

IN THE SUPREME COURT OF NEW ZEALAND

SC 154/2016
[2017] NZSC 79

BETWEEN ORAKA TECHNOLOGIES LIMITED
First Applicant

ORAKA GRADERS LIMITED
Second Applicant

MICHAEL WILLIAM SCHWARZ
Third Applicant

AND NAPIER TOOL & DIE CO LIMITED
First Respondent

GEOSTEL VISION LIMITED
Second Respondent

PAUL DAYNES AND GORDON
ROBERTSON
Third Respondents

Court: Elias CJ, William Young and Arnold JJ

Counsel: B P Henry for Applicants
M J Gavin for First Respondent
K T Glover for Second and Third Respondents

Judgment: 26 May 2017

JUDGMENT OF THE COURT (AS TO COSTS)

The applicants are jointly and severally liable to pay costs of \$750 to the first respondent and \$750 to the second and third respondents, that is, \$1,500 in total.

REASONS

[1] Mr Michael Schwarz invented an asparagus grading machine with a unique cup grader. He assigned the copyright formally to Oraka Technologies Ltd (Technologies), a company of which he and his wife were the sole shareholders and

directors. Through their involvement with Mr Schwarz in the development of the Oraka grader, Napier Tool & Die Co Ltd (Napier) and Messrs Daynes and Robertson were familiar with it. Messrs Daynes and Robertson set up their own company, Geostel Vision Ltd (Geostel), and started manufacturing a grading machine that competed with the Oraka grader. Their grader incorporated a cup assembly manufactured by Napier that was a substantial copy of the cup assembly used on the Oraka grader. This was held to be a copyright infringement, which continued for almost eight years.

[2] Before the infringing behaviour began, there were two developments. First, Technologies ceased operating, and the manufacture and sale of the Oraka grader was undertaken by Oraka Technologies Holdings Ltd (Holdings). Then Holdings ceased operating and the manufacture and sale of the grader was taken over by Oraka Graders Ltd (Graders), the sole shareholders and directors of which were Mr Schwarz's two adult children.

[3] In a 2013 appeal, the Court of Appeal concluded that the ownership of the copyright had remained with Technologies throughout and that Napier, Geostel and Messrs Daynes and Robertson (the infringers) had breached its copyright.¹ The Court entered judgment accordingly, and remitted the matter back to the High Court for the determination of damages. The damages hearing took place before Hinton J.² Of the infringers, only Napier participated in that hearing. It did not contest quantum. Its argument was that the losses which Technologies sought to recover were not its losses but losses incurred by Graders, which had no standing to sue as it was not the owner of the copyright nor did it have an exclusive licence from Technologies to use the copyrighted assembly. Hinton J rejected that argument and entered judgment for Technologies in the amount of \$4.1 million against all three infringers. The infringers then filed appeals against that decision.

[4] The Court of Appeal upheld the infringers' appeals, setting aside the judgment for \$4.1 million.³ By a majority, the Court ordered that the matter be

¹ *Oraka Technologies Ltd v Geostel Vision Ltd* [2013] NZCA 111. Leave to appeal to the Supreme Court was denied: *Napier Tool & Die Ltd v Oraka Technologies Ltd* [2013] NZSC 86.

² *Oraka Technologies Ltd v Geostel Vision Ltd* [2016] NZHC 1188.

³ *Napier Tool & Die Ltd v Oraka Technologies Ltd* [2016] NZCA 554 (Kós P, Harrison and French

remitted to the High Court for the issue of quantum to be retried on the basis of a notional licence fee payable in respect of each infringing use during the relevant period. The majority noted that this is a case which “cries out for a remedy”.⁴

[5] Technologies, Graders and Mr Schwarz (the applicants) sought leave to appeal to this Court against the finding of the Court of Appeal that the judgment for \$4.1 million should be set aside, filing their application and submissions in support as a single document. This was on 19 December 2016. Then, on 20 February 2017, six working days before the respondents’ written submissions were due, the applicants filed a notice of abandonment. Counsel for Geostel and Messrs Daynes and Robertson then filed an application for costs on the abandonment, followed later by counsel for Napier. Both applications seek costs on an indemnity basis, the former in the amount of \$3,910 (plus a disbursement of \$50) and the latter in the amount of \$5,240. In the alternative, they each seeks costs in the amount the Court usually awards on an unsuccessful leave application, namely \$2,500.

[6] The grounds on which indemnity costs are sought are that the application for leave was “fundamentally flawed” because the proposed appeal could never have succeeded, the respondents’ costs were wasted and there was no public interest in the abandoned appeal. For the applicants, Mr Henry does not accept that the appeal was fundamentally flawed. He argued that there was a basis in the authorities for it. He explained that the reason the applicants abandoned their application was that they were concerned that Napier, which might be liable to pay the notional licence fee, was being stripped of its assets in order to render any judgment against it valueless. He pointed to concerns expressed by Hinton J about certain financial transactions undertaken by Napier immediately after this Court refused its application for leave to appeal the liability judgment.⁵

JJ).

⁴ At [72].

⁵ See *Oraka Technologies Ltd v Geostel Vision Ltd* [2016] NZHC 2001 at [6].

[7] The abandonment of an appeal does not affect the power of the Court to make an award of costs.⁶ There is no reason that this should not apply in respect of abandonments of leave applications, although as far as we have been able to ascertain, no one has previously sought costs in this Court on an abandonment.

[8] As to indemnity costs, none of the considerations raised by the respondents distinguishes this application from many others that come before the Court and none justifies an award of indemnity costs.

[9] The Court normally grants costs of \$2,500 to the respondent on an unsuccessful application for leave which is opposed and dealt with on the papers. The Court does not grant disbursements. Where an application is dealt with without the respondent being called upon to make submissions, no award of costs is made. Here, although the respondents did not ultimately have to file submissions, they no doubt started to prepare them given that the notice of discontinuance was filed six working days before submissions were due. Accordingly, a modest award of costs is justified.

[10] The applicants are jointly and severally liable to pay costs of \$750 to the first respondent and \$750 to the second and third respondents, that is \$1,500 in total.

Solicitors:

Le Pine & Co, Putaruru for Applicants

Hudson Gavin Martin, Auckland for First Respondent

Malloy Goodwin Harford, Auckland for Second and Third Respondents

⁶ Supreme Court Rules 2004, r 39(3).