
2. There is no dispute between the parties that the appellant should have its costs on a party and party basis of the appeal. In our view, it is appropriate to make that order on a lump sum basis as provided for at rule 40.02(b) of the *Federal Court rules 2011* (Cth) having regard to the discretionary factors for the making of a lump sum costs order that are addressed at paragraph 4 of the *Costs Practice Note* (*GPN – costs*).
3. Nor is there any dispute that the appellant (applicant) should have its costs against the represented respondents of the proceeding before the primary judge, to be determined in a lump sum in the event that the appellant does not obtain an indemnity costs order for, at least a portion of, the primary proceedings. The limited dispute on the question of costs is whether the appellant should be awarded a partial indemnity costs order, which it frames as its first alternative: in short, that it receive the costs of the primary proceeding as between party and party until 11.00am on 23 June 2020 and thereafter on an indemnity basis. The reason for drawing that distinction is that on 19 June 2020, the appellant filed and served an offer of compromise.
4. The offer of compromise was not straightforward in its drafting. It was addressed to each of the respondents. It is important to understand that when it was served the third respondent, Mr Semmens, was not legally represented and was conducting his own defence. It will be recalled that Mr Semmens was primarily the person responsible for committing each of the acts comprised in the copyright of the appellant without its authority. The offer was framed as one made by the appellant to each of the respondents to the effect that (1) judgment be entered in its favour against the first (Real Estate Tool Box Pty Ltd) and third respondent upon each claim then maintained by it and (2) that the trial proceed against the represented respondents on the basis that they admit: copyright subsistence in the works as claimed; the confidential nature of the source code; the applicant’s ownership of copyright in the works comprised in the DreamDesk system; the applicant’s ownership of and entitlement to protect the confidence of the source code in its copyright works; the acts of infringement pleaded against the first and third named respondents; the acts of misuse of confidential information pleaded against the first and third respondents; and the breach of the intellectual property undertakings and the contract claim pleaded against the first respondent. That offer expressly left open to the represented respondents their ability to “dispute their liability, howsoever arising” in relation to: the acts of copyright infringement, the misuse of confidential information, the breaches of the intellectual property undertakings and each of the other breaches as pleaded against them in the proceeding. Finally, the offer stated that “costs are in addition” to each of the offers but it failed to say how those costs would be apportioned against each of the respondents.
5. In support of the application for an indemnity costs order from 23 June 2020, it is submitted that the appellant has ultimately obtained a judgment more favourable than the offer and that it was unreasonable for the represented respondents not to have accepted the offer as it would have “significantly narrowed the issues and avoided disputes at trial about copyright subsistence, copyright ownership and infringements by Mr Semmens and [Real Estate Tool Box Pty Ltd]”.
6. As is well understood, a costs order is not made to punish an unsuccessful party for, in this case, the maintenance of unsuccessful defences at trial. The categories in which it is appropriate to make an indemnity costs order are not closed. Each case turns upon its own circumstances. However one guiding principle is clear, where the application is founded upon non-acceptance of an offer of compromise, the question is whether, at the time the offer was made, it was unreasonable for the recipient not to have accepted it: *Wills v Chief Executive Officer of the Australian Skills Quality Authority (Costs)* [2022] FCAFC 43 at [22]- [23], Logan, Griffiths and Perry JJ.
7. In our view, it was not unreasonable (or as it is sometimes said imprudent) for the represented respondents not to have accepted the offer of compromise when made in this proceeding, primarily for the reasons submitted on behalf of the represented respondents. On its face, the offer was only open to be accepted if accepted by each of the respondents to whom it was addressed. It could not have been accepted only by the represented respondents. At the time it was made, Mr Semmens was conducting his own defence of the proceeding and he denied each of the primary acts of copyright infringement as pleaded against him. Further, and as correctly characterised by counsel for the represented respondents, the offer “sought to bifurcate issues and sub-issues in the proceeding by way of proposed admissions, including admissions as to matters put against different and independent respondents.” The framing of the offer in that way, in our view, meant that it could not be readily accepted by the represented respondents. The offer failed to address who would be liable for what portion of the applicant’s costs in the event of acceptance and was uncertain in that regard. For example, entry of judgment against the first and third respondents with costs would have left uncertain the costs liability of the remaining respondents who would have been at liberty to continue their defence of the applicant’s claims on a limited basis.
8. Finally, and on a separate question, it is the case that the appellant failed, before the primary judge and upon the appeal to this Court, on each of its misuse of confidential information, breach of contract and breach of undertakings claims. In that regard, the appellant did not ultimately achieve a result more favourable to it than the offer.
9. For these reasons a principled exercise of the discretion to make costs orders in the trial proceeding requires that the applicant should have its costs on the usual party and party basis to be determined in a lump sum. Accordingly, we make the following orders:
10. The first, second, fourth, fifth, sixth and seventh respondents must pay the appellant’s costs of the appeal to be determined on a party and party basis and awarded in a lump sum pursuant to rule 40.02(b) of the *Federal Court Rules 2011* (Cth) to be determined by a registrar of the court in such manner as the registrar deems fit, who shall then make an order fixing the amount of those costs, which are to be payable within 28 days of such order.
11. The first, second, fourth, fifth, sixth and seventh respondents must pay the applicant’s costs of proceeding NSD772/2017 to be determined on a party and party basis and awarded in a lump sum pursuant to rule 40.02(b) of the *Federal Court Rules 2011* (Cth) to be determined by a registrar of the court in such manner as the registrar deems fit, who shall then make an order fixing the amount of those costs, which are to be payable within 28 days of such order.

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| I certify that the preceding nine (9) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justices Greenwood, Cheeseman and McElwaine. |

Associate:

Dated: 19 July 2022

SCHEDULE OF PARTIES

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|  | NSD 1015 of 2021 |
| Respondents |  |
| Fourth Respondent: | DREAM DESK PTY LTD |
| Fifth Respondent: | JONATHAN MICHAEL MEISSNER |
| Sixth Respondent: | PAUL GEOFFREY STONER |
| Seventh Respondent: | MICHELLE BARTELS |