FEDERAL COURT OF AUSTRALIA

University of Sydney v ObjectiVision Pty Limited (No 8) [2018] FCA 1184

|  |  |
| --- | --- |
| File number(s): | NSD 385 of 2014 |
|  |  |
| Judge(s): | **BURLEY J** |
|  |  |
| Date of judgment: | 9 August 2018 |
|  |  |
| Catchwords: | **PRACTICE AND PROCEDURE** – application for leave to amend particulars of quantum – where the proposed amendments seek to change the cross-claimant’s damages claim for copyright infringement and breach of confidence from lost profits to a claim for wasted expenditure or, in the alternative, notional royalties – where the amendment is sought after the close of evidence at trial – application refused |
|  |  |
| Cases cited: | *Aon Risk Services Australia Limited v Australian National University* [2009] HCA 27; 239 CLR 175  *Barnes v Forty Two International Pty Limited* [2014] FCAFC 152; (2014) 316 ALR 408  *Commonwealth v Amann Aviation Pty Ltd* [1991] HCA 54; (1991) 174 CLR 64  *Enzed Holdings v Wynthea* [1984] FCA 416; (1984) 57 ALR 167  *Placer (Granny Smith) Pty Ltd v Thiess Contractors Pty Ltd*[2003] HCA 10; (2003) 196 ALR 257  *Tamaya Resources Ltd (in liq) v Deloitte Touche Tohmatsu (A Firm), in the matter of Tamaya Resources Ltd (in liq)* [2015] FCA 1098  *Tamaya Resources Limited (in liq) v Deloitte Touche Tohmatsu (A Firm)* [2016] FCAFC 2; (2016) 332 ALR 199  *University of Sydney v ObjectiVision Pty Limited* [2016] FCA 1199  *University of Sydney v ObjectiVision Pty Limited* [2017] FCA 554  *Winnegago Industries Inc v Knott Investments Pty LTd & Ors (No 4)* [2015] FCA 1327; (2014) FCR 271 |
|  |  |
| Date of hearing: | 3 August 2018 |
|  |  |
| Registry: | New South Wales |
|  |  |
| Division: | General Division |
|  |  |
| National Practice Area: |  |
|  |  |
| Sub-area: | Patents and associated statutes |
|  |  |
| Category: | Catchwords |
|  |  |
| Number of paragraphs: | 40 |
|  |  |
| Counsel for the Applicant/First Cross-Respondent | Mr P W Flynn with Mr D B Larish |
|  |  |
| Solicitor for the Applicant/First Cross-Respondent | King & Wood Mallesons |
|  |  |
| Counsel for the Respondent/Cross-Claimant | Mr R Cobden SC with Ms L Thomas |
|  |  |
| Solicitor for the Respondent/Cross-Claimant | Allens Linklaters |
|  |  |
| Counsel for the Second Cross-Respondent | Ms G R Rubagotti |
|  |  |
| Solicitor for the Second Cross-Respondent | Norton Rose Fulbright |
|  |  |

ORDERS

|  |  |  |
| --- | --- | --- |
|  | | NSD 385 of 2014 |
|  | | |
| BETWEEN: | THE UNIVERSITY OF SYDNEY ABN 15 211 513 464  Applicant | |
| AND: | OBJECTIVISION PTY LIMITED ACN 090 253 697  Respondent | |
|  |  | |
| AND BETWEEN: | OBJECTIVISION PTY LTD ACN 090 253 697  Cross-Claimant | |
| AND: | THE UNIVERSITY OF SYDNEY ABN 15 211 513 464  First Cross-Respondent  VISIONSEARCH PTY LTD ACN 150 067 271  Second Cross-Respondent | |
|  |  | |

|  |  |
| --- | --- |
| JUDGE: | BURLEY J |
| DATE OF ORDER: | 9 August 2018 |

THE COURT ORDERS THAT:

1. The Cross-Claimant’s interlocutory application dated 2 July 2018 (**Interlocutory Application**) be dismissed.
2. The Cross-Claimant pay the Cross-Respondents’ costs of the Interlocutory Application forthwith.
3. The First Cross-Respondent’s costs of the Interlocutory Application are assessed to be $21,525.

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

REASONS FOR JUDGMENT

BURLEY J:

# INTRODUCTION

1. The applicant (**University**) commenced these proceedings in April 2014. It alleges that the respondent (**ObjectiVision**) acted in breach of certain licence agreements and infringed patents owned by the University. In July 2014, ObjectiVision filed a cross-claim, alleging that the University had wrongly purported to terminate the licence agreements. In May 2015, ObjectiVision filed a second further amended cross-claim alleging that the University and the second cross-respondent (**Visionsearch**) had infringed its copyright and misused its confidential information in the source code of certain software. Since 2015, ObjectiVision’s cross-claim has been amended on numerous occasions. The current version is the sixth further amended cross-claim. Some aspects of the history of the proceedings up until October 2016 are set out in *University of Sydney v ObjectiVision Pty Limited* [2016] FCA 1199 (**2016 decision**), some more recent events are summarised in *University of Sydney v ObjectiVision Pty Limited* [2017] FCA 554.
2. The trial of ObjectiVision’s cross-claim and the University’s contract claim commenced on 12 March 2018 and proceeded over 25 days until 20 April 2018. During that period the evidence was completed and the parties completed their closing submissions on the contract claims. The hearing has been stood over until 4-6 September 2018 for the purpose of hearing closing submissions in relation to ObjectiVision’s cross-claim insofar as it concerned infringement of copyright and misuse of confidential information.
3. On 2 July 2018, ObjectiVision filed an interlocutory application seeking leave to amend particulars of quantum that it had filed on 20 June 2017. It relies on an affidavit sworn by Yi (Tracy) Lu, solicitor, in support. The University and Visionsearch oppose the amendments and respectively rely on affidavits sworn by Scott Bouvier, solicitor, and Mr Raymond Giblett, solicitor.
4. For the reasons set out below I refuse leave to make the amendments and order that ObjectiVision pay the University’s costs of the application assessed in the amount of $21,525.00 forthwith. I order that ObjectiVision pay Visionsearch’s costs of the application forthwith.

# BACKGROUND

1. On 29 May 2017, an Order was made that ObjectiVision file and serve particulars of quantum with respect to its copyright infringement and breach of confidence cross-claims. Such particulars were to contain, for each cause of action, details of the basis on which ObjectiVision claims any damages ought to be calculated and the principal facts on which it relies, including in relation to the alleged causal link between the cause of action and any damages claimed.
2. On the same day, orders were made requiring ObjectiVision to serve its expert evidence going to quantum by 6 July 2017; and, by the same date, to supply a list of the documents of which it is aware as of that date and which it understands the case will turn on, both for and against its interests. Evidence in answer to evidence by ObjectiVision in support of its cross-claim was to be filed by the University and Visionsearch by 31 August 2017, at which time equivalent discovery was also to be given by those parties. By 29 September 2017, the University and Visionsearch were to file and serve any evidence in answer going to matters of quantum and provide any further discovery of which they had become aware since the last occasion.
3. On 20 June 2017 ObjectiVision filed its particulars of quantum. In relation to copyright infringement and breach of confidential information, the particulars stated:

**Copyright**

2. The ordinary measure of damages for infringement of copyright is that a copyright owner is entitled to recover from an infringer damages for the diminution in value of the chose in action constituted by the copyright. In the present case that diminution is measured as follows.

3. But for the Applicant / First Cross-Respondent and the Second Cross-Respondent infringing the copyright of the Respondent/ Cross-Claimant in the computer software known as OPERA v2.3 (as defined in paragraph 60(vii) of the fourth amended statement of cross-claim) the events set out in paragraph 4 below (the **Events**) would not have occurred.

4. The Events were:

(a) The Applicant/ First Cross-Respondent being able to develop or authorise the Second Cross-Respondent to develop the TERRA software.

(b) The Second Cross-Respondent being able to develop the TERRA software.

(c) Alternatively, the Applicant / First Cross-Respondent and the Second Cross-Respondent being able to complete the development of the TERRA software as early and cheaply as they did.

(d) The Second Cross-Respondent being able to incorporate the TERRA software into the Visionsearch1 device and/or use or authorise others to use the TERRA software as part of the Visionsearch1 device, or alternatively, at least not as early as it did.

5. If the Events had not occurred:

(a) the Visionsearch1 device would not have been functional, or alternatively, at least not as early as it was; and

(b) the Second Cross-Respondent would not have been able to commercialise any functional Visionsearch1 devices, including to supply any functional Visionsearch1 devices to Biogen for the purpose of any of Biogen's clinical trials, or alternatively, at least not as early as it did.

6. Because of the matters particularised in paragraph 5, the Applicant / First Cross-Respondent would not have repudiated the Heads of Agreement or the Licensing Agreement in the absence of any ability to Exploit the Licensed Intellectual Property or authorise another person to Exploit the Licensed Intellectual Property to make and commercialise a functional mfVEP device alternative to the Accumap device (such as the Visionsearch1 device), or alternatively, at least not as early as it did, in which event:

(a) The Respondent / Cross-Claimant would have continued exclusively to develop the OPERA v2.3 software and subsequent versions of the OPERA v2.3 software.

(b) The Respondent / Cross-Claimant would have continued to incorporate the OPERA v2.3 software (and/or subsequent versions of the OPERA v2.3 software) into the Accumap 1 device and Accumap 2 device and/or use or authorise others to use the OPERA v2.3 software (and/or subsequent versions of the OPERA v2.3 software) as part of the Accumap 1 device and Accumap 2 device.

(c) The Respondent / Cross-Claimant would have been in a position to exclusively commercialise the Accumap 1 device:

(i) as a standalone medical diagnostic device; and/or

(ii) as a companion medical diagnostic device.

(d) The Respondent / Cross-Claimant would have continued exclusively to develop and ultimately commercialise the Accumap 2 device and/or subsequent versions of the Accumap device which incorporate the OPERA v2.3 software (and/or subsequent versions of the OPERA v2.3 software):

(i) as a standalone medical diagnostic device; and/or

(ii) as a companion medical diagnostic device.

7. The Respondent / Cross-Claimant would have thereby made profits the quantification of which will be the subject of expert evidence.

**Confidential information**

8. An appropriate measure of damages for misuse of confidential information is to assess the damage suffered by the unauthorised use of the information, including loss of chance.

9. But for the Applicant / First Cross-Respondent and the Second Cross-Respondent disclosing the Respondent / Cross-Claimant's confidential information that is comprised of the computer software known as OPERA v2.3 without the authorisation of the Respondent / Cross-Claimant the Events would not have occurred.

10. The Respondent / Cross-Claimant repeats the matters set out in paragraphs 5 to 7 above.

1. ObjectiVision subsequently filed several expert reports given by Jeffrey Scott Aroy and John-Henry Eversgerd. In relation to its cross-claim for breach of contract, ObjectiVision contended that damages should be assessed by reference to the value of its lost commercial opportunity, being lost profits. This was supported mainly by evidence adduced from Mr Aroy. It relied in the alternative on a quantification based on reliance damages. This was supported primarily by evidence given by Mr Eversgerd in his first and third reports, which quantified the wasted expenditure that ObjectiVision contends that it incurred.
2. On 16 October 2017, Visionsearch’s solicitors wrote to ObjectiVision and pointed out that no evidence had been put forward quantifying ObjectiVision’s losses in relation to the copyright infringement aspects of its claims and asked ObjectiVision to state the nature of its case for damages or an account of profits and identify the nature of any evidence upon which it seeks to rely. No response was received, and on 1 November 2017 Visionsearch sent a further letter repeating its request.
3. On 2 November 2017, ObjectiVision’s solicitors responded by saying that it’s damages case for both copyright infringement and breach of confidence was that, but for the alleged breaches, ObjectiVision would have exclusively commercialised the AccuMap devices and would have made the profits that were the subject of their quantum evidence.
4. ObjectiVision adopted that position through to the trial of the proceedings and in their opening submissions each of the University and Visionsearch indicated their reliance on that position. However, during the course of the trial I ruled that certain paragraphs in the first report of Mr Aroy were inadmissible. As ObjectiVision characterises the events that followed, ObjectiVision accepted that several of those rulings meant that other paragraphs would also be held to be inadmissible and on 11 April 2018 I held that the whole of the first report of Mr Aroy was inadmissible. As a consequence, the second and third Aroy reports were not read. This had the result that the claim for lost profits (in the claim for breach of contract and also in the claims for copyright infringement and breach of confidence) was not supported by any evidence.
5. On 16 April 2018, ObjectiVision was directed to state the nature of its claim for damages for copyright infringement and breach of confidence briefly, in light of the fate of the Aroy evidence. On 19 April 2018, after the evidence had closed, such a document was supplied. On 20 April 2018, I directed that ObjectiVision file an interlocutory application if it wished to amend its case concerning quantum in respect of these causes of action.

# the amended quantum particulars

1. The amended particulars in respect of which leave is sought are as follows:

**Copyright**

2. ~~The ordinary measure of damages for infringement of copyright is that a copyright owner is entitled to recover from an infringer damages for the diminution in value of the chose in action constituted by the copyright. In the present case that diminution is measured as follows~~ The Respondent / Cross-Claimant reasonably incurred expenditure in developing the computer software known as OPERA v2.3 (as defined in paragraph 60(vii) of the sixth amended statement of cross-claim), the Accumap 1 device and the Accumap 2 device.

~~2.~~3. The Accumap device would not be a functional medical diagnostic device without incorporating the OPERA v2.3 software (or a subsequent version of the OPERA v2.3 software).

~~3.~~4. But for the Applicant / First Cross-Respondent and the Second Cross-Respondent infringing the copyright of the Respondent / Cross-Claimant in ~~the computer software known as~~ the OPERA v2.3 software ~~(as defined in paragraph 60(vii) of the fourth amended statement of cross-claim)~~ the events set out in paragraph 5 below (the **Events**) would not have occurred.

~~4.~~5. The Events were:

(a) The Applicant / First Cross-Respondent being able to develop or authorise the Second Cross-Respondent to develop the TERRA software.

(b) The Second Cross-Respondent being able to develop the TERRA software.

(c) Alternatively, the Applicant / First Cross-Respondent and the Second Cross-Respondent being able to complete the development of the TERRA software as early and cheaply as they did.

(d) The Second Cross-Respondent being able to incorporate the TERRA software into the Visionsearch1 device and/or use or authorise others to use the TERRA software as part of the Visionsearch1 device, or alternatively, at least not as early as it did.

~~5.~~6. If the Events had not occurred:

(a) the Visionsearch1 device would not have been functional, or alternatively, at least not as early as it was; and

(b) the Second Cross-Respondent would not have been able to commercialise any functional Visionsearch1 devices, including to supply any functional Visionsearch1 devices to Biogen for the purpose of any of Biogen's clinical trials, or alternatively, at least not as early as it did.

~~6.~~7. Because of the matters particularised in paragraph 6, the Applicant / First Cross-Respondent would not have repudiated or terminated the Heads of Agreement or the Licensing Agreement in the absence of any ability to Exploit the Licensed Intellectual Property or authorise another person to Exploit the Licensed Intellectual Property to make and commercialise a functional mfVEP device alternative to the Accumap device (such as the Visionsearch1 device), or alternatively, at least not as early as it did, in which event:

(a) The Respondent / Cross-Claimant would have continued exclusively to develop the OPERA v2.3 software and subsequent versions of the OPERA v2.3 software.

(b) The Respondent / Cross-Claimant would have continued to incorporate the OPERA v2.3 software (and/or subsequent versions of the OPERA v2.3 software) into the Accumap 1 device and Accumap 2 device and/or use or authorise others to use the OPERA v2.3 software (and/or subsequent versions of the OPERA v2.3 software) as part of the Accumap 1 device and Accumap 2 device.

(c) The Respondent / Cross-Claimant would have been in a position to exclusively commercialise the Accumap 1 device as a medical diagnostic device for glaucoma, optic neuritis and multiple sclerosis.~~:~~

~~(i) as a standalone medical diagnostic device; and/or~~

~~(ii) as a companion medical diagnostic device.~~

(d) The Respondent / Cross-Claimant would have continued exclusively to develop and ultimately commercialise the Accumap 2 device ~~and/or subsequent versions of the Accumap device~~ which incorporate the OPERA v2.3 software (and/or subsequent versions of the OPERA v2.3 software) as a medical diagnostic device for glaucoma, optic neuritis and multiple sclerosis.~~:~~

~~(i) as a standalone medical diagnostic device; and/or~~

~~(ii) as a companion medical diagnostic device.~~

8. The Respondent / Cross-Claimant would have thereby ~~made profits~~recouped the ~~quantification of which will be the subject of expert evidence~~expenditure which it had incurred in developing OPERA v2.3, the Accumap 1 device and the Accumap 2 device.

~~7.~~9. The resulting waste of that expenditure was caused by the infringement of the copyright, and was a reasonably foreseeable consequence of that infringement.

10. In the alternative:

(a) The ordinary measure of damages for infringement of copyright is that a copyright owner is entitled to recover from an infringer damages for the diminution in value of the chose in action constituted by the copyright.

(b) In the present case that diminution is measured as the loss of royalties by the Respondent / Cross-Claimant to be determined upon the basis of a hypothetical bargain that would have been struck between a willing licensor and a willing licensee, in respect of the OPERA v2.3 software.

**Confidential information**

~~8.~~11. An appropriate measure of damages for misuse of confidential information is to assess the damage suffered by the unauthorised use of the information~~, including loss of chance~~.

~~9.~~12. But for the Applicant / First Cross-Respondent and the Second Cross-Respondent disclosing or using the Respondent / Cross-Claimant’s confidential information that is comprised of the computer software known as OPERA v2.3 without the authorisation of the Respondent / Cross-Claimant the Events would not have occurred.

13. The Respondent / Cross-Claimant repeats the matters set out in paragraphs 6 to 8 above.

14. By way of further particularisation of para 11 above:

(a) An appropriate measure of damages for misuse of confidential information is reasonable compensation for the use of the confidential information, which is to be assessed at the market value of the information.

(b) The market value of the confidential information that is comprised of the computer software known as OPERA v2.3 is either:

(i) a reasonable consultant's fee which would have been charged to create the information; or

(ii) the hypothetical price that a willing buyer would have paid a willing seller, for the information.

15. An appropriate measure of the price in para 14(b)(ii) is the amount spent in developing the misused confidential information.

1. ObjectiVision accepts that it now pleads a new case for damages in respect of its claims for copyright infringement and breach of confidence. Gone is the claim for its lost sales and lost profits by reason of the infringing conduct. Instead, the claim is for wasted expenditure on the basis of the entire costs that ObjectiVision incurred in the period from 2000 until 19 January 2011. This is valued on the basis of the expenditure which it had incurred in developing OPERA v2.3, the AccuMap 1 and the AccuMap 2 device (see [8] and [13] of the amended particulars above).
2. In the alternative, ObjectiVision claims that its damages may be assessed by reference to the value of a notional royalty based on a hypothetical bargain that would have been struck between a willing licensor and a willing licensee in respect of the OPERA v2.3 software (see [10] and [14] of the amended particulars above).

# ObjectiVision’s arguments

1. ObjectiVision contends that its amendments come about as a result of the rejection of the evidence of Mr Aroy. It accepts that it has now changed its case but submits that it is not necessary to lead any further evidence on damages.
2. For its own part, ObjectiVision contends that the evidence adduced in support of its damages claim in the contract aspect of its case is sufficient to cover the newly pleaded case. In this regard, it places emphasis on the evidence of Mr Eversgerd in relation to its claim for wasted expenditure. It submits that ObjectiVision’s expenditure on the development of OPERA v2.3 and the AccuMap device has always been in issue in the contract case and is quantified in the first and third Eversgerd reports, by reference to the entirety of expenditure measured by ObjectiVision, which have been answered by the University’s witnesses. As such, it submits that there “can be no real prejudice” in allowing ObjectiVision to rely on that evidence in relation to its causes of action for copyright infringement and misuse of confidential information. It also submits that the parties can rely on the existing evidence for the quantification of its alternative claim based on a notional royalty. ObjectiVision submits that the amendments are of critical importance to ObjectiVision in the circumstance of the rejection of the Aroy reports.
3. ObjectiVision contends that its new case is based on the broad proposition that the measure of damages for copyright infringement and breach of confidence will flow from the impugned conduct provided they are sufficiently foreseeable and not too remote. Assessing quantum is a matter of “jury-style estimation”. It relies on the Full Court’s decision in *Enzed Holdings v Wynthea* [1984] FCA 416; (1984) 57 ALR 167 at 183 for the proposition that if the Court finds damage has occurred it must do its best to quantify the loss even if a degree of speculation and guess work is involved. In the present case, ObjectiVision contends that it is open to the Court to assess damages for infringement of copyright on the basis of wasted expenditure in a manner analogous to the assessment of damages for breach of contract pursuant to the principles in *Commonwealth v Amann Aviation Pty Ltd* [1991] HCA 54; (1991) 174 CLR 64 at 80 and 84 (per Mason CJ and Dawson J), namely that where a party sustains a loss by reason of a breach of contract, it is, so far as money can do it, to be placed in the same situation, with respect to damages, as if the contract had been performed.
4. ObjectiVision submits that if the wrongdoing has deprived the owner of the opportunity to profit from exploitation of the copyright work or confidential information, but it is not possible to quantify the profit that would have been obtained from the exploitation of the work, the most appropriate measure of damage may be the expenditure incurred in developing the copyright work or confidential information. It submits that the law assumes that a plaintiff that proves a breach of contract would at least have recovered its expenditure in reliance on the contract had it been performed, albeit that the presumption may be displaced. Similarly, it is reasonable to assume that an owner would recoup its investment in a copyright work or confidential information for the purpose of commercial exploitation. It should be noted that this appears to be a novel argument. No authority was cited by ObjectiVision in the context of copyright or breach of confidence law, leaving ObjectiVision to draw on analogies from breach of contract cases.
5. In the present case ObjectiVision submits that whilst the University and Visionsearch contend that they could have conducted their case differently had they known of the current damages case in advance of the hearing, the Court should be satisfied that it can accommodate any differences by answering the “jury question” in favour of ObjectiVision, but making allowances. It further submits that neither the University nor Visionsearch have demonstrated that, had they known of the proposed amendments in advance of the trial, the different approach that they would have taken would have plausibly produced a different result.

# consideration

1. The legal principles applicable to the grant of leave to amend were summarised in some detail in the *2016 decision* at [58] – [67] and the parties agree that they are applicable in the present case. I shall apply them here, without repeating them all. In particular, having regard to the matters that the Court must consider in accordance with *Aon Risk Services Australia Limited v Australian National University* [2009] HCA 27; 239 CLR 175 (***Aon Risk***), as summarised by Gleeson J in *Tamaya Resources Ltd (in liq) v Deloitte Touche Tohmatsu (A Firm), in the matter of Tamaya Resources Ltd (in liq)* [2015] FCA 1098 *(****Tamaya Resources****)* at [127]; and endorsed by the Full Court in *Tamaya Resources Limited (in liq) v Deloitte Touche Tohmatsu (A Firm)* [2016] FCAFC 2; (2016) 332 ALR 199 at [125] per Gilmour, Perram & Beach JJ), which include the:
2. nature and importance of the amendment to the party applying for it;
3. extent of the delay and the costs associated with the amendment;
4. prejudice that might be assumed to follow from the amendment, and that which is shown;
5. explanation for any delay in applying for that leave;
6. parties’ choices to date in the litigation and the consequences of those choices;
7. detriment to other litigants in the Court; and
8. potential loss of public confidence in the legal system which can arise where a court is seen to accede to applications made without adequate explanation or justification.
9. To this may be added the observations in *Barnes v Forty Two International Pty Limited* [2014] FCAFC 152; (2014) 316 ALR 408 of Beach J said (Siopis and Flick JJ agreeing):

[122] Not only were the appellants “entitled” to a pleading by BlueFreeway identifying the head of loss as “loss of opportunity”, but they were also entitled to have that head of damage properly particularised (see, for example, *David Benson Nominees Pty Ltd v Dicksons Ltd* [2005] SASC 97 at [39]-[40] per Besanko J). None of this was done by BlueFreeway. For his Honour to permit BlueFreeway late in the day to put its case based upon the alternative scenario produced an unsatisfactory and inherently unfair state of affairs so far as the appellants were concerned. Pleadings serve “to ensure the basic requirement of procedural fairness that a party should have the opportunity of meeting the case against him…” (*Banque Commerciale SA (En Liqn) v Akhil Holdings Ltd* (1990) 169 CLR 279 at 286 per Mason CJ and Gaudron J). BlueFreeway’s further amended statement of claim did not ensure that basic requirement in relation to its alternative scenario. To ensure this basic requirement of procedural fairness, BlueFreeway should have been confined to its pleaded case that did not include this alternative scenario. This was not a case “in which the parties [had] deliberately chosen some different basis for the determination of their respective rights and liabilities” (at 287 per Mason CJ and Gaudron J). How the trial was conducted provides no support for such an inference.

[123] In summary, once his Honour had found against BlueFreeway’s pleaded causation and damages case, he should have dismissed the proceeding. The alternative scenario had not been pleaded, opened or run. Moreover, to allow it to be advanced for the first time in closing addresses produced inherent unfairness to the appellants. The course of evidence was not conducted on the basis of the alternative scenario. Moreover, the appellants lost the opportunity to call evidence and to appropriately cross-examine on such a scenario…

1. In my view, having regard to all of these considerations and all of the matters raised by the parties, I am firmly of the view that the application for leave to amend should be refused. The reasons for this conclusion include the following.
2. In conducting its cross-claim ObjectiVision chose to put its damages case for breach of contract on two alternative bases; loss of profits and reliance damages. It led the evidence going to both. In that circumstance it was open to it to pursue the latter form of quantification as part of its contract case, having regard to the way that the evidence fell out. By contrast, however, ObjectiVision clearly pinned its colours to the mast for the copyright and breach of confidence claims by insisting during the course of 2017 that it relied only on lost profits as the measure of damages. That led ObjectiVision and Visionsearch to adopt a particular approach to the filing of their evidence and forensic decisions made during the course of the trial. A few examples from the evidence before me in the present application are sufficient to make this point, although I am satisfied that there are likely to be many other acts or omissions in the conduct of the trial and its preparations that the cross-respondents would have considered, had they been notified of the currently proposed matters prior to the hearing.
3. In relation to the new case on “wasted expenditure”, there is the potential for a fundamental difference between wasted expenditure arising from the conduct of the business of ObjectiVision as a whole (which is the manner in which the case is put in ObjectiVision’s contract case based on the evidence of Mr Eversgerd) and expenditure arising from the development of the copyright work, which is OPERA v 2.3.
4. Mr Bouvier gives unchallenged affidavit evidence on behalf of the University that both the amount and the reasonableness of the expenses incurred by ObjectiVision would have been factual issues that the University would have explored, had the present form of particulars been supplied earlier. In particular, this would have included consideration of a potential division between costs incurred in the development of OPERA v2.3 and the costs in developing hardware such as AccuMap 1 and AccuMap 2 or the reasonableness of any such costs incurred. As Mr Flynn, who appeared with Mr Larish for the University, put it the University did not have an opportunity to consider seeking discovery on the issue, leading lay or expert evidence on the issue or cross-examining witnesses called by ObjectiVision on these subjects.
5. The University gives a concrete example of a different forensic choice which the University might have made had it known of the issues now raised by ObjectiVision by reference to the evidence of Mr Cheng, who gave evidence on behalf of ObjectiVision. In the course of his cross-examination, Mr Cheng said that “AccuMap is 90 per cent software and maybe 10 per cent hardware”. Had the University known of ObjectiVision’s current case, this answer could have been challenged in cross-examination and lines of cross-examination could have been developed to explore the question further.
6. Mr Bouvier gives evidence that the University may have led additional evidence from Associate Professor Klistorner and Mr Alkimov, witnesses called by the University, relating to the expenses and the division between expenses incurred by ObjectiVision in the preparation of OPERA v 2.3, any impact the prototype redesign may have had, and other expenses. Mr Bouvier also gives evidence that the University would have given consideration to leading expert evidence as to the reasonableness of the expenses incurred by ObjectiVision. I accept this evidence as cogent.
7. In relation to the alternative case proposed based on a notional hypothetical royalty, Mr Cobden SC, who appeared with Ms Thomas for ObjectiVision, submitted that the Court could readily assess the quantum, because the evidence provides a “precisely comparable royalty” for the same bargain. To this end, ObjectiVision submits that, by picking through the correspondence, the quantum of the alternative measure can be calculated. For example, Mr Cobden referred during submissions to an email at court book volume C12 page C10,732 dated January 2010. This email itemised the costs to Biogen of Visionsearch’s system, which used the allegedly infringing TERRA software and also some hardware and could, he submitted, be a reliable guide to the value of a notional licence fee.
8. However, as the University points out, the documents upon which ObjectiVision rely appear to have come out fortuitously because they were relevant to some other issue at trial. The University and Visionsearch simply cannot know what other documents might have come out had the issue been squarely put in advance, whether from their own documents or from ObjectiVision’s documents. Furthermore, if the amendment had been notified in a timely fashion, then the cross-respondents would likely have called lay and/or expert evidence on the question of a reasonable royalty. Mr Bouvier gives evidence that he is aware of the reasoning of Yates J in *Winnegago Industries Inc v Knott Investments Pty LTd & Ors (No 4)* [2015] FCA 1327; (2014) FCR 271 (***Winnebago***), where the applicant claimed damages on the basis of a reasonable royalty for the unauthorised use of its brand name. He is aware that, in assessing a reasonable royalty, the respondents in *Winnebago* led evidence from the relevant decision maker who would have been responsible for approving the terms of any licence entered; and independent expert witnesses going to the appropriate licence fee that may have been negotiated. He gives evidence that the University would likely have undertaken similar tasks in relation to the appropriate valuation of each of the copyright infringement and breach of confidence claims. I accept this evidence.
9. I accept that in some circumstances the assessment of quantum may involve the Court making a ready assessment of likely loss based on the available information and that in some cases such assessment is something like a “jury question”. However, I reject the submission advanced by ObjectiVision that the matters going to quantum to which Mr Bouvier refers may be swatted to one side by making a rough and ready assessment and possibly discounting the quantum sought by a percentage that might take into account such matters as have been raised above, such as the reasonableness of expenses incurred or an allocation of expenses to matters unrelated to the copyright work in suit. Such an approach would be to deprive the University and Visionsearch of the opportunity to conduct their cases in such a way as they consider appropriate. It would supplant the interests of procedural fairness with some sort of expediency based on the fact that it would somehow be sensible to use discount factors in lieu of evidence and in lieu of giving the University and Visionsearch an opportunity to conduct their cases as advised. As noted in *Barnes,* such an approach would be quite unfair.
10. Further, to adopt such an approach would suggest that this is an example of a case where the Court would permit some imprecision in analysis because the precise quantum of loss cannot be calculated. I do not accept that this is so. In *Placer (Granny Smith) Pty Ltd v Thiess Contractors Pty Ltd*[2003] HCA 10; (2003) 196 ALR 257 Hayne J said:

[37] Placer undoubtedly bore the burden of proving not only that it had suffered damage as a result of Thiess Contractors' breach of contract, but also the amount of the loss it had sustained. It goes without saying that it had to prove these matters on the balance of probabilities and with as much precision as the subject matter reasonably permitted.

[38] It may be that, in at least some cases, it is necessary or desirable to distinguish between a case where a plaintiff *cannot* adduce precise evidence of what has been lost and a case where, although apparently able to do so, the plaintiff *has not* adduced such evidence. In the former kind of case it may be that estimation, if not guesswork, may be necessary in assessing the damages to be allowed. References to mere difficulty in estimating damages not relieving a court from the responsibility of estimating them as best it can may find their most apt application in cases of the former rather than the latter kind. This case did not invite attention to such questions. Placer sought to calculate its damages precisely.

(citations omitted, emphasis original)

1. This is not a case where the plaintiff cannot adduce precise evidence of what has been lost. It is a case where ObjectiVision argues that it is not unfair to preclude the University and Visionsearch from attending to the quantum of loss by adducing precise evidence going to the subject.
2. If the proposed amendments were allowed, then there is in my view no doubt that the University and Visionsearch would be severely prejudiced. The evidence in the proceedings has closed. Witnesses have been called, cross-examined and discharged. Forensic decisions have been made along the way. After hearing 25 days of submissions and evidence, it would be too much to permit the case to be re-opened, or for witnesses to be recalled. Put another way, in my view there is a substantial prospect that the University and Visionsearch would have conducted their cases differently had the amended particulars been supplied at the outset and that as a result of the lateness of the proposed amendment, the prejudice to those parties is incapable of remedy.
3. I accept that it is important to ObjectiVision’s case for breach of confidence and copyright infringement for the proposed amendments to be allowed. However, it is to be noted that ObjectiVision’s case for breach of contract is based on the same loss. That case was pleaded and has been fully argued. Furthermore, ObjectiVision does not submit that these causes of action lack utility in the event that the proposed amendments are not allowed. No doubt that is because it considers there to be utility in the non-pecuniary aspects of these claims.
4. Having regard to the other factors identified as relevant in *Aon Risk*,I note that the delay in bringing the proposed amendments is inordinate. That delay is not to be judged only from the time when ObjectiVision perceived that it could no longer advance a case based on lost profits after it had sought to lead the evidence of Mr Aroy, but rather from the time when it should first have pleaded its entire case based on wasted expenditure and loss of royalty, being in June 2017. That was not at a point early in the proceedings, but some two years after ObjectiVision had first pleaded its cross-claim. It is by then that ObjectiVision was directed to supply proper particulars of its damage. There is no reason why it could not have pleaded a case such as is presently advanced at that time, in the alternative, if it wished do to so. In this regard I note that no evidence has been adduced by a legal practitioner or client explaining the reason for that delay. To the extent that ObjectiVision implicitly relies on the loss of the opportunity to advance its case based on lost profits as an explanation, I reject it. That circumstance does not go to the root of the failure, which was a failure to plead the alternative case well in advance of the trial. To the extent that the fate of the Aroy evidence does explain the delay, it does not excuse it. It was a predictable outcome and the prejudice to the University and Visionsearch outweighs the strength of the explanation.
5. During the course of argument, I was not addressed at length on the delay that would arise if the amendments sought are allowed. In part that is no doubt because the significant prejudice to the University and Visionsearch lies in the manner in which the case has already been conducted. In my view, it is not in the interest of the administration of justice to revisit the existing evidence, the question of discovery and the calling of new evidence in order to accommodate this late amendment application.
6. Before concluding, I should record the fact that the University and Visionsearch submit that another reason for rejecting the proposed amendments is because they are futile. They submit, in summary, that damages for infringement of copyright or breach of confidence are not to be calculated by reference to principles analogous to those applicable for breach of contract, where the loss of a bargain may form the basis for a claim. There may be strength in that submission. However, given the view that I have taken above, it has been unnecessary for me to decide this point.
7. In the result, the interlocutory application must be dismissed with costs. In his evidence Mr Bouvier gives an estimated breakdown of the total costs incurred by the University in responding to the application and presenting arguments in support of its position. The total costs are $31,250, which he estimates should be discounted to take into account recoverable costs to $21,525. ObjectiVision does not challenge this estimate, which I find to be reasonable.
8. The University submits that rather than extend the amount of security by the value of the costs, the costs should be payable forthwith. There is force in this submission. Furthermore, in the circumstances of this case, which has involved a meandering run of amendments on the part of ObjectiVision, in my view it is appropriate that the costs of this application be payable forthwith. Visionsearch’s costs should similarly be paid forthwith, the quantum to be taxed if not agreed.

|  |
| --- |
| I certify that the preceding forty (40) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Burley. |

Associate:

Dated: 9 August 2018