

***Liberty Financial Pty Ltd v Scott* [2003] FCA 226; BC 200301072 (Weinberg J, 21 March 2003)**

Copyright - 'Split trials' – just and expeditious – general rule to determine all matters at one time – onus on applicant to separate the issues of liability and quantum – whether intellectual property cases were in a special class of cases – costs

Background

Liberty commenced action against its former employee (Scott) in relation to alleged breaches of confidence and contraventions of the *Trade Practices Act 1974*, arising from Scott's employment with a competitor of Liberty (Bluestone). It was alleged that Scott had signed 3 agreements, each of which contained provisions concerning the protection of confidential information.

The proceeding

Liberty had sought and obtained in the Federal Court, interlocutory injunctive relief and an 'Anton Piller' order which Scott unsuccessfully tried to set aside. Liberty made application pursuant to O29 r2 of the Federal Court Rules, that the issues of liability and quantum be tried separately.

The rule relevantly provides:

"The Court may make orders for –

- (a) *the decision of any question separately from any other question, whether before, at or after any trial or further trial in the proceedings*

..."

Liberty

Liberty made submissions in favour of the order, which I summarise in the following terms:

- Liberty noted it was more usually ordered where the order was sought by consent (*Rhone-Poulenc Agrochimie SA v UIM Chemical Services Pty Ltd* (1985) 10 FCR 567);
- Matters should in the normal course be dealt with at one time (*Tallglen Pty Ltd v Pay TV Holdings Pty Ltd* (1996) 22 ACSR 130 at 141 – 142);
- Some benefit had to be displayed to depart from this course;
- The benefit lay in:
 - A saving of costs and time by narrowing the issues;

- A potential contribution to settlement of the litigation (*Reading Australia Pty Ltd v Australian Mutual Provident Society* [1999] FCA 718 at [8]–[9] per Branson J);
- It was commonly recognised that intellectual property cases were in a category of cases, which were justly and conveniently dealt with by an order separating the issues under O 29 r 2 of the Rules *Reading* at [9];
- Several examples of such orders in patent cases were given;

Scott and Bluestone

These parties acknowledged that such orders were not uncommon but that the issues of liability and damage were intertwined in this case. They submitted:

- It was acknowledged that in patent cases it was not unusual to order the separate hearing of issues, but that this was due to the clear demarcation of the issues of liability and damage;
- Intellectual property cases were not in a category which required the application of a special rule in these circumstances;
- An account of profits in patent cases was *sui generis*;
- There was in this case an overlap of the issues of liability and damages similar to *Trade Practices Act* cases, thereby creating overlap of evidence going to issues of liability and issues going to damages;
- The court should commence with the proposition that it is appropriate for all issues in a proceeding to be disposed of at one time;
- The High Court has said that this separation should not be made too readily: *Tepko Pty Ltd v Water Board* (2000) 206 CLR 1 at 55 per Kirby and Callinan JJ – single issue trials should only be undertaken when “*their utility, economy and fairness to the parties was beyond question.*”;
- The onus was on the applicant to show its utility;
- In this case there was no saving as witnesses would have to be called twice, which put greater burden on the court both in terms of time and costs. The court also was at some disadvantage in relation to findings of credit when dealing with the liability issue;

Decision

His Honour rejected the application. Having regard to the general public interest to dispose of matters at one time and the comments of their Honours Kirby and Callinan JJ in *Tepko*, his Honour was not convinced that that the separation of issues produced a just quick and cheaper path. Further, his Honour found that there was no special rule applicable to patent cases which inherently lent them towards a split trial.

Costs

Subsequently, his Honour determined the issue of costs. Liberty submitted that the matter was a complex one and that given the task of discovery in relation to the damages issue, costs should be reserved or in the cause.

Reference was made to *Energy Australia v Australian Energy Limited* [2001] FCA 1049, a case in which an application for separation was refused. In that case Stone J nevertheless ordered that costs be costs in the cause, and not costs in favour of the party which resisted the application. The basis for that order was that the application, though unsuccessful, had been "properly brought".

Scott submitted that there was no ground for departure from the usual rule, that costs follow the event, particularly as Liberty had not sought his view on the application prior to filing the motion. Bluestone adopted these submissions and added that the application was brought prematurely as there was no sensible estimate of the saving in terms of time by the separation of issues. His Honour agreed that the evidence in support of the application was based on conjecture.

Costs of and incidental to the motion awarded against Liberty.