JUDGMENT No. 698 of 91

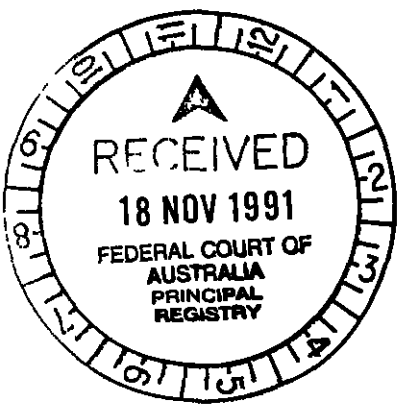
CATCHWORDS

PRACTICE AND PROCEDURE - appeal against order dismissing motion seeking variation of orders as to mode of proof at trial of copyright infringement case - effect of order as "shutting out" the applicants from adequate proof of copyright title - case management system - principles on which appellate court will interfere with directions given in the conduct of that system.

Trade Practices Act 1974
Fair Trading Act 1987 (N.S.W.)

BOMANITE PTY LIMITED & ORS v
SLATEX CORP. AUST. PTY LIMITED & ORS
No. G246 of 1990

CORAM: PINCUS, GUMMOW, FRENCH JJ.
PLACE: SYDNEY.
DATE: 8 NOVEMBER 1991.



IN THE FEDERAL COURT OF AUSTRALIA)
NEW SOUTH WALES DISTRICT REGISTRY) No. G246 of 1990
GENERAL DIVISION)

ON APPEAL FROM A JUDGE OF
THE FEDERAL COURT OF AUSTRALIA

BETWEEN: BOMANITE PTY LIMITED
First Appellant

BOMANITE CORPORATION
Second Appellant

JONATHON NASVIK
Third Appellant

JON'S DESIGNS INC.
Fourth Appellant

DENNIS A. PAUL
Fifth Appellant

G. & M. TERRAZZO CO. INC.
Sixth Appellant

AND: SLATEX CORP. AUST. PTY LIMITED
First Respondent

SLATECRETE PTY LIMITED
Second Respondent

BRENDAN ROBERTS
Third Respondent

NEIL LAURIE
Fourth Respondent

ROBBIE BURKE
Fifth Respondent

COOKVILLE PTY LTD
Sixth Respondent

CORAM: PINCUS, GUMMOW, FRENCH JJ.
PLACE: SYDNEY.
DATE OF ORDER: 8 NOVEMBER 1991.

MINUTE OF ORDER

THE COURT ORDERS:

That the appeal be dismissed with costs.

Note: Settlement and entry of orders is dealt with by Order 36 of the Federal Court Rules.

IN THE FEDERAL COURT OF AUSTRALIA)
NEW SOUTH WALES DISTRICT REGISTRY)
GENERAL DIVISION)

No. NG 246 of 1990

ON APPEAL FROM A JUDGE OF THE FEDERAL COURT OF AUSTRALIA

BETWEEN: BOMANITE PTY. LIMITED

First Appellant

AND: BOMANITE CORPORATION

Second Appellant

AND: JONATHON NASVIK

Third Appellant

AND: JON'S DESIGNS INC.

Fourth Appellant

AND: DENNIS A. PAUL

Fifth Appellant

AND: G & M TERRAZZO CO. INC.

Sixth Appellant

AND: SLATEX CORP. AUST. PTY. LIMITED

First Respondent

AND: SLATECRETE PTY. LIMITED

Second Respondent

AND: BRENDAN ROBERTS

Third Respondent

AND: NEIL LAURIE

Fourth Respondent

AND: ROBBIE BURKE

Fifth Respondent

AND: COOKVILLE PTY. LIMITED

Sixth Respondent

CORAM: PINCUS, GUMMOW & FRENCH JJ.
PLACE: SYDNEY
DATE: 8 NOVEMBER 1991

REASONS FOR JUDGMENT

PINCUS J.

This is an appeal, by leave, from an interlocutory order of 25 October 1991. On Thursday, 7 November last, leave to appeal from the order in question was granted and the appeal was heard on that day; on the following day, the Court decided by a majority to dismiss the appeal and it was so ordered. The Court then announced that reasons would be given later. The following are my reasons for the view which I adopted on 8 November, that the appeal should have been allowed.

The principal application claims relief in respect of alleged infringement of copyright, passing off and breaches of provisions of the Trade Practices Act 1974 and of the Fair Trading Act 1987 (N.S.W.). It was accepted on the hearing of the appeal, correctly in my opinion, that in substance the case is principally one about copyright, the other claims being relatively inconsequential.

As much of what follows deals with the course of events below, I shall use the word "applicants" uniformly, rather than speaking of both "applicants" and "appellants".

The applicants are United States corporations and residents. According to the allegations in the statement of claim, some of the applicants are owners and others licensees of the copyright in certain moulds and patterns used in stamping concrete in such a way as to make it resemble natural paving stone. The pleading alleges that the respondents have infringed the applicants' rights by making copies of those patterns and in other ways. All but one of the respondents was represented by counsel and that counsel is referred to in these reasons as counsel for the respondents.

The application first came before the Court for directions on 7 June 1990 and thereafter there were sixteen directions hearings, the number of such hearings apparently being due to some dilatoriness on both sides but, as it seems to me, rather more on the applicants' side. Last July, there was a series of directions hearings before Wilcox J. On 5 July, Wilcox J. was told by counsel for the applicants that, subject to one matter, the case was ready for hearing; that one matter was apparently an arrangement for a view. Wilcox J. adjourned the directions hearing until 11 July, when his Honour pointed out deficiencies in affidavits which had been filed, apparently with a view to being used at the trial, on behalf of the applicants; those deficiencies included the use of a large amount of hearsay material. His Honour informed counsel for the applicants, in effect, that he thought that, on objection taken, much of the material in the affidavits would be excluded, but that if the applicants desired to go to

the trial on those affidavits, he would permit that course. His Honour pointed out that he did not desire the applicants to re-read the affidavits three days before the date for trial and then decide that they were unsatisfactory. Counsel for the applicants asked for another week to consider the matter and that was allowed.

On 19 July, counsel for the applicants obtained leave to file a further affidavit, apparently intended for use at trial. Wilcox J. then announced that if both parties were satisfied that it was ready for hearing, he would put the case in a callover list. As I understand the discussion which ensued, it was at least implicitly accepted that the matter was ready for hearing, subject to the respondents' filing affidavits in answer to the applicants' affidavit filed on 19 July.

There followed some correspondence between the opposing solicitors, in which it emerged that there was no agreement as to whether or not the trial was to proceed by way of affidavit evidence only. In consequence, the respondents' solicitors brought the matter on again before Wilcox J. on 31 July. In view of the importance of what was said at that hearing, it seems desirable to quote some of the more relevant parts of it. Counsel for the applicants said:

> "Well, at the moment we rely on the affidavits that are filed. The only questionmark over it is that three of our clients are in the United States, they live in separate parts, we've only been able to communicate with them by fax and

> they'll be coming out to give evidence. It may be that there is something that arises, but it only goes to the question of whether or not they developed these designs and I put on evidence that they have".

Wilcox J. told counsel, in effect, that he was surprised that it was suggested that oral evidence might be called at the trial; after further discussion and examination of the papers, Wilcox J. indicated that it always had been understood that the trial would be by affidavit evidence and said that:

> "... this should be made absolutely clear and I think for more abundant caution I will make such a direction now".

His Honour did so and, after further discussion, remarked:

> "But the matter should not be given a hearing date until you are in a position unequivocally to say that the material filed in your affidavit is the whole of your evidence and identifies any other materials by way of documents or items which are going to be put into evidence".

Counsel for the applicants then said:

> "Well, we're happy with that as the position".

Insofar as it implied that the affidavits were in satisfactory form, counsel's recorded statement is puzzling. He had suggested that it was necessary to supplement the affidavits with oral evidence from foreign witnesses; he had not disputed that, as Wilcox J. had pointed out, a great deal of the affidavit material was inadmissible. To go ahead a

little, it became common ground at the hearing on 25 October, when there was made the order against which this appeal is brought, that the applicants' material was in such a condition that their case would almost certainly fail, were it not supplemented by other evidence. The hearing of 31 July concluded with the following remark addressed by Wilcox J. to counsel for the applicants:

> "All right. Well, now no second thoughts, ... I've given you - very deliberately give you an opportunity to think about all this so that - but in the end, as I've said previously, you have to take responsibility for what your case is and I don't want second thoughts before the trial".

Second thoughts were, in the end, entertained on the applicants' side, presumably because additional counsel came into the matter. As is explained below, before the date fixed for trial, attempts were made to file further evidence, but it was held that, in view of the history of the case, that could not be done; hence this appeal.

The trial was listed for 18 November 1991. On 21 October 1991, the applicants caused a notice of motion to be filed seeking various orders, including an order that "the applicants be given leave to file further affidavits". That notice of motion, together with another, came on for hearing on 25 October 1991. At the behest of the applicants, a further respondent was then joined and an order was made for filing of further evidence in relation to that respondent. Other orders were made on the notices of motion, but the

applications based on them were "otherwise dismissed"; the effect of that order was that the applicants failed to obtain leave to file further affidavits, except in relation to the additional respondent. If the appeal were allowed, that order would be set aside.

During the argument on 25 October, counsel for the respondents objected to the use of any further evidence for the applicants - i.e. the use of any evidence additional to that which had been filed by July, when the readiness of the case was discussed before Wilcox J. Counsel for the respondents said, in effect, that having considered the applicants' affidavits, the respondents had earlier decided that they had no need to inquire in the United States as to the originality of the allegedly copyright material and the subsistence of copyright. He also said, in answer to a remark of the primary judge, "They're going to fail", meaning, in the context, that the applicants could not succeed on the material which had been filed up to that date. Counsel for the respondents pointed out that the additional evidence sought to be filed was, in part, not in admissible form; apart from any other deficiency, it included copies of a number of documents apparently necessary to prove the title of some of the applicants, but no proper proof of those documents.

It is evident that the matter has been, in some respects, mishandled on the applicants' side. An example is that, although the applicants sought to establish that the

patterns in question constitute an "artistic work" within the meaning of s.10(1) of the Copyright Act 1968 as being a "sculpture" or "engraving", the material initially filed included no explanation of the way in which the patterns were made, so as to enable a finding on that issue. It was sought to remedy this by two of the further affidavits which were rejected on 25 October. It is, I suppose, possible that the solicitors had some difficulty in getting instructions from their clients, located in different parts of the United States.

It seems desirable to quote at some length from the reasons of the primary judge, but the point should be made at the outset that the nub of the reasoning was a balancing of the harm to the applicants likely to ensue from a refusal to allow further evidence, against the harm to the respondents likely to ensue from allowing such evidence. In my respectful opinion, there was no material, sworn or otherwise, before the primary judge which could have supported his Honour's conclusion on that question; the harm on the respondents' side was not shown to be of any real magnitude, but on the applicants' side there was the fact that, as was common ground, refusal to allow use of further evidence would be likely to put an end to any real chance of success.

After referring to the history of the matter and explaining the events which took place at the hearings before Wilcox J., the primary judge remarked:

> "In ordinary circumstances I would be the first to allow a party to amend its case and file further evidence if the prejudice to the other party was costs to be lost by an adjournment, it could be cured by appropriate orders for costs, and, if necessary, a stay imposed until the costs are paid. The history of the matter including the way in which the matter was conducted before Wilcox J. when he gave directions in June and July this year, culminating on 31 July, 1991 provides in itself sufficient basis in my opinion for declining to allow the fresh evidence to be given. But the matter proceeds beyond that.
>
> It is plain that the evidence which is now sought to be adduced is evidence which could have been adduced, if the applicants had sought to do so, by February this year but it was not adduced".

His Honour referred to amendment of the case, but that must not be taken literally. The problem was whether further evidence should be allowed to be filed in support of the allegations already pleaded, from which no departure was proposed.

His Honour then pointed out that much of the material sought to be adduced was not in admissible form. His Honour added:

> "The regrettable feature of the matter is that certain of the evidence which the applicants now seek to adduce by affidavit does indeed seem to go to the heart of the applicant's copyright case and is relevant to the cross claim. In particular, it is sought to trace the chain of title to copyright or assignment by tendering certain documents referred to in the concluding paragraphs of what is described as a second further affidavit of Alan Christopher Bate of 23 October 1991. It is sought also in relation to the copyright claim to adduce evidence from the third and fifth applicants as to the particular activities in

> which they engaged which led to the forming of castings and moulds of relevant objects".

His Honour again referred to the discussion before Wilcox J. and said:

> "The evidence as to the relevant documents to support the chain of title referred to in Mr Bate's affidavit is plainly inadmissible on a final hearing in the form in which it presently is deposed to. So, to allow it to be given would be to simply allow a nothing because I would be allowing evidence to be given of something which would be of necessity rejected at the trial. The same cannot be said of the evidence in the two affidavits from the third and fifth applicants that are sought to be used. I express no view on its admissibility except to say that it may be admissible. I hesitate to shut it out and to shut out the applicants from the chance to adduce it but, in my opinion, the history of the matter is such that, though unjust to the applicants not to allow it in one sense, it would be a greater injustice to the respondents to allow it to be given because, as counsel for the respondents tells me, in the absence of that evidence, his case had been shaped along a certain path and that of necessity would have to be re-examined if that evidence was given and it would follow, he says, that the hearing date would have to be vacated and I am quite convinced that that is right".

I am in respectful agreement with the implication in this passage that it was necessary to consider the balance of justice and injustice on both sides.

When the Court is asked to make an order of this kind, one which may shut out crucial evidence, considerations other than such a balancing may, in some circumstances, be decisive. For example, it may be found that there is a history of persistent disregard of directions, of such

seriousness as in itself to merit a severe order, having the purpose of upholding the Court's authority. But here there was no such finding and, indeed, none was open. What was done on the applicants' side bore the appearance of lack of proper application of legal skills, rather than any deliberate disregard of the Court's orders.

Counsel for the respondents urged upon us the reasons of Samuels J.A. in G.S.A. Industries Pty. Limited v. N.T. Gas Limited (unreported, New South Wales Court of Appeal, 6 December 1990). At p.10 of those reasons, his Honour adopted a sentence from a judgment of Atkin L.J. as encapsulating his view of the circumstances of the case before him:

> "The result of this seems to me to be that in the exercise of a proper judicial discretion no judge ought to make such an order as would defeat the rights of a party and destroy them altogether, unless he is satisfied that he has been guilty of such conduct that justice can only properly be done to the other party by coming to that conclusion". (Maxwell v. Keun [1928] 1 K.B. 645 at 657).

I respectfully agree that, at least in a case of this sort where there is no question of deliberate flouting of the Court's directions, the general principle stated by Atkin L.J. is a sound guide. It is my opinion that its application here would have pointed towards a result different from that at which the primary judge arrived. The "greater injustice to the respondents" which his Honour identified was simply that the respondents' case would have had to be re-examined.

Counsel for the respondents did, indeed, suggest that doing so would necessitate a vacation of the hearing date, but that would depend upon the course of events during the weeks which were to elapse between 25 October and the hearing date. Even if it proved necessary to vacate the hearing date, it seems to me impossible to agree that doing so would necessarily cause any significant injustice to the respondents; no doubt any wasted costs could be made up by a suitable order. On the other side, there was the regrettable fact that the evidence filed in the case had been inadequately analysed by the applicants' lawyers; the deficiencies of that evidence, as counsel for the respondents made clear, had always been obvious to him and to those instructing him.

It is unusual for a court to make an interlocutory order which is likely to prevent the assertion by a party of what may well be good and enforceable rights, on a ground amounting to no more than poor work on the part of the party's legal advisers. It is also unusual to make orders producing a trial on limited evidence, known to be incomplete and likely to produce wrong findings. As a matter of experience, a failure on the part of one side's lawyers properly to prepare the evidence in a case, becoming apparent on the day of trial, commonly results in the granting of an adjournment with costs, rather than a striking out order. That is likely to be the outcome where there is nothing to suggest a deliberate disobedience of the court's orders. Here, the question was raised not on but well before the date set for hearing.

Although the order made did not strike out any part of the claim, its practical effect was perhaps not much short of that.

The primary judge referred to the circumstance that some of the additional evidence sought to be adduced was not in admissible form. As I understand the reasons, his Honour did not treat that as decisive and it could hardly have been so; were there no other problem, presumably an order permitting the filing of material to the same effect but in proper form would have been made. The critical point was the proposition that, on the statements of counsel for the respondents, allowing the further evidence would cause such an injustice to the respondents as to outweigh the undesirability of preventing the applicants from completing evidence which was obviously incomplete.

It should be added that there was some discussion before this Court as to whether or not the respondents' use of statements of fact from the bar table, in lieu of evidence, was acquiesced in by counsel for the applicants. Mr. Masterman Q.C., senior counsel for the applicants, did not appear below and was unable to speak of the matter from his own knowledge. It is not possible to reach a conclusion on that point, but it must be uncommon for a party to be substantially shut out from proving its case by counsel's statements as to the inconvenience which would ensue from permitting it to do so.

I think this Court should exercise its own discretion; the reasons for doing so are those set out above. In the exercise of that discretion, it is permissible to take into account that Mr. Masterman Q.C. concedes, for the applicants, that there must be a new trial date fixed if the further evidence is now allowed. In the circumstances, the proper course would seem to be to let the applicants have a further opportunity to get their case in order.

I am of opinion that the appeal should have been allowed and, subject to hearing counsel as to what orders should be made, the case remitted for a further directions hearing.

I certify that this and the thirteen preceding pages are a true copy of the reasons for judgment herein of his Honour Mr. Justice Pincus.

Associate

Date 8 November 1991

IN THE FEDERAL COURT OF AUSTRALIA)
NEW SOUTH WALES DISTRICT REGISTRY) No. G246 of 1990
GENERAL DIVISION)

ON APPEAL FROM A JUDGE OF
THE FEDERAL COURT OF AUSTRALIA

BETWEEN:

BOMANITE PTY LIMITED
First Appellant

BOMANITE CORPORATION
Second Appellant

JONATHON NASVIK
Third Appellant

JON'S DESIGNS INC.
Fourth Appellant

DENNIS A. PAUL
Fifth Appellant

G. & M. TERRAZZO CO. INC.
Sixth Appellant

AND:

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First Respondent

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ROBBIE BURKE
Fifth Respondent

COOKVILLE PTY LTD
Sixth Respondent

CORAM: PINCUS, GUMMOW, FRENCH JJ.
PLACE: SYDNEY.
DATE: 8 NOVEMBER 1991.

REASONS FOR JUDGMENT

GUMMOW J.:

What follows are my reasons for supporting the order made 8 November 1991 that the appeal be dismissed with costs.

The operation of the case management system by the Judges of this Court is described and discussed by the Full Court in Lenijamar Pty Ltd v AGC (Advances) Limited (1990) 27 FCR 388. This appeal (brought by leave) arises from the operation of that system in a proceeding which was instituted on 11 May 1990 and has been set down for trial of seven days, to commence on 18 November 1991. The case for the applicants (the present appellants) is put in passing-off, copyright infringement and contravention of s. 52 of the Trade Practices Act 1974, but principally in copyright.

On 25 October 1991, in delivering reasons for the making of various orders, including the order the subject of the present appeal, the primary Judge (Lockhart J.) said that he had "never seen a clearer case for refusing the reception of fresh evidence and the necessary vacation of a hearing date than this one".

The facts are detailed in the judgment of French J. and I do not repeat them here.

A perusal of the reasons for judgment discloses that in reaching his decision, the primary Judge had particular regard to the following eight considerations:

(i) The lengthy history of the matter and the difficulty in readying it for trial; to that end, there had been no less than sixteen directions hearings, four of them before Wilcox J. in July 1991.

(ii) In July, Wilcox J. had allowed the matter to be fixed for trial as sought by the appellants on the express basis that the affidavit evidence, real deficiencies in which had been pointed out to counsel for the appellants, would stand in that form at the trial; this direction was made after Wilcox J. had cautioned counsel for the appellants and given an adjournment for mature consideration by counsel of the wisdom of the course he wished to follow.

(iii) The evidence sought to be adduced by the appellants on their further motion which came before Lockhart J. in October, could have been adduced in February 1991, but the appellants had not sought to do so.

(iv) The evidence sought to be adduced on that motion did seem to go to the heart of the appellants' copyright case, and to be relevant also upon a cross-claim as to the making of unjustified threats.

(v) However, the affidavits in question, as to some of them, were still in inadmissible form; a significant example being the further affidavit of Mr Bate, sworn 23 October 1991, in which an effort was made to show the chain of copyright title relied upon by the appellants.

(vi) In ordinary circumstances, an amendment and tender of evidence would be allowed upon terms as to payment of costs but, even without other considerations, factor (ii), which I have mentioned, provided, in the opinion of Lockhart J., a sufficient basis for declining to follow the course sought by the appellants on their motion.

(vii) To shut out the appellants was, Lockhart J. recognised, a step which the Court should hesitate before taking, particularly having regard to factor (iv), the significance of the material for the appellants' case on copyright.

(viii) However, to allow in the further evidence would require the vacation of the hearing date to enable the respondents to re-examine their case.

Senior counsel for the appellants (who did not appear below) emphasised that the appeal involves an interlocutory order with an immediate effect on substantive rights. In truth, many interlocutory orders have or may have that effect.

Refusals of adjournment of petitions for sequestration orders are an obvious example. Ahern v Deputy Commissioner of Taxation (Old) (1987) 76 ALR 137 and Adamopoulos v Olympic Airways SA (1990) 95 ALR 525 are two Full Court appeals successfully brought in such cases. Another example is the "guillotine" order; see Lenijamar Pty Ltd v AGC (Advances) Limited (1990) 27 FCR 388 at 400-401.

Many interlocutory orders, and like the orders in the above cases, the order in question here is one, are also the product of the exercise of discretion by the Court. How then does one decide if the discretion of the primary Judge miscarried on 25 October 1991?

Counsel for the appellants relied upon Sharp v Deputy Commissioner of Taxation (1988) 18 FCR 475. But that was a successful appeal from the refusal of interlocutory injunctive relief, where there was no objection by the respondent to the taking for the first time on appeal of a substantive and weighty legal point; see at 481. That case gives no guidance on this appeal.

In my view, in order to displace the exercise of discretion involved here, the appellants must bring themselves within the principles laid down in many authorities, and applied by the Full Court in Ahern's Case, supra at 147. The Full Court there said:

"The principles that guide a court when sitting on an appeal from a discretionary order or judgment have been referred to many times. The principles are summarised by Kitto J in Australian Coal and Shale Employees' Federation v Commonwealth (1953) 94 CLR 621 at 627:

> 'I shall not repeat the references I made in Lovell v Lovell (1950) 81 CLR 513 at 532-4 to cases of the highest authority which appear to me to establish that the true principle limiting the manner in which appellate jurisdiction is exercised in respect of decisions involving discretionary judgment is that there is a strong presumption in favour of the correctness of the decision appealed from, and that that decision should therefore be affirmed unless the court of appeal is satisfied that it is clearly wrong. A degree of satisfaction sufficient to overcome the strength of the presumption may exist where there has been an error which consists in acting upon a wrong principle, or giving weight to extraneous or irrelevant matters, or failing to give weight or sufficient weight to relevant considerations, or making a mistake as to the facts. Again, the nature of the error may not be discoverable, but even so it is sufficient that the result is so unreasonable or plainly unjust that the appellate court may infer that there has been a failure properly to exercise the discretion which the law reposes in the court of first instance: House v R (1936) 55 CLR 499 at 504-5.'"

It is not a matter of saying that the discretion miscarried because the result strikes one as perhaps harsh or because one might have exercised the discretion differently. It is not enough that the Judges composing the appellate court consider that, if they had been in the position of the primary Judge, they would have taken a different course: Brambles Holdings Ltd v Trade Practices Commission (1979) 40 FLR 364 at 365. (I do not by that mean to suggest I am of that view, on the facts of the present case.)

As Lockhart J. emphasised, the case presented him with a difficult decision. In the reasons for the conclusions reached by the primary Judge, there is no error of fact, or of law, no misconception as to the nature of the discretion, and no consideration of irrelevant matters. There was perhaps one relevant consideration which did not receive explicit consideration by the primary Judge. That is the wider interest of the public, beyond the immediate interests of the litigants, in maintaining the integrity and vigour of the procedures of this Court, including, as they do, the immediate involvement of a Judge at all stages in the progress of cases to trial. But as the authorities indicate, on facts such as those before Lockhart J., this consideration would only further have supported the conclusion he reached.

The authorities I refer to are led by Ketteman v Hansel Properties Ltd [1987] AC 189. I refer particularly to what was said by Lord Griffiths at 220 as to the necessity, in the interests of the whole community, that legal business be conducted efficiently. It is true that his Lordship was making these remarks in the context of a case involving a late application for a pleading amendment. Nevertheless, the wider import of what was said has been recognised by the appellate courts of this country; see Federal Commissioner of Taxation v Brambles Holdings Ltd (1991) 99 ALR 523 at 527-529; GSA Industries Pty Limited v NT Gas Limited (New South Wales Court of Appeal, 6/12/90, unreported).

For these reasons, I joined in the order dismissing the appeal with costs.

I certify that this and the preceding seven (7) pages are a true copy of the Reasons for Judgment of the Honourable Mr Justice Gummow.

Associate: 

Date: 8 November 1991.

IN THE FEDERAL COURT)
OF AUSTRALIA)
NEW SOUTH WALES)
DISTRICT REGISTRY)
GENERAL DIVISION)

No. G 246 of 1990

ON APPEAL FROM A SINGLE JUDGE OF THE FEDERAL COURT OF AUSTRALIA

B E T W E E N:

BOMANITE PTY LIMITED

First Appellant

BOMANITE CORPORATION

Second Appellant

JONATHON NASVIK

Third Appellant

JON'S DESIGNS INC.

Fourth Appellant

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and

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and

COOKVILLE PTY LTD

Sixth Respondent

CORAM: PINCUS, GUMMOW AND FRENCH JJ.
8 NOVEMBER 1991

REASONS FOR JUDGMENT

French J.

Introduction

This is an appeal by leave from an interlocutory judgment of Lockhart J. refusing leave to allow the appellants who are the applicants in the proceedings to file affidavits out of time for use as evidence in a trial set down for hearing on 18 November 1991. Leave to appeal against his Honour's decision was granted by this Court on 7 November and argument on the appeal proceeded on that day. Judgment was given on 8 November, dismissing the appeal by majority. The publication of reasons for the decision was stood over. I now publish my reasons for joining in that judgment.

History of Proceedings

These proceedings which involve allegations of contraventions of ss. 52 and 53 of the Trade Practices Act 1974, passing off and infringement of copyright, were commenced on 11 May 1990 and are set down for trial on 18 November 1991. They arise out of the alleged use by various

of the respondents of a process for producing coloured and imprinted concrete with a slate-like appearance. It is not necessary for present purposes to descend further into the detail of the various claims made. A cross-claim by the first respondent seeks declaratory and injunctive relief for unjustifiable threats of action based upon the alleged copyright infringement.

The action has proceeded through 17 directions hearing up to the present time. It commenced on pleadings. Although orders were made on 23 August 1990 that the then applicant, Bomanite Pty Ltd, file affidavits on which it intended to rely by 8 October 1990, no order was made that the trial of the action would be on affidavit only. An amended statement of claim filed on 8 October 1990, brought in the second to fifth appellants as applicants and was, in its terms, considerably longer and more complex than its predecessor. Authorship and subsistence of copyright which had not previously been pleaded were now set out in some detail as were the various moulds and patterns relied upon. Whereas the original statement of claim occupied five and a half pages and 19 paragraphs, the amended version ran for 44 pages and 67 paragraphs.

The time for the appellants to file their affidavits was extended, after the amendments, to 26 November and the case continued on the basis that the parties would rely upon affidavit evidence. On 28 November, the appellants filed 11

affidavits and a further 2 on 6 February. They had, by this time, suffered three adverse costs orders in directions hearings. The time for the respondents to file their affidavits was extended on 21 March to 11 April and again on 2 May to 16 May. The respondents were directed to pay the appellants' costs on each of these occasions. Their affidavits, some 5 in all, were filed on 17 May and a further affidavit on 28 May.

On 5 July the matter came on for further directions having been adjourned from 27 June. Wilcox J. was then informed by counsel for the appellants that "subject to one matter" the action was ready for hearing. The appellants proposed however, that there should be a view of work done by them and the respondents. They also indicated that certain moulds would be tendered. Counsel for the respondents contended that any such item should be exhibited to an affidavit. His Honour did not determine the questions then, but said he would first look at the file. The matter came on again on 11 July. His Honour asked counsel for the appellants whether he was happy that his clients' affidavit covered what they needed to cover. The answer was "yes", subject to the question of a view. His Honour then told counsel that there was a problem and that the affidavits contained "a huge amount of hearsay material" which would be rejected if objected to. He pointed out that if objection were taken the appellants would end up getting on the record only a fraction of the material in the affidavits. His Honour went on to say:

> "...I don't want you or your side, three days before the case is fixed for hearing, to re-read these affidavits and say, my goodness, this is a mess, and I just have a worry you might say that. What course do you want me to take?"

Counsel then asked for a further week to consider the appellants' position. Counsel for the respondents made the point that he had conducted his case thus far on the basis of the appellants' affidavits. His Honour concluded by pointing out to counsel for the appellants, that if he came back the following week and said he was content to take a trial date that would be fine, but whatever decision was made should be "a deliberate decision". The matter came on again on 19 July and subject to the filing of one further affidavit, the affidavit evidence for the appellants was said by their counsel to be complete.

Correspondence ensued between the parties in which the solicitors for the appellants, in effect, asserted their right to call oral evidence in addition to the affidavit evidence already filed. The respondents then relisted the matter before Wilcox J. on 31 July seeking an order that all evidence in the proceedings be by way of affidavits filed in accordance with the directions of the Court.

At the hearing on 31 July, counsel for the appellants told his Honour that they would rely upon affidavits already filed, but that three of the appellants would be coming from the United States to give evidence.

Wilcox J. expressed surprise that the appellants should be contemplating oral evidence given that the application up to that time had been proceeding "on the basis of affidavits for over a year". Counsel for the appellants indicated that they did not propose to call oral evidence. His Honour then made a specific direction confining evidence at the trial to affidavit evidence. Counsel for the appellants confirmed that all necessary affidavits had been filed and the case was stood over to the long matter callover on 6 August.

On 6 August the action was set down for hearing for seven days commencing 18 November.

The Decision Under Appeal

On 25 October, the appellants moved before Lockhart J. for orders joining a sixth respondent and consequential directions, including leave to file a second amended statement of claim and application. Leave was granted with leave to file affidavits in relation to the additional respondent. A motion brought on the same day, sought general leave to file further affidavits and was dismissed and it is that order which is the subject of this appeal pursuant to leave granted by the Court yesterday.

His Honour referred to the transcripts of the directions hearing before Wilcox J. and noted that Wilcox J. had allowed the matter to be listed for trial on the basis

that the evidence was to be confined to affidavit evidence subject to cross-examination as required and on the basis that the affidavit evidence in the form in which it then stood was the form it would take at trial. He noted that it had been made plain to the appellants that there were real deficiencies in their affidavits, that they had accepted this and sought to proceed to trial. His Honour then went on:

> "In ordinary circumstances I would be the first to allow a party to amend its case and file further evidence if the prejudice to the other party was costs to be lost by an adjournment it could be cured by appropriate orders for costs, and if necessary, a stay imposed until the costs are paid. The history of the matter including the way in which the matter was conducted before Wilcox J. when he gave directions in June and July this year, culminating on 31 July, 1991 provides in itself sufficient basis in my opinion for declining to allow the fresh evidence to be given. But the matter proceeds beyond that."

The evidence, his Honour noted, could have been filed in February 1991. The evidence proposed to be adduced was only partly admissible. His Honour recognised "the regrettable feature" of the matter that certain of the evidence which the appellants then sought to file in affidavit form seemed to go to the heart of the copyright case and was relevant to the cross-claim. Evidence as to relevant documents to support a chain of title was plainly inadmissible on a final hearing. To allow it to be given would be "to allow a nothing". The same could not be said of proposed affidavits from the third and fifth appellants. His Honour said:

> "I hesitate to shut it out and to shut out the applicants from the chance to adduce it but, in my opinion, the history of the matter is such that, though unjust to the applicants not to allow it in one sense, it would be a greater injustice to the respondents to allow it to be given because, as counsel for the respondents tells me, in the absence of that evidence, his case had been shaped along a certain path and that of necessity would have to be re-examined if that evidence was given and it would follow, he says, that the hearing date would have to be vacated and I am quite convinced that is right."

His Honour noted the preparedness of the appellants to bring out the three overseas witnesses involved. He declined to exercise the Court's discretion to allow any of the fresh evidence sought to be filed. He adhered to the view expressed by Wilcox J. that the evidence to be adduced in the case must be by affidavit subject to cross-examination as required and to whatever might be produced on subpoena by way of documentation. His Honour added that he had never seen a clearer case for refusing the reception of fresh evidence and the necessary vacation of a hearing date.

Did His Honour's Discretion Miscarry?

His Honour's decision being interlocutory, was the subject of an application for leave to appeal to this Court. I had no hesitation in coming to the view that leave should be granted. Counsel now representing the appellants and counsel for the respondents seem to be ad idem on the proposition that the appellants' copyright case has little prospect of success

on the affidavit material presently on file. Although his Honour did not say so expressly, there is no doubt that he appreciated the seriousness of their position, being aware as he was of the observations already made by Wilcox J. and noting, as he did, that the additional affidavits went to the heart of the copyright case. His Honour's refusal to allow the additional material to be filed was, in effect, dispositive of a substantial cause of action in the proceedings. It was appropriate in those circumstances to grant leave to appeal so that the exercise of his discretion might be more closely considered.

The leave requirement for appeals from interlocutory decisions reflects a policy of restraint on the part of the Court in the discharge of its appellate functions with respect to the decisions of its Judges taken in the exercise of original jurisdiction regulating the preparation and progress of matters for trial. Absent such a policy there is a risk that the pre-trial process in hotly contested cases would become fragmented and more expensive and lengthier than it has to be. Moreover, the authority of judges charged with giving directions affecting the management of cases to the point of trial, would be diminished. And even when leave is granted, the Court on appeal will not in such a case interfere with the exercise of judicial discretion unless it is satisfied that there has been some error of law or logic or some unfairness which is either apparent on the face of the reasons or implicit in an unreasonable result - Squire v. Rogers (1979)

27 ALR 330 at 337-338; Lenijamar Pty Ltd v. AGC (Advances) Ltd (1990) 98 ALR 200 at 206.

The various errors relied upon by the appellants relate to the weight given by his Honour to the injustice which would be suffered by the respondents if the further affidavits were allowed, against that suffered by the appellants if they were refused. His Honour was said to have failed to "properly consider" various things, being:

1. The fact that any injustice to the respondents would be cured by an order as to costs.

2. The conduct of the respondents in the proceedings.

3. The inferences to be drawn from the respondents' submission that their case had been shaped along a certain path.

4. The inconsistency between the decision under appeal and the order allowing joinder of a sixth respondent and the filing of further affidavits in relation to that respondent.

There was also some complaint that his Honour had accepted submissions about prejudice to the respondents in the absence of evidence. The submissions in question had been made without objection.

The substantive goal of this Court is to do justice between parties according to law. That objective is not to be compromised by undue rigidity in the application of the procedural requirements which are its handmaidens. Bowen LJ said in Cropper v. Smith (1884) 26 Ch.D. 700 at 710:

> "...it is a well established principle that the object of Courts is to decide the rights of the parties, and not to punish them for mistakes they make in the conduct of their cases by deciding otherwise than in accordance with their rights."

And further:

> "...I know of no kind of error or mistake which, if not fraudulent or intended to overreach, the Court ought not to correct, if it can be done without injustice to the other party."

While the perceptions and social circumstances in which these observations were made have changed this Court recognises, as did Bowen LJ in 1884, that the procedural requirements attending the preparation and conduct of litigation must be sufficiently flexible to make reasonable allowance for human error. Were it not so, the system would be unworkable - GSA Industries Pty Ltd v. NT Gas Ltd (unrep. Court of Appeal NSW 6/12/90) per Samuels JA at p.8. The general limits of appropriate flexibility on the one hand and necessary rigidity on the other are not fixed and will depend upon circumstances which include the ability of courts to remedy procedural injustice by corrective orders and the availability of judicial resources to accommodate error.

The liberality of the approach expounded by Bowen LJ in Cropper v. Smith reflected his perception that "... there is one panacea which heals every sore in litigation and that is costs". That may well have been so at one time, but it is

no longer true today. As Samuels JA commented in the GSA Industries' case "... the emollient effect of an order for costs as a panacea may now be consigned to the Aladdin's cave which Lord Reid rejected as one of the fairy tales in which we no longer believe". Non- compensable inconvenience and stress on individuals are significant elements of modern litigation. Costs recoverable even on an indemnity basis will not compensate for time lost and duplication incurred where litigation is delayed or corrective orders necessary. The public interest also has become an increasingly significant element in the application of judicial resources. Inefficiencies in their use arising from lost and wasted time can never be compensated by costs. The latter consideration was adverted to by the Supreme Court of South Australia in Dawson v. Deputy Commissioner of Taxation (1984) 56 ALR 367 at 370, when King CJ observed that judges have a responsibility to ensure, so far as possible and subject to overriding considerations of justice, that the limited resources which the State commits to the administration of justice are not wasted by failure of parties to adhere to trial dates of which they have had proper notice. In Ketteman v. Hansel Properties Ltd (1987) 1 AC 189 at 220, dealing with the question whether an amendment to pleadings should have been permitted at the close of a trial, Lord Griffiths noted that among other factors to be weighed in the balance were the strain imposed on litigants, the anxieties occasioned by facing new issues, the raising of false hopes and the legitimate expectation that a trial would determine the issues one way or the other. His

Lordship went on, signalling a departure from the full extent of the liberality expressed by Bowen LJ, when he said:

> "Another factor that a Judge must weigh in the balance is the pressure on the courts caused by the great increase in litigation and the consequent necessity that, in the interests of the whole community, legal business should be conducted efficiently. We can no longer afford to show the same indulgence towards the negligent conduct of litigation as was perhaps possible in a more leisured age. There will be cases in which justice will be better served by allowing the consequences of the negligence of the lawyers to fall upon their own heads rather than by allowing an amendment at a very late stage of the proceedings."

In Federal Commissioner of Taxation v. Brambles Holdings Ltd (1991) 99 ALR 523 at 528 Sheppard J. adopted what Lord Griffiths had said and added at 528:

> "The public cost of maintaining the system of courts which this country has is considerable. Those who are privileged to practise before the courts should understand that the days when careless work will usually be overlooked are over. The profession charges high fees for the work which it does. It has a responsibility to see that the work is done well. The day has come when failure to discharge professional obligations efficiently will not be to the account of the community or of the parties but to the account of the profession itself."

The legitimacy of taking into account "matters of general import" such as the state of the list and the pressure exerted upon the courts by the increasing flow of litigation was also

accepted by Samuels JA in GSA Industries Ltd (supra).

A perusal of his Honour's reasons for judgment indicates that he had regard to the possibility of an order for costs as a cure for any prejudice suffered by the respondents. The prior conduct of the parties was not relevant to the issues upon which his Honour was focussing which flowed from the directions hearings before Wilcox J. and the orders made at them. Earlier in the history of the matter, both sides had been in default on programming orders from time to time. The appellants suffered some four adverse costs orders and the respondent two, but nothing really turns on that. The inference drawn from the way in which the respondents had shaped their case was clearly enough that a change in direction with additional evidence at this late stage would cause them to suffer delay and expense. Nothing turns on the decision in relation to the sixth respondent and the inference of prejudice to be suffered by the respondents was open even in the absence of submissions from the bar table.

His Honour was conscious of the usual practice which would allow a party to amend its case or file further evidence, of the possibility of prejudice to the other party and that costs lost by an adjournment could be cured by appropriate orders. There is no basis therefore for concluding that he failed to have regard to the options open to him or that the response to the appellants' motion could be

described as punitive. The respondents who had had this litigation visited upon them for a period of some 18 months when his Honour made his decision, had arrived at the threshold of a trial which was to proceed upon a basis spelt out in clear and unequivocal terms by counsel for the appellants and in spite of the clearest indications from Wilcox J. that that way lay disaster. While other Judges might have taken a different position from that adopted by his Honour, it cannot be said that the decision he took was outside the fair exercise of his discretion. The respondents are entitled not to have their plans and arrangements made in relation to this litigation put in disarray by the last minute discovery on the part of the appellants that they needed to introduce significant additional evidence requiring investigation and response by the respondents.

In my opinion it has not been shown that his Honour's discretion miscarried and the appeal must be dismissed.

I certify that the preceding fifteen (15) pages are a true copy of the Reasons for Judgment of his Honour Justice French.

Associate: Moira Murray

Date: 6 November 1991

Counsel and solicitors for the Appellants:	Mr G.G. Masterman Q.C., Mr M.B. Evans and Mrs J. Stuckey-Clarke instructed by Dynon & Dynon.
Counsel and solicitors for the Respondents:	Mr M.R. Ellicott instructed by Abbott Tout Russell Kennedy.
Date of hearing:	7 November 1991.
Date of making of orders:	8 November 1991.
Date of publication of reasons:	15 November 1991.