

**IN THE HIGH COURT OF NEW ZEALAND  
AUCKLAND REGISTRY**

**CIV 2011-404-3243  
[2013] NZHC 3337**

BETWEEN

G-STAR RAW C.V.  
First Plaintiff

G-STAR AUSTRALIA PTY LTD  
Second Plaintiff

AND

JEANWEST CORPORATION (NEW  
ZEALAND) LTD  
Defendant

Hearing: 12 December 2013

Counsel: D L Marriott and I Finch for Plaintiffs  
C L Elliott QC and C Mansell for Defendant

Judgment: 12 December 2013

---

**(ORAL) JUDGMENT (NO. 5) OF HEATH J**

---

Solicitors:

James & Wells, Auckland  
Martelli McKegg, Auckland

Counsel:

C Elliott QC, Auckland  
D Marriott, Auckland

## Introduction

[1] Over eight sitting days, in September and October 2013, I heard a claim by G-Star Raw C.V. (G-Star) and G-Star Australia Pty Ltd (G-Star Australia) against Jeanswest Corporation (New Zealand) Ltd (Jeanswest NZ) for copyright infringement.

[2] In a judgment delivered on 15 October 2013,<sup>1</sup> I found in favour of the G-Star companies. I made a declaration that Jeanswest NZ had infringed G-Star's copyright in the copyright works defined in the Second Amended Statement of Claim and issued an injunction in terms sought by G-Star; a nominal award of damages of \$325 was made also.<sup>2</sup> In addition, I dealt with questions of costs. I awarded one set of costs in favour of G-Star and G-Star Australia on a 2B basis together with an uplift of 25% and reasonable disbursements.<sup>3</sup>

[3] Following delivery of my judgment, counsel for Jeanswest NZ filed a memorandum asking that I reopen the question of costs. Mr Elliott QC, on Jeanswest NZ's behalf, submitted that I had embarked on a consideration of that issue in a manner contrary to that agreed at the hearing. As a result of my determination he contended that Jeanswest NZ had not had an opportunity to refer me to correspondence written on a *Calderbank*<sup>4</sup> basis which might have influenced the outcome on that question. After receiving a memorandum in reply from counsel for G-Star, I allocated time to hear from counsel on what in effect is an application to recall that part of my judgment that dealt with costs.

## The “recall” jurisdiction

[4] The jurisdiction on which the Court should act to recall a judgment is narrow. While r 11.9 of the High Court Rules provides that a “Judge may recall a judgment given orally or in writing at any time before a formal record of it is drawn up and sealed”, it is generally accepted that there are three circumstances in which a recall application will succeed. They were addressed by Wild CJ in *Horowhenua County v*

---

<sup>1</sup> *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2679.

<sup>2</sup> *Ibid*, at para [125](a), (b) and (c).

<sup>3</sup> *Ibid*, at para [125](e).

<sup>4</sup> *Calderbank v Calderbank* [1975] 3 All ER 333(CA) and r 14.10 of the High Court Rules.

*Nash (No. 2)*.<sup>5</sup> In this case, the basis on which I am asked to reopen the question of costs is because of “a very special reason” that justifies recall in the interests of justice.

[5] Both counsel agree that they understood that I would hear further from them on questions of costs. While my recollection was different, I accept their assurances and acknowledge that I misunderstood the position. A failure to provide the parties with a proper opportunity to make submissions on an issue in dispute must be regarded as a “very special reason” to recall a judgment. Accordingly, I recall my decision on costs and consider the issue afresh, based on submissions made by counsel today.

[6] In saying that I record that reasons given for my original costs decision have been debated.<sup>6</sup> Both counsel have had an opportunity to comment on them and, to the extent that I refer to them in this judgment, it is on the basis of a reconsideration informed by the additional submissions.

#### **Costs: analysis**

[7] Mr Elliott submits that the *Calderbank* correspondence discloses offers made by Jeanswest NZ which, if accepted, would have resulted in a better outcome for the G-Star companies. On that basis, he contends that costs should be awarded in favour of Jeanswest NZ from the date on which the relevant *Calderbank* offers expired. If I were not to accept that submission, Mr Elliott contended that the factors on which I relied to order increased costs were not sufficient to do so.

[8] Mr Marriott, for the G-Star companies, submitted that (if anything) disclosure of the *Calderbank* correspondence suggested that an offer had been made in January 2012 by G-Star which, if accepted by Jeanswest NZ, would have put it in a more favourable position than what occurred following the hearing. On that basis, and in terms of the relevant letter to which I refer later,<sup>7</sup> Mr Marriott contended that indemnity costs should be awarded in favour of G-Star from the time at which that

---

<sup>5</sup> *Horowhenua County v Nash (No. 2)* [1968] NZLR 632 (SC) at 633.

<sup>6</sup> In particular *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2679 at para [22].

<sup>7</sup> See para [14] below.

offer expired. If that submission were rejected, Mr Marriott's fallback position was that increased costs were justified, but at a level above the 25% uplift I considered appropriate in my substantive judgment.

[9] The starting point for analysis is the correspondence that was entered into between the parties. That must be considered in the context of a claim which was first issued in May 2011. There had been pre-suit correspondence, the relevant parts of which began around November 2010. For example, in a letter dated 22 November 2010 the solicitors for Jeanswest NZ denied the breach of copyright alleged in a letter sent by the Australian solicitors for G-Star on 9 November 2010.

[10] On 20 December 2010, without prejudice to Jeanswest NZ's denial of infringement liability, its solicitors undertook on its behalf "to immediately cease and forever refrain in New Zealand from importing, manufacturing, selling or supplying" Dean Biker Slim Harley blue" jeans". Those were the jeans brought into New Zealand by Jeanswest New Zealand and which were the subject of the infringement claim.

[11] After further correspondence the solicitors for Jeanswest New Zealand wrote to the New Zealand based solicitors for G-Star on a "without prejudice save as to costs" basis. The letter is extensive and sets out a number of factual and legal contentions made by Jeanswest New Zealand. Relevantly, for the purposes of the present application, the solicitors said:

11. We have advised our client that on the basis of the information to hand, and this comparison, that there is no proper basis for the allegation of copyright infringement.
12. Jeanswest Corporation Pty Ltd employs a design team which is based at the South Yarra head office. Here clothing of many types, including jeans, are designed. We are instructed that our client had no need to and did not copy the G-Star Elwood jean. As noted above, Jeanswest does not have and has never had a pair of G-Star Elwood jeans in its possession. Accordingly, the allegation of copying is denied.
13. The Jeanswest range of jeans is "common" throughout Australia and New Zealand and our client carries substantially the same stock throughout the region, subject to certain local variations. The New Zealand product is for all intents and purposes identical with the Australian product.

14. On 20 December 2010 we provided an undertaking that our client would “immediately cease and forever refrain in New Zealand from importing, manufacturing, selling or supplying “Dean Biker Slim Harley Blue jeans”. That letter however specifically denied breach of copyright and the assurance was given expressly without prejudice to Jeanswest’s denial of such infringement.
15. In light of the above comparison and a denial of copying such a denial of infringement was entirely justified and proper. The reason our client was prepared to give such an assurance was that our instructions are that no more than 62 pairs of Dean Biker jeans have been sold in New Zealand. By way of letter of 20 December 2010 those assurances were provided in undertaking form. Accordingly, as far as we are concerned the position vis-a-vis further sales of those jeans in New Zealand cannot be an issue.
16. However, for the avoidance of doubt, we are instructed to reaffirm that undertaking. At the same time however we need to stress that the denial of copyright infringement remains. We are also instructed to point out to you that your client should not mistake this as a tacit admission of wrongdoing. On the contrary, the undertaking is given for the simple reason that 62 pairs of jeans do not warrant the expenditure of significant amounts of money. This is why in our letter of 15 April 2010 we made it clear that the reason the undertakings were provided “was to avoid the frivolous litigation” your client proposed and has now initiated anyway.
17. We would now go further to say that our client regards these proceedings not just as frivolous but as unnecessary, without merit and vexatious.

[12] Having put its position on that basis, the solicitors for Jeanswest NZ continued:

21. Notwithstanding this, in an effort to be commercial and pragmatic and solely in an effort to bring this questionable litigation to the quick end it deserves, our client is prepared to pay your client a one off lump sum of NZ\$5,000. As you will appreciate, this amount far exceeds its entire profit on the Dean Biker Slim Harley Blue jeans it has sold in New Zealand. Further, our client is also prepared to pay your client its 2B scale costs and any disbursements for filing the proceedings (NZ\$6,764) even though it considers such proceedings to be an abuse of process.
22. For the avoidance of doubt, these amounts are offered solely in an attempt to bring this litigation to a speedy conclusion and they are offered without any admission whatsoever of liability.
23. Given that our client has undertaken to not at any stage in the future import the subject jeans and to offer your client well in excess of its total profits on the sale of those jeans in New Zealand, we regard this as a generous offer. We invite your client to reconsider its position in the light of what we have said above and the offer made.

24. If however, your client is determined to continue with this litigation, we are instructed that our client will strenuously defend the claim and it reserves the right to place this letter before a Judge in the event that the issue of costs arises in the future. In this regard our client will seek full indemnity costs.
25. Given that the first case management conference is scheduled for 18 July 2011 we would appreciate receiving a preliminary response before then. Please could you then provide a substantive response no later than 22 July 2011. For the avoidance of doubt, the above offer is conditional and if not accepted by 22 July 2011 expires on that date.

[13] At the time that correspondence was exchanged, there was limited disclosure of documents. Jeanswest NZ's interests seemed to be focussing on a particular jean believed to have been copied, while the solicitors for G-Star were paying greater attention to the nature of the "copyright works" that would be the subject of the infringement claim.

[14] The offer contained in the July 2011 correspondence was not accepted. Further correspondence took place. The next letter of any significance, in my view, was sent by the solicitors for G-Star to the solicitors for Jeanswest NZ on 19 January 2012. A settlement proposal was made in that letter, also on a *Calderbank* basis. G-Star's solicitors wrote:

#### **Settlement Offer**

Despite the strength of our clients' case, they remain willing to settle this matter with the defendant on the following basis:

1. the defendant pays the plaintiffs NZ\$30,000 (**Settlement Sum**) in settlement of the plaintiffs' claim for costs and damages. We estimate that our clients' costs to date are NZ\$11,000;
2. the defendant provide a written undertaking agreeing that it, whether by itself, its directors, employees, servants or agents or any of them will immediately cease and forever refrain from manufacturing, possessing, marketing, promoting, advertising, offering for sale, selling or supplying the Jeanswest Product or any other garments which are a copy, or substantial copy of the Copyright Works;
3. the defendant provides a statutory declaration detailing the number of units of the Jeanswest Product that it has:
  - (a) manufactured or caused to be manufactured to date (including the cost of manufacture and the cost of importation);

- (b) sold to date including full details of the sale price of all items;
  - (c) remaining in stock; and
4. the defendant deliver up for destruction all remaining units of the Jeanswest Product.

This offer remains open for acceptance until **Friday 27 January 2012**.

This offer is put on the basis of the principles set out in *Calderbank v Calderbank* [1975] 3 All ER 333 and approved by the Court of Appeal in *Health Waikato Limited v Van Der Sluis* (1997) 10 PRNZ 514 (CA). Should the offer not be accepted and the plaintiffs obtain a judgment on terms equal to or more favourable than those referred to above, then the plaintiffs will produce this letter to the Court in support of an application that the defendant pays the plaintiffs' costs on an indemnity basis.

[15] That offer was not accepted. Mr Marriott has drawn attention to the fact that the proposed settlement sum refers both to costs and damages. That is a relevant consideration given the need for such an offer to state expressly whether or not it includes costs. That was made clear by the Court of Appeal, in *Health Waikato Ltd v Van der Sluis*.<sup>8</sup>

[16] A problem with reliance on *Calderbank* correspondence in this case is that the shape of the case changed markedly between the time at which the various letters were written and the hearing of the proceeding.

[17] There was a good deal of interlocutory skirmishing close to the trial date. This included an attempt by the G-Star companies to join companies associated with Jeanswest NZ in Australia (Jeanswest Australia). Further additional documents were disclosed to G-Star in response to a late (and unsuccessful) application for joinder to take place. Significantly, one of the documents disclosed on 27 August 2013, just under one month before the trial began on 24 September 2013, was the "sample order". That was a document prepared to enable the garments produced by Jeanswest Australia to be manufactured at a factory in China. It was a document on which much reliance was placed by both counsel in closing. It had a significant bearing on the way in which the trial was conducted.

---

<sup>8</sup> *Health Waikato Limited v Van Der Sluis* (1997) 10 PRNZ 514 (CA).

[18] Leaving aside for the moment the *Calderbank* correspondence, there were two factors identified in my judgment of 15 October 2013 that I considered justified increased costs. I expressed myself in these terms:

[122] The two reasons each stem from unreasonable conduct on the part of Jeanswest NZ:

- (a) The first is the way in which Jeanswest NZ put to this Court and G-Star that Ms Laidlaw would be a “key” witness who would give evidence at trial. That indication was given to the Court in an affidavit sworn on 8 August 2013, about six weeks before the trial was due to begin. The decision not to call Ms Laidlaw must have contributed to additional cost on the part of G-Star, in preparing for trial.
- (b) The second is the late disclosure of what was the most important document produced: the sample order. This was not made available to G-Star until 27 August 2013, less than one month before the trial was due to begin. The importance of the document was reinforced in Mr Elliott’s closing address. He submitted that I should not put weight on the fact that witnesses had not been called by Jeanswest NZ because the sample order spoke for itself. I would expect that some significant additional cost was incurred by G-Star in having to address such a critical document at a late stage of its preparation.

[19] Having taxed counsel on those particular issues today, I am reinforced in my views on both topics. While I do not criticise Jeanswest NZ for not calling Ms Laidlaw, given humanitarian considerations of the type to which I was referred in evidence, there can be no doubt that the late decision not to call her contributed to additional cost on the part of G-Star in preparing for trial. As I mentioned in my earlier judgment, as it transpired, there was nothing of real value that Ms Laidlaw could have added to the evidence on design.

[20] The second factor was the late production of the sample order. The late disclosure can be seen, with the benefit of hindsight, as a consequence of the approach taken by the parties to tailor discovery to essential document. What happened, however, was that Jeanswest NZ was (in the minds of those preparing for trial) separated from other entities associated with it, particularly the mind responsible for design and manufacture of the Dean Biker jeans.

[21] As I found in my judgment,<sup>9</sup> there was no one in New Zealand who exercised any control over the affairs of Jeanswest NZ. Governance decisions and decisions involving significant aspects of the operation of the New Zealand company were all made in Australia by those who were involved in (or responsible for) designing and manufacturing the jeans. That being so, the document ought to have been disclosed earlier.

[22] I remain satisfied that some significant additional cost was incurred by G-Star having to address that critical document at a late stage of its preparation.

[23] I do not propose to rehearse the facts that led me to the conclusion that copyright infringement had been established. For present purposes, I think it is important that no acceptance of infringement was ever offered by Jeanswest NZ.

[24] I am also of the view that the *Calderbank* correspondence should not be given particular weight. Events were unfolding over a period of time. Both parties could reasonably have been expected to be reviewing their positions on a regular basis. Although there is some merit in the view that Jeanswest NZ might have been better off accepting the proposal made on 19 January 2012 by G-Star's solicitors, I am not prepared to regard that particular letter as assuming a determinative position in relation to the assessment of costs.

## **Result**

[25] Ultimately, with the benefit of additional submissions, my view on costs has not changed. The uplift of 25% is, in my view, justified for the reasons I gave in my earlier judgment. The argument today has simply reinforced that initial view. For that reason, I do not propose to change the order for costs previously made.

[26] I order that one set of costs be awarded in favour of G-Star and G-Star Australia on a 2B basis, with an uplift of 25%, together with reasonable disbursements. Both costs and disbursements shall be fixed by the Registrar and I certify for second counsel.

---

<sup>9</sup> *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2679 at paras [42]–[44] and [100].

[27] Those costs shall include the costs of today's hearing, but they shall be fixed without an uplift. The costs orders which I have just made are subject to a set-off in favour of Jeanswest NZ in relation to orders for costs made in its favour in my judgment of 19 September 2013 when dealing with an interlocutory issue shortly before trial.<sup>10</sup>

[28] In July 2012, arrangements were made for a guarantee to be given by G-Star's bankers to provide security for costs in the event that Jeanswest NZ was successful in its defence of the claims. I am asked to discharge the security for costs directed to be backed by the bank guarantee. The guarantee dated 24 July 2012, in favour of Jeanswest NZ, is discharged.

[29] I thank counsel for their assistance.

---

P R Heath J

---

<sup>10</sup> *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2461 at paras [31]–[33].