[2014] NZCOP 1

COP 004/13

UNDER	Part VIII of the Copyright Act 1994
IN THE MATTER	of a Licensing Scheme for the copying of certain copyright works by Universities
BETWEEN	**COPYRIGHT LICENSING LTD**
	Applicant
AND	**THE UNIVERSITIES OF NEW ZEALAND**
	Respondents

TRIBUNAL: Mr. P C Dengate Thrush

HEARING: By teleconference on Tuesday, 4th March 2014

APPEARANCES: Mr AH Brown, QC for Applicant
Mr RJ Katz, QC for Respondents

Reserved decision of the Tribunal on interlocutory applications for costs
And for
Directions as to discovery and timetable matters

21st March 2014

Background

[1] In a reserved decision delivered 24 December 2013, Mr Warwick Smith, then Deputy Chairperson of the Tribunal ruled on two interlocutory applications brought by the Respondents. The first sought a declaration that what was referred to the Tribunal by the Applicant ("CLL") as a "Licensing Scheme" was in fact not a "Licensing Scheme". The Respondents ("the Universities") argued that it was in fact a "License". The distinction has consequences, and different provisions of the Copyright Act 1994 (the"Act") apply to each. This was opposed by the Applicant. The second interlocutory application sought declarations that whether it was a Licensing Scheme or a License, it should not be "entertained"- the language of the Act- by the Tribunal as being premature. This, too, was opposed by the Applicant.

[2] The Tribunal found that the reference was of a Licensing Scheme, and declined to order that it was premature of the Tribunal to entertain it. In the event of being unable to reach agreement on costs, CLL was to file a memo seeking costs by 24 January 2014, with the Universities having until 7 February 2014 to respond. A joint memorandum dealing with directions was invited, to be filed by 31 January 2014. In the event agreement on directions could not be reached, a directions conference would be called.

[3] On 12 January 2014, the Universities filed an Appeal to the High Court against the Tribunal's decisions of 24 December 2013. On 23 January 2014, Mr Warwick Smith was appointed an Associate Judge of the High Court. Agreement could not be reached by the parties on costs; on 24 January 2014, CLL filed a memorandum seeking costs of $20,302.50, with disbursements of $250.00. Agreement was unable to be reached on directions: on 31 January 2014 CLL filed a memorandum setting out its preferred directions for the case before the Tribunal.

[4] On 3 February 2014 the Universities responded to CLL's memorandum as to directions. On 4 February 2014 the Universities responded to CLL's memorandum as to costs, submitting that the proper allowance should be for costs of $6,467.50. On 13 February 2014 CLL filed a memorandum in reply concerning costs.

[5] His Honour Associate Judge Smith, while still a member of the Copyright Tribunal convened a teleconference of counsel on 14 February 2014, and explained that although he was unable to rule on any of the defended interlocutory matters (i.e. the costs issue); he was able to give directions for the future conduct of the case. Before doing that, he sought details of the progress of the appeal, and arranged with Counsel to reconvene the conference as soon after 27 February as could be arranged.

[6] The matter then came before me, and after enquiring (through the Registar) as to the availability of counsel, I reconvened the teleconference of 14 February on 4 March 2014. On 3 March CLL filed a further memorandum, summarising somewhat the procedural status of the matter, reporting on the Appeal, and proposing a new timetable. CLL also indicated that it would, the following day (4 March 2014) be filing an amended Reference and Statement of Case. The Universities responded with a memorandum on 3 March 2014 addressing matters raised by CLL. On 3 March 2014 the Universities filed a further memorandum on the question of costs – effectively a sur-reply to the CLL response of 13 February 2013.

[7] On 3 March 2014 CLL filed and served an Amended Reference, together with a Statement of Case in support of that amended Reference.

Costs

Applicable Schedule

[8] The Tribunal has the power to order costs under s222 of the Act. Previous practice by the Tribunal has been to the effect that it is appropriate to adopt the same approach to costs as developed by the High Court. Mr Katz QC for the Universities suggested that the costs categorisation rules of the District Court might be appropriate, but did not press the point, and in the event, submitted a calculation using the High Court costs Schedules. Whether the monetary value at stake in these

proceedings is the total value in licensing fees over the proposed 4-year term ($10,400,000 at the expired rate, according to Mr Brown QC) or the difference resulting from the proposed changes to the scheme ($3,233,304 at its maximum, according to Mr Katz) the sum is substantial and within the High Court jurisdiction. I shall adopt the High Court schedules.

Applicable Category

[9] The category of costs applying has not previously been set in this case. It is appropriate at this stage to do so. Both parties have made written submissions on the point.CLL submits that this is complex litigation, and should be put into Category 3. In support of that it submits a number of factors, including the value-at-stake point made above, the significance to the Universities of New Zealand, and to the students studying therein, the specialised nature of the jurisdiction, and the real potential cases such as this have to develop into large-scale, complex cases.

[10] The Universities argued that the sum in issue is no longer such a determining factor in costs calculations as it once was, and that while the issues might well be complex in the substantive, the issues before the Deputy Chairperson were interlocutory and not complex. Category 2 would be appropriate for those issues, they said, with the option of revisiting the matter further down the track.

[11] In my view Mr Brown is correct when he says that the authorities are clear that categorisation is for the whole of the case, and that re-categorisation must be done for clear reasons, and that an earlier erroneous estimate of the complexity being too low may not of itself qualify a case for re-categorisation[1]. The fact that different steps in the procedings may be at differing levels of complexity can be dealt with by selection from the appropriate banding. The bands may differ at each step.In my view; the interlocutory matters before the Deputy Chairperson were, in any event, complex, requiring an analysis of some of the underlying refinements of the law in cases of this nature. The reserved decision ran to 37 pages (191 paragraphs) and would on its own justify allocation in Category 3. In its Notice of Opposition to CLL's application for preservation of documents orders, the Universities submitted that the discovery practices of the High Court in "complex litigation" should be followed.[2] Any doubt I may have about that is despatched by the real prospect of this case developing, like previous cases in this jurisdiction, into complex litigation. The case does have important consequences for university education in New Zealand for the next few years. The eminence of counsel, who are both leaders at the intellectual property bar in New Zealand, is a reflection of the importance of this matter to the Universities and to the applicant. They possess the "special skill and experience" required for category 3[3]. Category 3 is ordered.

Second Counsel

[12] Mr Brown was assisted at the hearing by Mr. J.Wach. He seeks certification for second counsel, and at a category 2B rate. Mr Katz opposes on the grounds that second counsel are not usually allowed for in interlocutory cases. No detail has been submitted by Mr Brown in support of the claim, and I am in the position of not having

[1] See McGechan at HR 14.3.01, and Sim's Court Practice at HCR 14.3.3
[2] At paragraph 3.4, dated 2 July 2013
[3] HCR 14.3 – the description of Category 3 proceeding

observed the conduct of the hearing before the Deputy Chairperson, nor any of the pre-conferences activity. While it is always desirable for the presiding judge/hearing officer to deal with costs, in this case, through no fault of anyone concerned, we are deprived of that opportunity. I must do the best I can.

[13] I am much influenced by the reasoning of Chambers J. (as he then was) in Nomoi Holdings v Elders Pastoral Holdings[4]. That was a case in which the Court declined to certify for second counsel in a trial of a Category 2 matter. The Court found that the extensive pre-trial preparation that modern practice dictated, with witnesses reading from briefs, exhibits produced in agreed bundles, and submissions exchanged in advance, all meant that there was much less supporting work for a junior to provide to his erstwhile harried but now more relaxed leader. For the same reasons, in the relative calm of an interlocutory hearing, with written submissions, and no witnesses, even in a category 3 case there is much less need for the attendance of second counsel. In saying that I also adopt, with respect, the point made by the court in Nomoi: I am not in any way decrying the contribution that junior counsel made. The determination of costs is objective, and without reference to the actual counsel involved[5]. There will no allowance for second counsel on this interlocutory hearing.

Costs calculation

[14] We come to a calculation of the actual costs.Reference is made below to the items as claimed by CLL.

> **Item 11**. Mr Brown claims the category B time allocation of 0.4 days. Mr Katz says this was done by consent, and was not a necessary step in the proceeding. He proposes, and I acccept, that a Band A allocation of 0.2 days is appropriate.
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> **Item 23**. Mr Brown seeks to recover in relation to two interlocutory issues: the request for a declaration as to the true nature of the Reference (it being argued that a license was in issue, not a licensing scheme) and for a declaration that it was premature for the Tribunal to entertain such a Reference. He seeks 2 x 0.6 days. Mr Katz answers that only a single interlocutory application was involved. I agree. Only a single notice of opposition was filed to the interlocutory orders, and they were dealt with at a single hearing. It is common for interlocutory applications to specify multiple issues. To treat them as independent items is unrealistic and awarding costs separately might lead to an undesirable prolixity in pleadings. While it may be theoretically possible for interlocutory orders to be so different from each other as to require separation, in this case the issues were related – the nature of the Licensing Scheme, and the conditions under which it was offered. A single sum of 0.6 days is allowed.
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> **Item 24**. Mr Brown seeks two sums for preparing two set of submissions.For the same reasons given above- there was one interlocutory hearing dealing with related matters - only one sum for preparation is allowed. I have some sympathy for Mr Brown's argument, and I recognise that had these matters been heard in separate interlocutory hearings along the path to a substantive

[4] 15 PRNZ 155
[5] 15 PRNZ at p160, para. 21

hearing, separate awards would routinely be made. That, however is not the case, and these matters were dealt with at the same time. I note that the respondents prepared and submitted the Bundle. A single sum of 1.5 days is allowed.

Item 26. Mr Brown claims 1.5 days for attendance at the hearing; Mr Katz submits 0.75 is appropriate. The answer turns on the number of ¼ days that were occupied by the Hearing. Mr Katz says the hearing on these two issues took three quarter days (from 10 am till 3 pm) Mr Brown says it went on till 4 pm. It appears that there was a substantial portion of the final quarter day available to begin argument on the CLL application, which occupied the remainder of the hearing time, but which is not the subject, yet, of a costs application. Three quarters of a day is awarded.

Item 11. The parties agree that 0.4 of a day is allowable for the filing of a post hearing memorandum, which the Deputy Chairperson requested.

Calculation. Summing the total allocations above gives 3.45 days. At $2940 per day, this amounts to $10,143.00, which, plus disbursements of $250.00, gives a total costs amount of $10,393.00 which I order to be paid by the Respondents to the Applicant.

Timetable Orders

[15] CLL seeks a timetable for the further conduct of this proceeding. It has proposed a draft timetable. Mr Brown submits that the case has been delayed already by the Universities' interlocutory applications. I am not sure that that is properly described as "delay" which to my mind is a term which in this context has some pejorative elements. I accept, however, that time has certainly passed since the filing of the Reference in February 2013, and note also Mr Brown's submission that the Tribunal does not have the power to award interest, reducing the value of any increase in the licence fee which the Tribunal may order and back date.

[16] CLL proposes seeking "tailored" (or "limited") discovery, and much of the draft timetable concerns steps to be taken in discovery.

[17] The Universities presently oppose the draft timetable proposed by CLL, on the grounds that they should not be deprived of the "fruits of victory"[6] which may result from their possible success in the appeal against the December decision. Their key concern, as I apprehend it, is the potential scope of discovery.

[18] Mr Katz submitted that if the Universities succeeded on the ground that the Reference was of a Licence, not a Licensing Scheme, that would materially affect the powers of the Tribunal in dealing with the Reference, and this would, in turn, affect the scope of discovery. Mr Brown submits that the differences in the power of the Tribunal in each case are more apparent than real, but also says that the scope of discovery is unchanged in either case. In the further particulars that CLL has filed, and in the Amended Reference, CLL puts in issue the amount of copying that has occurred under the previous licensing scheme, alleges that it has increased, counter to representations made during the course of the negotiations that resulted in the

[6] Gault J in *Duncan v Osborne Buildings Ltd*; (1992) 6 PRNZ 85,87

present fees, and says that that fact, if established, is relevant to the increase in licence fee that it proposes. It says that that information is in the hands of the Universities, and that it needs it to access it to argue its case.

[19] Part of the background to this concern is the Universities fear that discovery is going to be very onerous. Some of the detail of this can be gathered from an affidavit sworn and filed by Melanie Fay Johnson in opposition to an earlier application filed by CLL for orders concerning the preservation by the respondents of documents. Ms Johnson is a solicitor, and is the Auckland University representative on the Universities' *Copyright Expert Working Group*, which acts as the negotiator for the Universities in copyright licensing matters. Her evidence is that for Auckland University alone there are 48,890 files in the learning management system, and a further 15,539 Office files, that may have to be searched. Mr Katz referred also to discovery in an earlier case before the Tribunal as "an enormous undertaking".

[20] On the first point I agree with Mr Brown, and think that the scope of discovery is substantially the same whether the Tribunal is dealing ultimately with a Licence available to all the Universities individually, or a Licensing Scheme which has the group of New Zealand Universities as its only class of licensees. It is not clear how, if the appeal succeeds, and Mr Katz is correct that the power of the Tribunal is different for a referred Licence than a Licensing Scheme (which for present purposes I assume, but do not decide) this leads to a change in the scope of discovery.

[21] Although giving great weight to Mr Katz's informed view about the potential scope of discovery, I note that in fact, CLL's application for preservation of documents was settled in September 2013 on the basis that the documents sought would be preserved. Second, I was informed by Mr Brown at the hearing that CLL had made Offical Information Act ("OIA") requests against information held by all 8 Universities. At the time of the hearing, 4 had complied with those requests, and the others were expected to do so. I take from that that the scope of discovery has been somewhat restricted, but perhaps more importantly CLL is now in a better position to craft requests for tailored discovery as a result. CLL submits that it is seeking tailored discovery using the results of the OIA applications, having previously proposed "advanced discovery" to serve the same end. That will much reduce the scope of discovery, which renders the impact of a successful appeal moot on this point.

[22] The second major ground of opposition by the Universities to the discovery steps proposed in the draft timetable was that on the day before the hearing (i.e. on 3 March 2014) CLL filed an Amended Reference and Statement of Case. Quite understandably, by the time of the Hearing, neither the Tribunal nor the Universities and their advisors had had a chance to digest the changes made in this amended pleading. Mr Katz argued that until the pleading was settled the scope of discovery remained unclear, and any timetable could not reasonably include discovery steps. I think that approach to discovery has been superseded by the tailored discovery approach. While it was undoubtedly true under a "*Peruvian Guano*"[7] approach that until all matters in issue were clarified, a party could not meet its discovery obligations, CLL is proposing seeking only limited documents, that are substantially

[7] Under which parties had to discover all documents that are or may be relevant to matters at issue in the proceeding: *Compagnie Financière et Commerciale du Pacifique v Peruvian Guano Co* (1882) 11 QBD 55.

unaffected by further changes to the pleadings. Further, the draft includes a set of steps to deal with any disputes that might arise in completing tailored discovery.

[23] In summary therefore, I find that the discovery steps sought in the draft timetable are of a limited, informed scope unlikely to be affected by the outcome of the appeal, and with safeguards should they be required.

[24] The remaining possible outcome of the appeal would be success for the Universities on the question of *prematurity*. The Tribunal may decline to entertain licences and licensing schemes if they are premature. The Universities argued that there had been insufficient discussion of the CLL proposal, that the status of negotiations had been misrepresented, and that if they succeeded on this ground, further negotiations (which might result in a narrowing of issues) would result. Until that outcome was known it would be wasteful to embark on discovery, when the scope of that discovery was not final.

[25] I think the conclusion in relation to the first ground of appeal is applicable on this issue as well. Tailored discovery will be aimed at a range of issues relevant to issues agreed to be in dispute.If there are to be further negotiations, discovery of the material sought may well inform them.

Time Table Orders

[26] The following time table is taken from the CLL draft of 3 March 2014 with modifications to take into account time elapsing since that date:

(1) A Reply to the Amended Reference/Statement of case to be filed and served by the Respondents by 14 April 2014.

(2) The parties are to exchange lists of categories of documents which they seek in tailored discovery by 2 April 2014.

(3) The parties are to reach agreement on categories of discoverable documents by 18 April 2014.

(4) The parties are to exchange verified affidavits of discoverable documents within agreed discovery categories by 14 May 2014.

(5) Inspection of discovered documents is to be completed by 28 May 2014.

(6) Any party seeking discovery of categories of documents on which agreement cannot be reached is to file an application on notice seeking orders as to discovery and a hearing by 23 April 2014.

(7) Counterparties are to file notices of opposition by 30 April 2014.

(8) Submissions in support are to be filed and served no later than 15 working days prior to any hearing date, submissions in response to be filed no later than 10 working days prior to the hearing date, and any submissions strictly in reply to be filed and served no later than 5 days prior to the hearing date.

[27] Memoranda (if any) as to costs arising from the case management conferences of 14 February and 4 March are to be filed and served by 28 March 2014, with any responses to be filed and served by 4 April 2014.

Decision of the Copyright Tribunal delivered by PC Dengate Thrush

DATED at WELLINGTON this 21st day of March 2014

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PC Dengate Thrush