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IN THE SUPREME COURT OF NEW ZEALAND
I TE KŌTI MANA NUI O AOTEAROA

SC 96/2023
[2024] NZSC Trans 8

BETWEEN

**IAN JAMES BURDEN
PGT RECLAIMED (INTERNATIONAL) LIMITED
PLANTATION GROWN TIMBERS (VIETNAM)
LIMITED
Appellants**

AND

**ESR GROUP (NZ) LIMITED
Respondent**

Hearing: 26 April 2024

Court: Glazebrook J
Ellen France J
Williams J
Kós J
O'Regan J

Counsel: A H Brown KC, J Oliver-Hood and J R E Wach for
the Appellants
J G Miles KC and A J Pietras for the Respondent

CIVIL APPEAL

MR BROWN:

May it please your Honours Andrew Brown, Jack Oliver-Hood and Jason Wach for the appellants.

GLAZEBROOK J:

5 Tēnā koutou.

MR MILES:

Yes, may it please your Honours Miles and Pietras for the respondent.

GLAZEBROOK J:

10 Tēnā kōrua. Mr Brown, before you start, can I ask in your oral submissions if you would concentrate on just ordinary statutory interpretation principles related to the normal words of the statute, policy, purpose and context, including obviously the significance of any later amendments of the statute. We have read your submissions on the relevant international obligations, the WIPO Copyright Treaty 1996 and also on section 11 of the Interpretation Act 1999 and
15 we understand the arguments and if you still want to make any brief oral submissions on those points, if you could do that at the end of your oral submission, so that the concentration is on just the interpretation of the statute and the respondent obviously is also to concentrate on those same interpretation issues, although obviously again if wanting to make comments
20 on the WCT and section 11 and then at the end of the submissions. So Mr Brown.

MR BROWN KC:

Thank you your Honours. So this case, the roadmap has been provided to you. The case concerns the proper interpretation of key provisions in the Copyright
25 Act 1994 that created the exclusive distribution right given to copyright owners and the provisions in New Zealand were enacted in December 1994, came into force on 1 January 1995 and as you will have seen, drawn from the UK Copyright, Designs and Patents Act 1998.

The meaning and application of these provisions has never been considered by this Court before. There are two questions, (a) whether the copyright holder's authorisation or consent is necessary to put into circulation copies before there can be an exhaustion of the distribution right in New Zealand and then (b) whether the circulation of copies outside New Zealand can constitute circulation of those copies for the purposes of section 9(1) and although in the submissions and presentation we have, for clarity, addressed issues (a) and (b) separately, they are in fact intertwined and in the written submissions we observe that the Court will only reach issue (b) if it found against PGT on issue (a). On reflection we think there is a significant risk of the wrong answer if the issues are dealt with in self-contained silos and so in our submissions on issue (a), the consent, we also want to consider the impact and effect for issue (b).

The last introductory comment is that exactly where the acts of distribution occurred is very important for the proper interpretation and that an important requirement in our submission of the interpretative exercise is ensuring that a copyright owner genuinely has under section 16(1)(b) the exclusive right to control distribution of copies of its copyright works in New Zealand, whether those be infringing copies or genuine copies. On the Court of Appeal's interpretation, PGT has denied the right to hold ESR liable for breach of that right when as the first party in the distribution chain in New Zealand it sold infringing copies in this country. So I am going to be dealing with issue (a) and Mr Oliver-Hood will deal with issue (b).

In the roadmap on issue, in the second paragraph, we have stated the correct interpretation at issue to the public in section 9(1) is the unauthorised act of putting into circulation in New Zealand copies not previously not previously put into circulation in New Zealand by or with the consent of the copyright owner and that the distribution right is not spent where those copies have been put on the market in New Zealand without the copyright owner's licence and that interpretation has applied since enactment and we say that that interpretation does not, as ESR has claimed, either fundamentally alter the meaning nor does it require the Court to realign in some way the meaning of the provisions.

So just exploring that a little bit further, your Honours, on the facts of this case at no stage was the putting into circulation of the particular infringing copies of PGT's copyright furniture designs, either in Vietnam or in New Zealand, ever
5 consented to or licensed by PGT. As you will have seen the furniture and finished in Vietnam, ESR placed orders for the furniture with a Vietnamese company MML, the infringing copies were shipped from Vietnam to ESR in New Zealand entitled passed in transit and ESR was the party sold or distributed the infringing copies in New Zealand.

10

Now the Court of Appeal's decision at [103] was that a particular copy or copies could be placed in circulation even where there was no authorisation, licence or permission by the copyright owner but further and importantly, the Court held that the copyright owner's exclusive right to distribute that copy in New Zealand
15 was spent or exhausted, notwithstanding the act of issuing was an infringement under section 16(1)(b). So taken in combination with the Court's findings on issue (b), that meant that an act of circulation of copies by a third party anywhere in the world, without the copyright owner's consent or licence, resulted in exhaustion of the distribution right in New Zealand.

20

So that led to the Court's findings at [129] of the decision that because of the earlier sales of infringing copies of Vietnam, the conduct of ESR in selling that same infringing furniture in New Zealand without licence or consent was not a
25 contravention of section 31. So the distribution right had been spent, ESR not liable, even though it was the first distributor in New Zealand.

30

Now the problem created by the silo approach to interpretation of the distribution right is particularly evident in the decision on issue (a) at [103]. So as we just saw, we are looking at the paragraph, the Court found the distribution
30 right was spent, notwithstanding that the act of issuing was an infringement of the owner's section 16(1)(b) right, but in this case the act of issuing relied on by the Court was not an infringement of section 16(1)(b) as is said there, the act of issuing was infringing copies in Vietnam and PGT could not sue the manufacturer or distributor in Vietnam for infringement of section 16(1)(b) of the

New Zealand Act and the result of the Court's finding is that an act of distribution of infringing copies without licence or authority from the copyright owner in Vietnam, and which PGT did not even know of until afterwards, is regarded as putting into circulation in New Zealand so as to exhaust the New Zealand exclusive right of distribution, and we say that denies the proper and full effect of section 29(1), which I'm going to come to in a minute, and the words "otherwise than pursuant to a copyright licence" in relation to first distribution in New Zealand, and this —

1010

10 **KÓS J:**

That doesn't mean your client's without remedy.

MR BROWN KC:

I beg your pardon?

KÓS J:

15 Because there's still the copying aspect, so the distribution in New Zealand, at the point where they know that the copies made in Vietnam are infringing, still gives rise to a liability as a secondary infringement.

MR BROWN KC:

20 Secondary infringement, yes, but only from the date of infringement, but the whole —

KÓS J:

The point is it's not a complete disaster for your client.

MR BROWN KC:

25 Well, but what it's denying is the primary right of distribution which was created in New Zealand and which gives you a primary right to be the first distributor of copies and that whether they are infringing or genuine in New —

KÓS J:

Yes, but once you know they're infringing you can't distribute them. So in a sense your right is restored.

MR BROWN KC:

5 But the primary right does not require knowledge.

KÓS J:

I appreciate the primary right doesn't, but ESR can't continue to distribute once they know that they are infringing copy, so your primary right of distribution may be spent but ESR can't do anything with that material.

10 **MR BROWN KC:**

But in the meantime ESR has made profits of 220,000 for selling the infringing copies throughout New Zealand.

KÓS J:

Sure, because they did so innocently.

15 **MR BROWN KC:**

Well, they still made profits on those and the...

GLAZEBROOK J:

Let's just stick to the statutory interpretation which I'd asked to do, that's as much a comment to my colleague as well, in that it would be nice to get your
20 argument right up front on the —

MR BROWN KC:

Right, okay, well, I'm trying to get there, so —

GLAZEBROOK J:

Because you've got a — you've said that it's a New Zealand act of distribution,
25 so in respect of this you are suggesting that it not only has to be in New Zealand but that it also has to be under a licence or with the consent of the copyright holder.

MR BROWN KC:

Yes, in New Zealand.

GLAZEBROOK J:

So it's actually a dual submission here.

5 **MR BROWN KC:**

Yes, and in —

GLAZEBROOK J:

Because you accept, I think, that it has been, that the first distribution was in Vietnam.

10 **MR BROWN KC:**

Yes, it was. There's no question about that. But —

GLAZEBROOK J:

So it has to be a dual argument, doesn't it?

MR BROWN KC:

15 Yes, and so because of the way we're trying to address these issues, Mr Oliver-Hood will be addressing the "in New Zealand" point part of the interpretation.

GLAZEBROOK J:

20 Because one of your arguments in respect of it not creating as the Court of Appeal suggested everybody being a primary infringer right down the line is that once it has been distributed in New Zealand, whether with the consent of the licence holder or not, everything else is secondary infringement. So for that it has to be a New Zealand right unless I'm mistaken.

MR BROWN KC:

25 Yes, yes. So if I can just quickly finish with the silo problem that I submit the Court of Appeal had in thinking about issue (i) and then thinking separately about issue (b), and that's at paragraph [79] of the judgment. So this is another

key paragraph where the Court said: “We consider Sterling’s interpretation of the CDPA (in its original form) to be correct: the fact that a copy was previously circulated without the copyright owner’s consent was irrelevant in determining whether it was classified as ‘circulated’ for the purposes of the distribution right.

5 While the copyright owner’s exclusive right to issue copies would be thwarted by the unauthorised issue of copies by others, the loss of that right would be reflected in compensation awarded in an action for infringement. In our view the New Zealand distribution right should be interpreted in the same manner.”

10 So the Court’s solution in the penultimate sentence of that paragraph, namely the loss of the distribution right by PGT would be reflected in compensation awarded in an action for infringement, is disproved by the result of this decision because PGT is not able to sue the manufacturer or distributor in Vietnam for breach of section 16(1)(b) and 31. There is no compensation available by that
 15 route and PGT’s exclusive distribution right in New Zealand is in fact an illusion. If on the other hand ESR were liable under 16(1)(b) for breach of the distribution right which is what we contend for, then PGT would be satisfied and would receive due compensation in the form of the award of profits. Now before leaving this —

20 1015

KÓS J:

At the risk of getting into trouble again, can I just say first of all the JAL Sterling *Copyright, Designs and Patents Act 1988; The New Issuing Right* [1989] 8 EIPR 283 at 286 point is the one I was making to you a moment ago and an answer
 25 to your point is that applies to the interim period in which only they are innocent as to the distribution infringing copies but once they know the copies are infringing they cannot redistribute.

MR BROWN KC:

But that denies the distribution right to the copyright owner. It says oh you just
 30 rely on section 36. The Act gave an exclusive right of distribution and it was redrafted in the UK in 1988 to give that right of distribution. We followed that in 1994 and as we will look at in a minute the WIPO negotiations for the WCT

were carrying on at the same time as the New Zealand Act was passed and it was a deliberate decision to give a distribution right to the copyright owner. So to simply say oh well you can rely on secondary infringement is not enough and the Court of Appeal itself in its decision recognised that that's what the legislature did. If you look at paragraph 60 of the Court's decision, they said:

5 "Parliament saw fit to categorise contravention of the distribution right as primary infringement. It is not the role of the Court to read into section 31 a knowledge component which would transform the scope of the restricted act."

10 Now if I could come back to, before leaving this silo point, it is instructive to look at the Court's decision at [128] and [129] and the heading before those particular paragraphs is "the consequences of our interpretation". But at that point the Court did not take a step back to check whether there were any interpretative issues thrown up when its findings on issue (a) and issue (b) were

15 combined, it simply found no primary liability for ESR and that leads me into the interpretation issue that your Honour Justice Glazebrook is wanting to get to, so if you could have tab 22 open and the wording of sections — or just have a copy of the Act if you have got it with the relevant sections.

20 So what PGT say is an error by the Court at [103] and [129] is the finding that an unauthorised circulation of those copies overseas amounts to first, distribution in New Zealand under section 9(1)(a) so that the distribution right is spent in respect of those copies and we submit the Court of Appeal's interpretation is contrary to the proper application of the words in section 29(1),

25 if you just have that before you: "Infringed by a person who, other than pursuant to a copyright licence, does any restricted act." And these words in section 29, as you can see from the words "does any restricted act", apply to all the restricted acts in sections 16 and 30 to 34 and we submit that in the case of issuing to the public the words "other than pursuant to a copyright licence" apply

30 not just to the shorthand descriptions in section 16(1) or in our case 16(1)(b) and 31, but also to the definition in section 9(1).

WILLIAMS J:

Why would that be? What's the logic in that because the definition is the definition and then if you comply with the definition, sorry if you fail to comply because you don't get consent you're caught. That doesn't affect the definition,
5 it's just what you do with the definition.
1020

MR BROWN KC:

Well, because the definition describes what is an act of issuing and then it goes on in the latter part of section 9 to provide the mechanism for exhaustion.

10 **WILLIAMS J:**

Sorry, I don't follow that.

GLAZEBROOK J:

And perhaps also you could say why you say "in New Zealand" is read in.

MR BROWN KC:

15 Well, that's something that Mr Oliver-Hood is going to...

GLAZEBROOK J:

I need to know it now because if New Zealand isn't there then the act of first distribution's in Vietnam, isn't it?

MR BROWN KC:

20 Well, it is then —

GLAZEBROOK J:

And it was without the consent of the copyright holder but if you're right on there not being serial primary infringes every time those copies are put up on Trade Me.

25 **MR BROWN KC:**

Well, I can explain that to you, but the answer to why it's in New Zealand is because it's giving an exclusive right to the copyright owner in New Zealand

and, unlike the UK Act, we did not include issue in New Zealand or elsewhere which is what's the wording in the UK provision which has led to a wider approach to taking into account acts outside the UK itself. So the New Zealand statute did not adopt that particular provision.

5 **WILLIAMS J:**

Can we come back to my question then, which is the definition says that issuing of copies of a work to the public means putting them into circulation when they have not previously been in circulation. That's the definition, right?

MR BROWN KC:

10 Yes.

WILLIAMS J:

There's nothing in there about consent.

MR BROWN KC:

Well, we're submitting that the —

15 **WILLIAMS J:**

The infringement is the lack of consent but it's not the definition of the act.

MR BROWN KC:

But it says otherwise than pursuant to a copyright licence, so —

WILLIAMS J:

20 Yes, well, section 29 says that's the infringement but it's not the definition of the act.

MR BROWN KC:

Yes. But the infringement involves knowing what the act is and we submit that the correct reading of it is, well, if you take the wording in section 9(1),
25 references to the issue of copies of a work to the public means the unauthorised act of putting into circulation copies not previously put into circulation by or with

the licence of the copyright owner. That's what the effect of section 29(1) means, and the concluding words —

WILLIAMS J:

Well, yes, but that's, perhaps, if you want to read 29(1) as a supplement to the definition, or it could mean, for example, the equivalent of homicide is the killing of another; if it's done with intention it's murder. That doesn't change the meaning of "homicide". It's an additional meaning.

MR BROWN KC:

But the exclusive act which is created as a distribution right and what this is saying, what the content of that is, I take your Honour's point on that, but we say it's the act without the licence of the copyright owner.

WILLIAMS J:

Yes, well, that's what makes it infringing but it's not what makes it issue — first distribution.

MR BROWN KC:

But if you then look to the next part of section 9, which is the concluding words in section 9(1), at 9 and 9(1)(a), it says, after the semicolon: "and do not include the acts of subsequent distribution or sale of those copies." So the reference to "those copies" in section 9(1)(a) provides an important key. So where the first putting into circulation in New Zealand of those copies has taken place without the consent or licence of the copyright owner then the person who first put those copies into circulation in New Zealand without the licence or authority of the copyright owner is liable for breach of section 31. Any subsequent distributor or seller of those copies in New Zealand is not liable for infringement of section 31 because their transaction is a subsequent sale and their liability will only be as a secondary infringer provided knowledge can be shown.

Now in its decision the —

GLAZEBROOK J:

But that must relate then to saying that the distribution right is in New Zealand.
It can't be —

MR BROWN KC:

5 Yes.
1025

GLAZEBROOK J:

— because if it's in Vietnam then that section, wouldn't it apply to say that ESR
is in fact a secondary infringer?

10 **MR BROWN KC:**

Well that is what the Court is basically saying that you're only —

GLAZEBROOK J:

If it's not territorial.

MR BROWN KC:

15 But it is territorial, copyright is a territorial right.

GLAZEBROOK J:

Okay, well your argument is that not only is it territorial.

MR BROWN KC:

Yes.

20 **GLAZEBROOK J:**

So it's territorial plus it has to be with the consent, that's the argument as I
understand it.

MR BROWN KC:

Yes, yes.

GLAZEBROOK J:

But it has to be both is what I am putting to you.

MR BROWN KC:

Yes, yes and that is what is provided for in the Treaty when we get to it, is that
5 every — there's a grant of an exclusive distribution right for every country and
—

ELLEN FRANCE J:

Mr Brown, so you accept that your approach requires the reading in of the
words: "In New Zealand by or with the permission of the copyright owner"?

10 **MR BROWN KC:**

Yes. Now I just wanted to address the Court —

GLAZEBROOK J:

I don't think you necessarily accept by or with the consent, because you say
that comes through section 29, is that right?

15 **MR BROWN KC:**

Yes, yes, that is the mechanism that you are reading because of the concluding
words in section 29: "Who other than pursuant to a copyright licence does any
restricted act", and I'm saying it's the fullness of what that restricted act is that
is done without a copyright licence. Now I wanted to specifically address —

20 **GLAZEBROOK J:**

And in New Zealand comes just from the fact that we didn't put those words in
from the UK statute?

MR BROWN KC:

Yes, and as Mr Oliver-Hood will show you, that where the statute intends that
25 things have happened outside New Zealand should be taken into account,
there are specific references to that in the Act and there is not with this particular
provision.

WILLIAMS J:

My problem with the shape of section 9 and your argument and there's a genuine request for explanation, is the definition of issue of copies to the public is it the chapeau of someone and then it said not to include subsequent
5 importation of copies that meet that definition, correct?

MR BROWN KC:

Well that's a separate argument which I'm going to come and deal with.

WILLIAMS J:

No, no I'm just trying to understand the provision, so the definition is in the
10 chapeau and then there's an exclusion of importing copies that meet the definition in the chapeau. Doesn't that logically mean that the chapeau applies to distribution anywhere in the world?

MR BROWN KC:

No.

15 **WILLIAMS J:**

Why would you have importation?

MR BROWN KC:

No because, and this is a whole separate argument which I —

WILLIAMS J:

20 Yes I understand, it's just that I don't understand it, that's why I'm asking for your help.

MR BROWN KC:

Well if your Honour is content, I've got a section in the submissions which squarely addresses and it is going to take me — I've got a number of
25 propositions to take you through as to why that provision is —

WILLIAMS J:

This is the parallel importing argument?

MR BROWN KC:

No, no it's not, it's a different argument. So in a nutshell, just to give you the
guts if it if I may, the words "subsequent importation" was put into the UK Act.
It was amended in the House of Lords. Importation per se can never amount
5 to distribution. You are not distributing something when you are just importing
it. You can import —

WILLIAMS J:

Oh so this is your it was a mistake argument, is it?

MR BROWN KC:

10 Yes.

WILLIAMS J:

And I get that, I get that.

MR BROWN KC:

And in fact in the UK in 2018, they just quietly dropped it, they took it out
15 completely because the text writers have been saying ever since it was
introduced, this is a mistake, importation per se can never amount to
distribution.

WILLIAMS J:

It does seem though that that's an argument that you should run at a select
20 committee, not at a court whose job it is to apply the words of a statute.

MR BROWN KC:

Except what the Court of Appeal did when it came to subsequent importation is
try and read words into it and I'll come to that particular part.

WILLIAMS J:

25 I see, right, I follow where you are going now, thank you.

1030

MR BROWN KC:

So what I was wanting to deal with is at 73 of the decision where the Court of Appeal dismissed any reliance on section 29(1) for the requirement of authorisation and the Court said: "Section 29 simply recognises that only an unauthorised performance of a restricted act is an infringement. Although unhappily located away from section 1, it does no more than did the original section 16(2) of the CDPA on which it was based. Contrary to the respondent's decision, it neither foresaw nor anticipated the legislative development in the UK subsequent to the introduction of the 1994 Act."

10

So the Court of Appeal took a very restricted interpretation of section 29(1) and we say it denies the full force and intended effect of section 29 and it also denies PGT the proper extent of its exclusive distribution right and I come to proposition 2 in my roadmap which is developing this a little further and that is that section 29(1) requires an interpretation as supported the English decision of *Nelson v Rye* [1996] All ER 186, 208, a decision of Justice Laddie in November 1995.

Now I wonder if we could look at — I should just say this decision was before the WCT was promulgated in December 1996. It was also before the UK legislation was amended to meet various EU directives and if I take you to tab 11 and also 59. I just wanted to look at the provisions that were in force at the time of this *Nelson v Rye* case. So at tab 11 —

KÓS J:

Mr Brown, we don't have tabs, we have an electronic bundle which is not enumerated. We can count I suppose.

MR BROWN KC:

This is the Copyright, Designs and Patents Act 1988 and it's the first version of it.

30 **KÓS J:**

So is this the 1991 version?

GLAZEBROOK J:

10 on the index I think.

MR BROWN KC:

5 No, it's actually number 11, it's the next one which is the — you can see from page 2 it says: "Status and point of time as at 1.1.93", top line of page 2 of the extract.

KÓS J:

Thank you, I've now found an enumerated version, thank you.

MR BROWN KC:

10 This is important to look at the actual version at 1993 because this is the version that Justice Laddie was considering and you can see from references in this part to the issue to the public if copies of the work are to the act of putting into circulation copies not previously put into the circulation in the UK or elsewhere and then the wording of section 16(2) is in the plaintiff's supplementary
15 authorities at tab 59, it's the first item in the supplementary bundles and if your Honours have that, it says: "Copyright in a work is infringed by a person who without the licence of the copyright owner does or authorises another to do any of the acts restricted by copyright."

20 So that was the provision that was in play when the decision in *Nelson v Rye* was considered and it's essentially the same wording as the New Zealand Act that we have and Justice Laddie said in tab 63 or in the *Nelson v Rye* case. If you go to the very end of the decision, page 208, line J, and after referring to — it's the final four lines: "Under the combined effect of sections 16(1)(b),
25 16(2)", that's the without the licence on a copyright owner: "and 18(2) of the 1998 Act, it is now an act of primary infringement to issue copies of a copyright work to the public without licence, where those copies were not previously in circulation. This category of infringement is not limited to the issue of copies the manufacture of which was unlicensed. It follows that it is now possible to
30 infringe copyright by issuing authorised copies of a copyright work (for example,

made by or on behalf of the copyright owner) to the public, if the act of issuing itself has not been licensed.”

1035

5 Now the significance of this decision is that Justice Laddie was the lead author of one of the two leading UK copyright texts, *Laddie, Prescott and Vitoria: The Modern Law of Copyright*, and the significance of the passage is that the Court construed the equivalent wording of our section 29(1) as the mechanism that supplied the essential ingredient of authorisation or consent by the copyright
10 owner, ie, without licence, and that is the very interpretation we submit that was wrongly dismissed by the Court of Appeal at paragraph 73, and further we submit the application of section 16(2) of the CDPA does more than simply say that distribution without licence is infringement because Justice Laddie said in that passage that the distribution “without licence where those copies were not
15 previously in circulation”, so the “without licence” attaches to the act of circulation and is specific to those copies, and similarly in the latter part of the passage that I’ve highlighted, with authorised copies, the Judge refers to, without licence, attaches to the act of circulation of those copies.

20 So we submit that the appeal can be determined on the proper interpretation of the statutory provisions and, in particular, section 29(1) as they were enacted in 1994, December '94.

So that brings me to proposition 3 which is that the Court of Appeal’s
25 interpretation on issues (a) and (b) taken together is inconsistent with Article 6 of the WCT and...

GLAZEBROOK J:

So you’ve finished on statutory interpretation, have you, just on ordinary principles?

30 **MR BROWN KC:**

I have just for the moment because we’re going to come back to that in Mr Oliver-Hood.

GLAZEBROOK J:

Because “in New Zealand” seems to me to be absolutely vital here because if it’s not a right of first distribution in New Zealand then it’s agreed there’s been a right that the first distribution occurred in Vietnam.

5 **MR BROWN KC:**

Yes, but — and in particular all of the exclusive rights which are created by the copyright in section 16, the exclusive rights, can only ever be exclusive rights to perform those restricted acts in New Zealand and, as Mr Oliver-Hood will outline, where the New Zealand Act intends the Court to take account of events
10 outside New Zealand it specifically states so.

GLAZEBROOK J:

No, no, I understand that. I was just asking whether there is anything else that you want to say on interpretation before you get to the WCT. You’ll probably have gathered from my remarks at the beginning that we’re not necessarily
15 inclined to interpret a statute by reference to a treaty entered into so far in the future.

MR BROWN KC:

Well, that’s something I wanted to shed some further light on for your Honours, which is that in fact this Treaty and definitions of the distribution right have been
20 promulgated before the New Zealand Act was passed, so I’ll just come to that.

Now the Court of Appeal’s decision, this is proposition 3, that a copy can be put into circulation for the purposes of exhaustion, in other words it’s spent, as the Court put it, even where there was no authorisation or permission by the
25 copyright owner is also inconsistent with the wording of Article 6.

KÓS J:

What does that mean? What does it mean that the right is spent? What’s its practical implication?

MR BROWN KC:

What it means is that once there has been a first distribution of those copies into the New Zealand market by a party then the concluding words in section 9(1) which we looked at a moment ago are that — and this is what I've called the mechanism of exhaustion is provided in those concluding words —
5 “and do not include the acts of subsequent distribution or sale of those copies”. So once you've got a party who has issued copies either genuine without the authority or licence of the copyright owner or infringing, which necessarily are without the copyright owner's consent, where are those are issued in
10 New Zealand, that right is then exhausted and spent and the way that mechanism of exhaustion occurs is provided in the concluding words of section 9(1) and do not include acts of subsequent distribution and sale of those copies.

1040

15

So if I put onto the market either genuine or infringing copies without the licence of the copyright owner and so they're then into the market, anybody who buys from me is then not liable for the primary act of distribution, they can only ever be liable for the secondary infringement provisions in section 36. So that's how
20 it works.

WILLIAMS J:

So that means you read the chapeau as intending to cover compliant copies, not infringing copies only?

MR BROWN KC:

25 It covers both.

WILLIAMS J:

Sorry, with consent, your consent point?

MR BROWN KC:

30 Yes, yes because you can have genuine copies which a copyright owner has made and which the copyright owner decides they don't want to put into the

market. If somebody puts those genuine copies into the market without the licence or authority of the copyright owner, that's an infringement of the primary distribution. So it applies to both infringing and genuine copies and that's the point the Court of Appeal clearly had onboard.

5 **WILLIAMS J:**

I stated that wrongly, it's — how would you read in with consent then to the chapeau?

MR BROWN KC:

Because of section 29(1).

10 **WILLIAMS J:**

Yes, how would you have the chapeau read, if you could colour 9(1) chapeau by reference to 29(1), what will it say?

MR BROWN KC:

15 Well that's what we did in the very opening proposition in the roadmap because the correct interpretation is the unauthorised act of putting into circulation in New Zealand copies not previously put into circulation in New Zealand by or with the consent of the copyright owner.

WILLIAMS J:

20 So "those copies", I take you to be arguing, is the phrase that let's you read that in?

MR BROWN KC:

Yes, well in conjunction with section 29(1).

WILLIAMS J:

In conjunction of course with 29(1).

25 **MR BROWN KC:**

And the whole purpose of the distribution right is tagged to those copies because —

GLAZEBROOK J:

Can I just check what you mean by “those copies”.

MR BROWN KC:

Well “those copies” means the copies that are put into circulation, the first act
5 of putting them into circulation. Because you can have —

GLAZEBROOK J:

Well are you looking at each individual copy being the first act?

MR BROWN KC:

Yes, and that what's the texts all say this distribution right did. It's not just the
10 first copy.

GLAZEBROOK J:

Can I just check, if you've got 10 copies, you're saying that the distribution right
is breached in a primary sense every time each one of those copies is put —

MR BROWN KC:

15 Each one of those copies. Because you can have consignments of original or
infringing copies. Now I was back at proposition 3, and I was just wanting to
deal with J Reinbothe and S von Lewinski *The WIPO Treaties on Copyright*
(2nd ed, Oxford University Press, London, 2015) at [7.6.1]–[7.6.24]. In
paragraphs 12 and 14 of our main submissions we refer to the text of *Reinbothe*
20 as to what the Articles 6(1) and 6(2) mean and ESR's submissions criticise
reliance on *Reinbothe* as being entirely academic and I just make the point that
he was the head of the EU delegation for the WCT. So Mr Reinbothe was in
fact the head of the EU delegation at the WCT negotiations so he saw the thing
through to its conclusion and in fact it was the EU wording of Article 6(1) which
25 was finally adopted at the diplomatic convention. So *Reinbothe* says in his book
and this is at our main submissions at [12] and [14]: “Article 6 by incorporating
the word ‘authorising’ has been designed to describe more precisely that the
act of putting the work or a copy on —”

GLAZEBROOK J:

Sorry can I just check where you are, you're in your written submissions or in the roadmap?

MR BROWN KC:

5 In the written submissions, your Honour, sorry. So it's the last paragraph [12]:
"Has been designed to describe more precisely than by using the general term
'distribution', that the act of putting the work or a copy thereon on the market for
sale or transfer is supposed to be subject to the author's control."

10 And then just dropping down to the next paragraph where *Reinbothe* explains
Article 6(2): "Article 6(2) does provide a definition of the basic conditions for
exhaustion. Exhaustion may only occur after the first sale or other transfer of
ownership of the original or a copy of the work with the authorisation of the
author. It is important to note that exhaustion may under no circumstances take
15 place in the case of putting a copy into circulation without the consent of the
author. It is only these conditions that the contracting parties are free to choose
their model of exhaustion of the distribution right, in other words the freedom of
contracting parties is limited by the definition of the conditions for exhaustion
contained in Article 6(2)."

20

And yet what the Court of Appeal has done in its decision is the exact opposite
and held that the exclusive distribution right in respect of particular infringing
copies is exhausted in New Zealand by the act of putting those infringing copies
into circulation in Vietnam without the consent of the copyright owner.

25

The Court of Appeal's interpretation is also inconsistent with how Article 6 has
been interpreted by the Court of Justice of the EU and that's in the *Art &
Allposters* Case C-419/13 at [30]–[31], just very quickly the wording is [31].
Taking the wording of the Article as a basis the Court found that for the
30 distribution right to be exhausted two conditions must be fulfilled, first, the
original of a work or copies thereof must have been placed on the market by
the right holder or with its consent and second, they must have been placed on
the market in the EU.

Now before I leave this particular proposition 3, I did want to address on issue which your Honour Justice Glazebrook sort of touched on, this sort of perpetual non-exhaustion of the right and as we have just seen, *Reinbothe* says under no circumstances can exhaustion occur in the case of putting a copy into
5 circulation without the consent of the copyright owner and does that mean that you end up with a never ending liability for primary infringement? And the answer is no and Article 6 says, if you're wanting to find that, it's just in the Court of Appeal's decision just before paragraph [102].

10 So the actual wording is: "Nothing in this Treaty shall affect the freedom of contracting parties to determine the conditions, if any, under which the exhaustion of the right in paragraph [1] applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorisation of the author." And the freedom of action to contracting countries sort of comes,
15 as I said a moment ago, with the requirement for authorisation of the author or copyright owner.

So in the case the act of first putting into circulation in New Zealand, that's ESR's issue of infringing copies in New Zealand, sorry sale of infringing copies
20 in New Zealand was without PGT's authorisation and it's therefore, we say, an infringement of the distribution right. It would be contrary to Article 6(2) to say that the distribution right is exhausted but then answering this dilemma, do you end up with a situation where works are perpetually not in circumstances.

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25

Once the copies are in circulation in New Zealand, then the exhaustion mechanism in section 9(1)(a) applies. It says: "And do not include the acts of subsequent distribution or sale of those copies." So that's the point I touched on earlier, subsequent sellers or distributors of those copies in New Zealand
30 are not liable for a primary infringement, you do not end up with a perpetual state of never exhausting the distribution right. So then I come to proposition 4 in the roadmap.

KÓS J:

Only if those are authorised copies?

MR BROWN KC:

5 No, it can also be if they're infringing copies once they've been put into the market.

WILLIAMS J:

How can that be if your qualifier in the chapeau is with the consent?

GLAZEBROOK J:

10 The qualifier doesn't run down to those copies because the right is breached as soon as they're put into first circulation in New Zealand I think is the argument.

MR BROWN KC:

Yes, yes, that's it, yes.

GLAZEBROOK J:

15 But again I'm just coming back to my point and I'm sorry to keep going on about this, but it is a territorial right and do you say that a territorial right is what's required by the WCT?

MR BROWN KC:

Yes.

20 **GLAZEBROOK J:**

Well because the exhaustion isn't required by the WCT, is it? You can decide what you do with exhaustion.

MR BROWN KC:

Yes you can and the —

25 **GLAZEBROOK J:**

But you say otherwise it's a territorial right?

MR BROWN KC:

Yes, so you have a choice as to whether you go with national exhaustion, regional exhaustion and for example in the EU or international exhaustion as New Zealand chose.

5 **GLAZEBROOK J:**

But the first proposition is that it has to be that the actual right, under 6(1) is territorial is that —

MR BROWN KC:

Yes.

10 **GLAZEBROOK J:**

And is there authority on that?

MR BROWN KC:

It's just an incident of the exclusive rights which are given in each country. That's what section — if you look at section 16(1) —

15 **GLAZEBROOK J:**

So it's the same argument that you put?

MR BROWN KC:

Well if you look at section 16(1), just take the opening words: "The owner of the copyright in a work has the exclusive right to do, in accordance with sections 30
20 to 34 the followings acts in New Zealand."

GLAZEBROOK J:

No, no sorry I was asking the question about the WCT.

MR BROWN KC:

I can't answer that one right now, but it's — each country was providing in the
25 —

GLAZEBROOK J:

Well you're saying it's contrary to the WCT interpretation put on it by the Court of Appeal which says a distribution anywhere exhausts the distribution right.

MR BROWN KC:

- 5 Yes and what the Court of Appeal has done is take a different wording that was in the UK Act and has said well the fact that it wasn't in the New Zealand Act is really not material, we believe that we should read into the New Zealand Act the words "in New Zealand or elsewhere", and so then they let in a consideration of acts which took place outside New Zealand but it's clear that
10 what section 16 does is give an exclusive right in New Zealand.

ELLEN FRANCE J:

So could you just summarise then why you say it's inconsistent, that the approach taken is inconsistent with Article 6?

1055

15 MR BROWN KC:

- Because they have held that the right in respect, the distribution right in respect of these particular infringing copies in New Zealand was exhausted by the act of putting those infringing copies into Vietnam without the licence or consent of the copyright owner. I mean PGT never even knew about it until after the goods
20 started coming into New Zealand.

GLAZEBROOK J:

But doesn't Article 6(2) allow you to do that?

MR BROWN KC:

- No because the precondition to allowing a contracting state, which is
25 New Zealand, to determine the conditions under which there can be exhaustion is that it is only after there has been the issuing of or the putting in of copies into circulation by or with the consent of the copyright owner.

GLAZEBROOK J:

Well then you could never exhaust it, could you, if it wasn't with the consent and they seem to suggest you can exhaust it, don't they? You just said to us that you can exhaust it.

5 **MR BROWN KC:**

Well New Zealand did that in relation to parallel imports in the 1998 amendment, which we will come to shortly. In the 1998 amendment Parliament provided that, and this is in section 9(1)(d), that it provided a carve-out for the distribution of imported copies that are not infringing copies within the meaning
10 of section 12, subsequent to their importation into New Zealand, so that there was an example of the New Zealand Parliament taking up the right or the freedom which is given in Article 6(2) which is to determine the conditions under which exhaustion may occur. So they decided that parallel imports which are goods which have been put into the market overseas by the copyright owner or
15 made by the copyright owner overseas, are able to be distributed in New Zealand and that doesn't infringe the distribution right and so they provided a specific carve-out for that in section 9(1)(d).

WILLIAMS J:

All of paragraphs (a) to (d) are by definition, on your analysis, non-infringing.

20 **MR BROWN KC:**

Yes and that's the exhaustion mechanism that's provided in 9(1), concluding words.

WILLIAMS J:

And they are by definition, they apply by definition without — they have no basis
25 in the consent of the copyright holder?

MR BROWN KC:

Well they do in section 9(1)(d) in the sense that parallel imports are products which are certainly made or with the consent of the copyright owner.

WILLIAMS J:

Yes but if you read in consent to the chapeau, then every one of the conditions that followed, every one of the exclusions that followed, would be what, with or without consent on your analysis, leaving aside parallel importing which deals
5 with it directly?

MR BROWN KC:

Well certainly parallel importing is —

WILLIAMS J:

Just leave that aside, let's talk about (a) which is —

10 **MR BROWN KC:**

And subsequent importation of those copies into New Zealand does not —

WILLIAMS J:

No let's talk about paragraph (a).

MR BROWN KC:

15 It doesn't include the subsequent distribution of those copies. These are copies which have been issued by or with the consent of the copyright owner.

WILLIAMS J:

Correct, so — because I took you to be saying when I asked you that question about five minutes ago, that it could apply to infringing or non-infringing.

20 **MR BROWN KC:**

It does. But the carve-out, the mechanism for exhaustion applies to the original of the works, it applies to copies of the work and it applies to whether they're infringing or genuine.

WILLIAMS J:

25 You say that in order for there to be a distribution in terms of the chapeau, the consent of the copyright holder is required, without that consent it is not a distribution.

MR BROWN KC:

It's not a first distribution.

WILLIAMS J:

That's the only distribution I'm talking about, right.

5 **MR BROWN KC:**

Yes, it's not first distribution, so that the right of first distribution is not exhausted.

1100

WILLIAMS J:

10 Correct. And then there's an exclusion in paragraph (a) for subsequent distribution.

MR BROWN KC:

Of those copies, yes.

WILLIAMS J:

15 Yes, right. So those copies must be copies that have been the subject of the consent at some point of the copyright holder or what am I not understanding here?

MR BROWN KC:

20 Well where somebody has put the copies into circulation without the licence or consent of the copyright owner, that first distribution or sale in New Zealand is the infringement of the parallel importation. Thereafter —

WILLIAMS J:

But you say that's not a first distribution, doesn't fit the definition of first distribution.

MR BROWN KC:

25 Yes it does. If I bring into the market either genuine or infringing copies, and I put them on the market without the licence or consent of the copyright owner, that is —

WILLIAMS J:

Do you see what I'm trying to tease from you because perhaps I'm being too oblique, but I took you to be arguing that the chapeau means that first distribution is only ever first distribution with the consent of the copyright holder
5 and now you're saying, no, consent isn't required, if it's put into the market in an infringing way, that is also first distribution, which seems to me to be inconsistent with your starting proposition unless I'm not understanding something quite fundamental about what you're saying.

MR BROWN KC:

10 What I'm trying to impart is that the concluding words: "And do not include the acts of subsequent distribution", is the point at which there has been exhaustion.

WILLIAMS J:

Yes I understand that.

MR BROWN KC:

15 Those copies, so —

WILLIAMS J:

But if, without the consent of the copyright holder, that is not a distribution, then you'll never get exhaustion until consent is obtained in some way.

MR BROWN KC:

20 Yes, but in the case of an infringing copy, it's never going to be with the copyright owner's consent or licence because by definition —

WILLIAMS J:

Correct and then the on-sale and the on-sale and the on-sale.

MR BROWN KC:

25 Yes, but no, because that was the point I took you to earlier, when explaining why you don't ever get to an never ending situation.

WILLIAMS J:

Yes, that's what I'm not understanding and that's why I'm pressing you.

MR BROWN KC:

Well the reason why it's not never ending is that once that infringing copy has
5 been sold in New Zealand, either with or without the licence of the copyright
owner, it amounts to the first sale for the purposes of distribution and
thereafter —

WILLIAMS J:

That's just a statement, that's just a proposition, I'm driving you at the words as
10 you would read them in the chapeau. I don't want you to assert the position, I
want you to explain to me why the words as you would read them, get you to
that point?

MR BROWN KC:

Well the words as I read them get me there because of their concluding words
15 in section 29(1): "Who other than pursuant to a copyright licence does any
restricted act", and the restricted act has to be what your Honour is calling the
chapeau, well the definition.

WILLIAMS J:

Yes, but you say the restricted act is with the consent of the copyright holder,
20 you say that's inherent —

MR BROWN KC:

In order to get to exhaustion it has to have been.

WILLIAMS J:

All right, if you see the circularity that I'm trying to get my head around. I'm not
25 suggesting there aren't problems on the other side too.

MR BROWN KC:

What I will accept in the case of infringing copies, your Honour, is that infringing copies by definition are never going to be put into the market by or with the consent of the copyright owner but once they're in the market, even though it's
5 without the — at that point there's primary infringement and then the subsequent sale or distribution of those copies in New Zealand —

WILLIAMS J:

Yes, you keep asserting that. I understand the assertion.

MR BROWN KC:

10 But that's what it says, that's what that section says.

GLAZEBROOK J:

Well I think what you're trying to say, if I can put it, you say that the chapeau has consent of the copyright holder but as soon as those copies are put into circulation then (a) doesn't have consent, it's basically any distribution, is that
15 right?

MR BROWN KC:

Yes, yes.

GLAZEBROOK J:

Although it doesn't sit terribly happily with the wording. See those copies would
20 refer back in the chapeau which I think is what Justice Williams is pointing out, only to copies that are circulated with the consent of the copyright holder.
1105

MR BROWN KC:

My proposition is that you can't have a position where you end up in perpetual
25 non-infringement of the primary right without exhaustion, so that it can only be —

WILLIAMS J:

Yes, I agree. Non-exhaustion, yes. But that's potentially an argument against you. That's the problem you've got.

GLAZEBROOK J:

5 I think we've got the argument, yes.

WILLIAMS J:

Yes, that's enough, thank you.

KÓS J:

10 Can I take you up on that on a related question? It's the interrelationship between section 16 and section 9. So 16(1), if you could put that up please, creates the exclusive right in the case of (a) exclusive copying right, in the case of (b) exclusive distribution right, okay? And that is the exclusive right to issue copies of the work to the public. So that is clearly — to understand what that means we've got to look at section 9. Section 9 defines what "issue copies of the work to the public" means. You say we have to read the word "unauthorised" act into section 9. That's at the beginning of your road map.

15

MR BROWN KC:

Yes.

KÓS J:

20 Now why is the exclusive right of the copyright owner to issue copies of work to the public to be defined in terms of the unauthorised act of putting into circulation? I mean the "unauthorised" has no place in that, in that definition, if section 9 is defining what is the right of the copyright owner.

MR BROWN KC:

25 So, your Honour, are you saying that — so my starting point is that in order to infringe there has to be "other than pursuant to a copyright licence".

KÓS J:

I understand that argument but that's not what the meaning in section 9 — if we translate 9 into 16, which we must be able to do, the right of the copyright owner is not a right to put in unauthorised copies. I mean that's just redundant.

5 **MR BROWN KC:**

Well, it's a right to issue copies and where somebody issues unauthorised copies they are infringing that right.

KÓS J:

Section 9 is not about infringement. Section 9 is defining what the concept of
10 "issue to the public" involves.

MR BROWN KC:

Yes.

KÓS J:

And the word "unauthorised" has no place in there if that is to fit into section 16.

15 **MR BROWN KC:**

But the texts and authorities and cases, and including that *Nelson v Rye* decision I took you to where Justice Laddie was saying that the right includes not just infringing copies but also genuine copies where it's done without licence.

20 **KÓS J:**

Well, we seem to be confusing two concepts here. I mean that section 9 definition has to walk straight into section 16 and it can't do so with the word "unauthorised" tacked in as you wish to do.

MR BROWN KC:

25 But for there to be — so this is the exclusive right the copyright owner has, the bundle of rights includes that.

KÓS J:

Correct.

MR BROWN KC:

5 It's then infringed if somebody without licence issues either originals without the authority of the copyright holder or —

KÓS J:

I understand that but that's a different idea. You are giving us a utilitied extended definition of section 9 by adding in the word "unauthorised". That has to be able to fit then into section 16(1), and it can't with the word "unauthorised".

10 **MR BROWN KC:**

Well, I submit it does operate in relation to genuine copies.

KÓS J:

Well, those won't be unauthorised.

MR BROWN KC:

15 No.

GLAZEBROOK J:

No, the distribution may be unauthorised but —

MR BROWN KC:

The distribution of those —

20 **GLAZEBROOK J:**

— because you can split the rights — but what's been put to you is that the definition of "infringement" is different from the definition of the right, and the definition of the right can't be unauthorised because you're trying to define a right, not an infringement. So first of all you have to find the right before you
25 can work out what is infringing, don't you?

MR BROWN KC:

And then — I accept that, and then the next point, and this is the nub of it, is when is that right exhausted, and Article 6(2) is saying you can't treat some, the exercise of that right as having been exhausted where the copies that are distributed are done without the licence or authority of the copyright owner.

5 1110

GLAZEBROOK J:

Well then on that analysis New Zealand is infringing anyway if your analysis of the subsequent distribution is right, isn't it?

10 **MR BROWN KC:**

No what I'm saying is that the exhaustion doesn't happen where, in the case of genuine copies where there's been no licence. Sorry I'm saying that exhaustion does happen where goods have been put into circulation, genuine or infringing, and therefore subsection —

15 **GLAZEBROOK J:**

But how does that fit with Article 6(2) then if it's interpreted in the way you say? Not that I think Article 6(2) has got anything to do with the interpretation of the 1994 Act and it's really for Parliament whether our Act complies or doesn't comply.

20 **WILLIAMS J:**

You'll want to tussle with us on that, no doubt.

MR BROWN KC:

Well I am keen to explain why that's relevant.

GLAZEBROOK J:

25 Well you perhaps need to do that upfront because at the moment I don't think you've got the — I don't want to speak for my colleagues but I'm having some difficulty with the concept.

MR BROWN KC:

Well Article 6(2) exhaustion may under no circumstances take place in the case of putting into circulation without the consent of the author, means that where it has been put into circulation without the consent of the author, then that
5 amounts to issuing to the public, putting into circulation, even though it's done without consent and the carve-out in (a) is once it's been put into circulation that right is exhausted.

What I'd like to do is go to proposition 5 and 5(a) which is the narrative of
10 New Zealand's involvement in the WCT and subsequent developments demonstrates that the PGT's interpretation is the correct one and that it applied from enactment and in proposition 5(b) we refer to the WIPO definitions, the fact that there were WIPO definitions promulgated in 1993.

15 So what happened, and if I could ask you to also have available the chronology of the WCT. This is the amended chronology with the tab references in the chronology. So the proposition in 5(b) of the roadmap is that a consistent meaning was given to the distribution right in WIPO negotiations in 1993 to 1996 and in fact the definition of terms "always required authorisation by the
20 copyright owner" and New Zealand was actively involved in finalising the definition in the WCT.

Going to the chronology, so 1992 to 1995, there was successive meetings of the committees of experts on the protocol to the Berne convention which was
25 the working title given to what became the WCT. In June 1993 the WIPO International Bureau promulgated a memorandum for the meeting of committee of experts and that provided definitions of the right of distribution and the exhaustion of the right of distribution, both requiring authorisation by the author or other copyright owner. And those were published in WIPO copyright
30 publication in June 1993. And if we could just take your Honours to that, paragraphs [4] to [7] of this document and you can see at the top of that page, just scrolling back if you wouldn't mind, questions concerning a possible protocol to the Berne Convention and then on the right-hand column distribution right including importation right.

1115

So paragraph [5]: “The right of distribution and its synonym the right of circulation, is a right to authorise any act where ownership or possession of one or more copies of the work changes or it changes hands. In the case of sale of gift et cetera is ownership.” And then 6: “The exhaustion of the right of distribution is determination of the right of distribution in respect of any copy of the work where ownership has been transferred for the first time by means of an implicit or explicit authorisation of the author or other original owner of copyright in the work and the first sale doctrine is the doctrine on which such exhaustion or the right is based.”

So that was promulgated in June 1993 and that same month there was a third meeting of the committee of experts in Geneva and New Zealand participated as part of the deliberations, it was part of the committee of experts and we've provided verification of that and I won't take you to it but at tab 68 where New Zealand is recorded as being part of that meeting.

On 20 to 29th of September the assembly in conference of WIPO and representatives of Berne Convention members, New Zealand participated in that at which this WCT insipient convention was discussed and in particular the definitions.

There was then a similar assembly the next year, in October, so this is before the Act was passed in New Zealand and then in November 1994, the WIPO International Bureau republished the same definitions that we just looked at as part of its memorandum for the fourth meeting of committee of experts and then in September 1995 the International Bureau published draft texts of the WCT put forward by the EU, US and Australia, all of which required authorisation.

In December 1996, there was a diplomatic conference on the WCT and New Zealand voted in favour of the distribution right in Article 6(1). That meeting was attended by a senior policy advisor from the Ministry of Commerce and then in December, 20th of December, the WCT was finalised and

New Zealand signed the final act of the diplomatic conference which was to adopt the WCT. So throughout New Zealand had an active role.

5 Now a number of countries had pre-existing distribution rights in their domestic legislation before the WCT was concluded in December 1996 and those included the UK, New Zealand, the US and EU and the New Zealand Act was passed in November 1994 which was partway through the negotiations for the WCT but importantly after WIPO had promulgated in June 1993 the definitions of key terms encapsulating the distribution right and in particular requiring that
10 the copyright owner must have implicitly or explicitly authorised the distribution before the right could be exhausted, the fact that the right of distribution in Article 6(1) which requires the author's authorisation or licence met with what *Reinbothe* calls widespread consensus and that New Zealand supported the distribution right at the diplomatic conference, in my submission strongly
15 supports the submission that the need for the copyright owner's authorisation or licence for specific copies before the right to distribution was exhausted was well understood as being a requirement and informed the New Zealand provisions in 1994. That's where I come back to my submission, that that requirement is clearly stated in section 29(1) of the Act, otherwise —

20 **O'REGAN J:**

Is there anything that links what was happening at the WIPO negotiations with what was happening in the Parliamentary process, is there any reference?

1120

MR BROWN KC:

25 There's no reference in the, as Justice Glazebrook observed when doing the writing the *Ortmann v USA* [2020] NZSC 120, [2020] 1 NZLR 475 judgment of this Court, there was some time pressures on New Zealand to pass the 1994 Act because the Bolger government wanted to in fact be able to comply with the TRIPS Agreement and meet the WTO requirements which is why it came
30 into force on the very next month, on the 1st of December but there's nothing which links, other than the fact that you've got New Zealand representatives there considering the definitions and there's a consistency of definitions which

follows through from June 1993 to 1994 and then into the wording of the two articles which were finally approved and the fact that New Zealand voted for it, provided in the chronology, where in the diplomatic convention, in the records which were provided in the supplementary bundle where New Zealand actually
5 voted for it.

KÓS J:

But this is a bit of a will-o'-the-wisp isn't it because what we really were doing was copying the United Kingdom legislation?

MR BROWN KC:

10 That's certainly true.

KÓS J:

We know that.

MR BROWN KC:

We know that but we equally know in both UK and eventually New Zealand at
15 the end of that year, had legislation which was pre-existing but I'm submitting to your Honours is that that drafting was informed by what was going on in the WIPO convention and New Zealand's participation in it. I don't think I can take it any more than that.

20 So I'm not at proposition 6. I think your Honour Justice Glazebrook, you were indicating you didn't necessarily want us to address the ambulatory or updating interpretative —

GLAZEBROOK J:

Well I don't think you need do you, because your argument, isn't it, that it was
25 always like that from inception on ordinary principles of statutory interpretation?

MR BROWN KC:

Yes.

GLAZEBROOK J:

So if that's the argument then I don't quite see why you need to say you have an ambulatory approach because that would just amble with exactly the same interpretation.

5 MR BROWN KC:

I see the point. I suppose the key thing that we do point to is that there has been a consistent interpretation and representation of the existing distribution right and this is my proposition 6(b), that New Zealand complied with Article 6. From 2002 onwards the New Zealand government, through MBIE or Parliament
10 itself in the receipt of national interest analysis, is saying that New Zealand already complied.

KÓS J:

I think in the time available, Mr Brown, just speaking for myself, it's your points 7 and 8 I really want to hear about. We also need to hear Mr Oliver-Hood.

15 MR BROWN KC:

Yes, so I think I've touched on the 1998 amendment already, so I will go to point 7. If you have tab 12. This is the version of the CDPA which came into force on the 1st of December 1996 and this resulted in some words being put into section 18(2): "References in this Part to the issue to the public of copies
20 of a work are to the act of putting into circulation in the United Kingdom copies not previously put into circulation in the EEA", and then the words, "by or with the consent of the copyright owner," and ESR has pointed to the fact that section 18(2) was amended in 1986 to meet the WCT. In fact, it was to meet earlier EU directives relating to computer software and databases.

25 1125

But ESR points to this provision in the UK Act as evidence that section 9 doesn't have the meaning which PGT contends for, and in response we submit that the English amendment was not the only way in which the requirement of
30 authorisation can be achieved, and given that authorising or authorisation means "without permission or consent" the legislature and the New Zealand

government through MBIE were perfectly entitled to rely on the wording of section 29(1) “other than pursuant to a copyright licence” as meeting the Article 6 requirement that an owner’s right to distribute is only exhausted after an act of circulation by or with the consent of the copyright owner, and as we’ve
5 seen when I took you to the *Nelson v Rye* decision from Justice Laddie which was before this amendment, before the introduction of the words “by or with the consent of the copyright owner”.

The final important point is that the amending statutory instrument in 1996 which
10 from the 1st of December introduced that specific wording, if you go to the statutory instrument which is noted on the third page of that document, sorry, the second page of the document, it’s the SI 1996/2967, that statutory instrument records — I’m sorry I don’t have the wording with me — but it records that it was making provision for the purpose of implementing three listed EU
15 directives and “certain obligations of the UK created by or arising out of the EEA agreement so far as relevant to the implementation of the directives”. So in the UK there were other legislative imperatives that led to the UK amended wording which had no equivalent in New Zealand.

20 So in a nutshell, our submission is that the absence of that equivalent provision in New Zealand is not determinative and that it’s not the only way in which the requirement of authorisation can be expressed.

7(c), the Sterling proposition which the Court of Appeal dealt with in
25 paragraphs [37] and [79] of its decision, we’ve already been to paragraph [79], so all I’ll say is that the proposition which Professor Sterling put forward was contradicted by the WIPO definitions and exhaustion of the right which were released in June 1993 but was exhausted — it was inconsistent with the approach and definition in the WCT and it’s also contrary to the 1995 summary
30 of the effect of the UK provisions in *Nelson v Rye* and in Sterling’s 1998 text book he takes the opposite approach, and we’ve given you the reference in the supplementary bundle, that the author’s right of distribution of a copy of a work is said to be exhausted as regard that particular copy when the author has permitted the sale of that copy.

So then I wanted to turn to some problems with ESR's arguments and my proposition 8 —

GLAZEBROOK J:

Is that better dealt with after the adjournment?

5 **MR BROWN KC:**

Yes, your Honour, I can happily do that.

GLAZEBROOK J:

So we'll take the adjournment.

COURT ADJOURNS: 11.30 AM

10 **COURT ADJOURNS: 11.49 AM**

MR MILES KC:

Your Honour, I wonder might intervene for a second, I'm becoming concerned about time.

GLAZEBROOK J:

15 No, we were going to bring that up. How long do you think you need Mr Miles?

MR MILES KC:

Well given the clear indication of your Honour, I would do this in an hour, easily hopefully.

KÓS J:

20 Yes, well we might have a few questions for you Mr Miles. That's when timing goes wrong.

GLAZEBROOK J:

Certainly if you had the afternoon from 2.15 you'd be very confident of being able to finish and give the time for reply, is that —

MR MILES KC:

Provided that my reply was —

GLAZEBROOK J:

All right, Mr Brown, when do you think you will finish and how long do you
5 anticipate needing in reply, remembering that reply is really only related to new
points not points —

MR BROWN KC:

What I was proposing to do your Honour, was to pass over, with your leave, to
Mr Oliver-Hood straightaway, then I've only got proposition (a) and there's
10 about four or five points to make out of those and I think I can do it quite quickly.
So I think Mr Oliver-Hood will probably take about half an hour and I think —

GLAZEBROOK J:

So you'd definitely be finished by lunchtime?

MR BROWN KC:

15 Oh yes.

MR OLIVER-HOOD:

Thank you your Honours and may it please the Court. As Mr Brown has said,
I am addressing on the second ground of appeal for which leave has been
granted in relation to this territorial issue and the key issue under that ground
20 of appeal is whether an overseas unauthorised sale of an infringing copy
exhausts the copyright holder's right to control the first circulation of that copy
in New Zealand.

The Court of Appeal took the view that it does and we respectfully submit that
25 conclusion was wrong and instead we submit that a copy is in circulation for the
purposes of the New Zealand Act unsurprisingly when the copy is put into
circulation in New Zealand and the issue arises from the wording in section 9
and as your Honour Justice Williams noted, the first part of the sentence before
the semicolon in section 9, described as the chapeau is the positive definition

of the right to issue copies to the public, that is the act of putting into circulation copies that have not previously been put into circulation and regrettably, for all of us the definition does not expressly say where that act of circulation must occur and we submit for the purposes of ground (b) the section should be read:

5 “Copies not previously put into circulation in New Zealand.” The respondent’s proposed meaning and that accepted by the Court of Appeal reads: “The act of putting into circulation copies not previously put into circulation in New Zealand or in any country.”

10 And so to determine which of those readings is correct, we are left with the familiar task of looking for interpretive clues that indicate Parliament’s intention and I submit that there are six important clues that support our proposed interpretation and those are my six propositions on page 3 of the appellant’s roadmap.

15

Your Honours, my first submission is that when the Copyright Act 1994 intends some consequence to follow from something that happens overseas, it expressly says so and in support of this argument we rely on entirely orthodox principles of statutory interpretation which we have set out at paragraph [30] of our synopsis and those principles are very well known but I just briefly mention them. The meaning of a section must be read in the light of the Act as a whole. The meaning of a provision that is otherwise ambiguous may be clarified when understood in light of other enacted provisions. As held by the US Supreme Court, the meaning of the statute is to be looked for, not in any single section but in all the parts together and in relation to their end in view.

20
25

And so the submission I am about to make is drawn from the express wording of the Copyright Act and the international intellectual property law context in which that Act is expected to operate. Your Honours have already heard from Mr Brown about some of the international law framework for the law of copyright and indeed since the Berne Convention in 1886, the domestic copyright law of signatory countries has been expected to recognise on a reciprocal basis, the rights of copyright holders from other countries and so to be fit for purpose, I submit, the New Zealand Copyright Act was drafted to operate within that

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international context and so this means that when it deals with consequences that arise from overseas events, it says so expressly and with your leave I am going to go through three examples.

1155

5

Your Honours, the first are those provisions dealing with qualification for copyright which are provided for in sections 18, 19 and 20, and in section 17, which is just above this section, I just note that section 17(1) provides that copyright does not exist in a work unless sections 18, 19 or 20 are satisfied. So these are important provisions indeed.

10

And so your Honours will note that in section 18(2) the Act provides for qualification for copyright in a work where the author of that work is a citizen of or domiciled in a prescribed foreign country. The prescribed foreign country regime is set out in the Copyright Application to Other Countries Order 1995 and that order sets out the countries New Zealand recognises for the purpose of qualification for copyright. And so sections 19 and 20 make the same point. They have particular specific provisions which apply in relation to qualification for copyright for certain events that occur overseas.

20

So I submit that these sections show a careful regard for location and a particular legislative drafting practice under the Act, and that practice is that where consequences in New Zealand are said to flow from overseas events that is expressly provided for.

25

Your Honours, the next example, and an important one, is section 75. So this section relates to the special exception from protection for artistic works that have been applied industrially, and so in relation to two different kinds of copy that I need not bother you with, the section provides that they do “not infringe copyright in an artistic work if, when the object or copy is made, the artistic work has been applied industrially, in New Zealand or in any other country, by or with the licence of the copyright owner”, and I submit that the use of those words is specific and intentional. It clearly demonstrates the geographical ambit of the

30

section and it puts beyond question where the act at issue may occur and that location is clearly anywhere in the world.

I just have one more example, and this relates to section 127 which, interestingly, at subsection (3) gives the statutory force to the significance of the copyright symbol, but perhaps more importantly in subsection (2) provides for: “In any proceedings to which this section applies, where copies as issued to the public, whether in New Zealand or in any other country, bear a clear and legible label” indicating a number of claims, there is a presumption as to the defendant’s knowledge and in relation to qualification of copyright, or for copyright.

Your Honours, sections 9, 18 to 20, 75 and 127 were all present when the Act was drafted and enacted but the wording “in New Zealand or in any other country” was not used in section 9. Clearly, if section 9 read: “Issuing copies to the public means the act of putting into circulation copies not previously put into circulation in New Zealand or in any other country,” ESR’s position and that accepted by the Court of Appeal would be clearly correct, but it does not and I submit that that difference in language must mean something.

So my conclusion on this first interpretive indicator is that as a general proposition the Act is deliberate on this issue. When Parliament intends consequences to flow from acts occurring overseas it says so, as we see in the sections to which I have referred.

So now I turn to the particular provisions at issue to see what they say.

So section 16, as has been recorded in exchanges with the Court, sets out the acts that the owner of copyright in a work has the exclusive right to do, and it provides that the New Zealand Act only entitles an owner to the exclusive right to do those things in New Zealand, and section 16(1)(b) provides that issuing to the public is a restricted act.

Entirely consistently with the points made by his Honour Justice Judge Kós, I submit that section 9 defines what references to issuing copies to the public mean. So section 9 just defines what is in section 1(b) but importantly the geographical restriction in section 16 applies to all of the restricted acts and so

5 PGT submit that this mean a New Zealand copyright owner is entitled to prohibit the first act of circulation of a copy of their work in New Zealand and so the effect of section —

KÓS J:

Can you just help me with one point Mr Oliver-Hood, section 9, the definition

10 there, that only effectively services section 16, doesn't it? Do we find the expression "issue to the public" anywhere else but section 16?

MR OLIVER-HOOD:

There is a reference in section 127 that I just recorded.

KÓS J:

15 Oh that's right.

MR OLIVER-HOOD:

I may need to —

KÓS J:

Can you just pop that up again. Right, okay, but that's a very specific one.

20 Fundamentally, I think basically 9 is an extension of 16 effectively.

MR OLIVER-HOOD:

And section 31, but I accept the central point, yes.

WILLIAMS J:

What do you make of the fact that consent of the licence owner is referred to

25 expressly in 127? I know that's not your portfolio but —

MR OLIVER-HOOD:

Unsurprisingly, your Honour, I'd submit it's consistent with the position that we've taken. It would be preferable if it was more clearly provided for in the chapeau to section 9.

5 **WILLIAMS J:**

But 29 does that work, you say?

MR OLIVER-HOOD:

Indeed.

WILLIAMS J:

10 It seems strange though that when you're dealing with the precise issue.

MR OLIVER-HOOD:

There is a great deal of strangeness in the drafting of these provisions, your Honour, I would submit.

MR OLIVER-HOOD:

15 So my point in relation to section 16 and this geographical limit, is that a copyright owner has no right under the New Zealand Act to sue an infringer for doing a restricted act overseas. So here, as Mr Brown has already noted, PGT could not sue the Vietnamese manufacturer under the New Zealand Act but nonetheless the interpretation accepted by the Court of Appeal means that
20 even though PGT could not sue for infringement of its New Zealand distribution right for conduct in Vietnam, PGT has nonetheless lost its right to control the first act of circulation of those copies in New Zealand. I submit that that is an unusual outcome and if it were intended it would be one that would be more clearly provided for in the relevant sections.

25 **KÓS J:**

So looking at section 31, the issue of copies of a work to the public is a restricted act, that presumably refers to New Zealand as well because the New Zealand Act has no interest in restricting restricted acts in China, Australia.

MR OLIVER-HOOD:

Yes, your Honour. The nature of copyright as has been noted is that it is an expressly territorial right, hence the need for all of these complicated international conventions as to copyright to provide for reciprocal recognition
5 between different companies.

KÓS J:

That's very helpful.

MR OLIVER-HOOD:

My third submission, turning to section 9 specifically, sections 9(1)(a) and (b)
10 don't say anything in particular where the acts of circulation at issue may occur but some significance has been given by each of the parties to sub paragraph (c) and to (d). The essential point in relation to section 9(1)(c) is that it has been misconceived from the get-go in that, as Mr Brown has said, importation per se as held by the Court of Appeal could never constitute issuing
15 copies to the public. So I submit that the Court of Appeal's observation that the phraseology at section 9(1)(c) is less than ideal is an understatement and in company with the authors of *Copinger and Skone James on Copyright*, we submit that the section should be understood as simply making clear that point that importation does not constitute issuing copies to the public.

20 1205

In relation to section 9(1)(d), this is a section that I do place considerable importance on. Section 9(1)(d) contains —

KÓS J:

25 So you're saying the words "into New Zealand" are unnecessary?

MR OLIVER-HOOD:

I say that the section simply means importation of those copies into New Zealand, that's right, your Honour, yes.

WILLIAMS J:

You say it's not necessary to have the exclusion at all because importation was never going to qualify?

MR OLIVER-HOOD:

5 Quite, yes, that's right.

GLAZEBROOK J:

Well, I suppose it could be that that's not either an act of distribution, it's not an act of distribution, but it isn't anyway so it's just stating the obvious, is that — for the avoidance of doubt?

10 **MR OLIVER-HOOD:**

That's right.

KÓS J:

Well, it's not an issue to the public.

MR OLIVER-HOOD:

15 Clearly, that's right, yes.

KÓS J:

Simply possession.

MR OLIVER-HOOD:

Simply possession, that's right, yes.

20 **WILLIAMS J:**

It's interesting given that (d) refers to importation and distribution. Is this the point you're about to make?

MR OLIVER-HOOD:

25 Indeed. So section 9(1)(d) contains another exclusion from the definition of issuing copies to the public, and, importantly, as has just been noted, it excludes distribution of imported copies that are not infringing copies within the meaning

of section 12 subsequent to their importation into New Zealand and as has been covered the enactment of the section permitted the sale and distribution of parallel imports, and, without stating the obvious, I submit that the enactment of the section was plainly intended to change the position that previously prevailed to exclude from the definition something that previously fell within it and it can be inferred that without the enactment of section 9(1)(d) the first sale in New Zealand of imported copies, genuine or not, did fall within the owner's distribution right. Section 9(1)(d) changed that but, importantly, the exclusion only applies to copies that are not infringing copies under section 12.

10

Your Honours, the case before you is a case of distribution of imported copies that are infringing copies within the meaning of section 12 subsequent to their importation into New Zealand. Her Honour, Justice Duthie, many moons ago conclusively found that the copies here at issue were infringing, indeed pirated copies, and that finding has never been appealed by the respondent as recorded by the Court of Appeal in its 2017 judgment at paragraph [65].

15

So we go to section 12 and this, in my submission, is a section that's drafted consistently with what I previously said about sections 18 to 20, 75 and 127, that is, when the Act intends consequences to follow from something that happens overseas it says so in quite specific and particular language, regrettably that use of language not found in section 9(1), and so section 12(3)(a) provides: "An object that a person imports, or proposes to import, into New Zealand is an infringing copy if the making of the object constituted an infringement of the copyright in the work in question in the country in which the object was made," so again we see this particular wording that is intended to extend the operation of the Act in this way.

20

25

Section 12(5A) provides that an object, and I'm not going to read this entire thing, but the key point is that an object that a person imports or proposes to import into New Zealand is not an infringing copy under subsection (3)(b) if it was made by or with the consent of the owner of the copyright, or other equivalent IP right, in the work in question in the country in which the object was made.

30

So I submit that again these are narrow and specific provisions that deal with overseas events and how they relate to the distribution right.

1210

- 5 Turning back to section 9, the only carve-out from liability under the distribution right for distribution of imported copies is for copies that fall within the relevant parts of section 12. I submit that this is strong support for our proposed interpretation. None of these provisions are required and ESR is correct, as the Court of Appeal held, and any overseas sale of an infringing copy is
- 10 sufficient to exhaust the owner's right to distribute in New Zealand.

The Court of Appeal took a different view and held that section 9(1)(d) was simply unnecessary and misconceived on the basis of the proposed interpretation and so did not accept the submission that I am advancing to you

15 and I submit to you that that approach was in error. The Court, in my respectful submission, must strive for an interpretation that gives effect to a statutory provision, where there are two tenable competing statutory interpretations before the Court, one gives effect to a statutory provision and the other ignores it, I submit that the prior interpretation should be preferred in all but the most

20 extreme of cases.

Put it another way, the interpretation of a legislative provision must be driven by the words enacted by Parliament. A statutory provision cannot be ignored because it runs contrary to a proposed interpretation. So we submit that the

25 specific and particular wording of section 9(1)(d) which only narrowly permits the first distribution of lawfully made copies, should be given effect and that way strongly against the Court of Appeal's accepted interpretation which renders the section meaningless.

30 My learned friends take issue with this submission, they say section 9(1)(d) is not at issue, the context and meaning of section 9(1)(d) is peripheral, that there is no need to rule on its meaning or its efficacy. Without sounding glib, I submit that the meaning of a section should be determined by reference to the words

of the section and subparagraph (d) is one of only four subparagraphs to the relevant section.

I come to my fourth submission, your Honours, and this relates to a difference
5 in wording between our section 9 and the UK equivalent on enactment. As this
Court previously ruled in the *Ortmann* case and as has been discussed, the
New Zealand Act was largely based on the UK CDPA 1988. We see this
reflected in the drafting of the provisions and indeed the legislative note at the
bottom of section 9 which you can see on the screen here, says: “Compare
10 Copyright Designs and Patents Act 1988, section 18(12)”. But there is one very
importance difference that I wish to highlight and I submit that this difference
says something about the meaning of our section 9.

So the version of section 18 that I have on the screen here, this is the relevant
15 version that would have been looked to in drafting the 1994 Act. Section 18(2)
provides: “That issuing copies to the public means: ‘Putting into circulation
copies not previously put into circulation in the United Kingdom or elsewhere’.”
That wording “in the United Kingdom or elsewhere”, was not adopted in the
New Zealand definition under section 9. The question is why? PGT submit that
20 the difference in wording is intended to reflect a difference in meaning. It is
important to note that sections 75 and 127, I've already taken you to, did
expressly use similar language. Both sections used the phrase “in
New Zealand or in any other country”. In contrast, even though the UK
equivalent had similar language, our section 9 contains no such wording.

25 We submit that the difference in phrasing and text must have meaning. If the
New Zealand legislature had intended to achieve the result contended for by
ESR and accepted by the Court of Appeal, they had two clear options to do so.
The first was to simply use the same language as the United Kingdom on
30 enactment which unequivocally provided that a copy put into circulation
elsewhere than the UK had been put into circulation and indeed given that our
Act was largely based on the CDPA it would have made sense to do so if that
was the intention.

The second option was to use the same language that we find in sections 75 and 127 and say that copies already put into circulation in New Zealand or any other country fall outside the distribution right. The legislature of course didn't either, it only said "put into circulation". That is different to what it did for
5 sections 18 to 20, for sections 75 and 127.

O'REGAN J:

So did the provisions in the UK Act that mirror sections 75 and 127, did they specifically say "in the UK or elsewhere" or —

WILLIAMS J:

10 The provisions of s 27(a) and section 20 of the 2018 Act.

MR OLIVER-HOOD:

I'll need to check in relation to sections 18 to 20 but I'm informed by Mr Brown that sections 75 and 127 do not have direct equivalent in the United Kingdom Act in the same way.

15 **WILLIAMS J:**

According to 127 and 75 they do. Well at least to compare 1962 is that —

O'REGAN J:

No that's our Act. That's our earlier Act.

MR OLIVER-HOOD:

20 That would be an obstructive point and I'll see what I can find.

WILLIAMS J:

Well they were added in 1985, both of them. It would be interesting to know why.

MR BROWN KC:

25 I can explain that your Honour, there was an industrial property advisor committee chaired by the late Sir Thomas Gault and at the time there was a concern that injunctions were being granted in relation to copyright matters

which were too wide and in particular copyright had too broad a sweep for what are called industrially applied articles, be it chairs, tables, computer screens and the like and so section 75 operated to provide a 16 year period of protection for industrially applied articles from the first industrial application of the copyright work in New Zealand or elsewhere. So it was an indigenous provision that arose in 1985.

WILLIAMS J:

And 127 similarly? It looks like it was in the same legislation?

MR BROWN KC:

10 I think 127 may have had a —

WILLIAMS J:

It is a three dimensions provision for what that's worth.

MR BROWN KC:

Yes it looks at though that must have been tweaked as well in 1985 as part of those same suite of amendments that were introduced by the industrial property advisory committee.

MR OLIVER-HOOD:

Just to finish off the submission your Honours, so I've made reference to these two options that the legislature could have taken to achieve the meaning that the Court of Appeal accepted and of course they did neither. Section 9 simply says: "Copies put into circulation", and there is a notable difference between sections that treat equivalent subject matter that I've already covered.

The submission from my learned friends is that the difference in wording is immaterial. They say that not using the wording has the same effect as including the wording in the sense that no geographical wording is provided because simply the section applies everywhere, and I simply submit that that runs counter to the approach that I've highlighted in relation to sections 18 to

20 and so on and that involves taking an inconsistent approach to how the Act deals with these kinds of subject matters.

1220

5 Your Honours, my fifth submission is in relation to the MBIE position paper that we've put up, which I'll just bring up. Now this paper has been the subject of some criticism by my learned friends in the Court of Appeal and of course if this were our only point it certainly wouldn't carry the day, but it's recorded just for corroboration of the view that we're putting forward. As the Court is no doubt
10 aware, MBIE is the responsible Ministry for intellectual property matters and here specifically copyright and since 2018 MBIE has been undertaking a full review of the copyright Act and so in 2019, in the context of examining the position under the patents legislation, they considered this notion of exhaustion of rights and what the position is in New Zealand and so we rely on this
15 summary and specifically what is said in paragraphs [240] and [241], insofar as it demonstrates the understanding of the responsible Ministry when it comes to intellectual property policy on this difficult question and paragraph [241] says: "The Copyright Act 1994 and the Trademarks Act 2002 provide for international exhaustion of copyright and trademark rights. This relates to situations where
20 a copyright work or a product carrying a trademark registered in New Zealand, is placed on the market in another country by or with the permission of the copyright or trademark owner. In these situations the copyright work or trademark product can be imported into New Zealand without permission of the copyright owner or the trademark owner." So we simply rely on this paragraph
25 just as corroboration for the interpretation that we are proposing.

My final submission, your Honours, is about the outcome of the Court of Appeal's interpretation. As we note in paragraph [107] of our written synopsis, we submit that the adopted interpretation has real consequences for copyright
30 holders in the sense that unlawful overseas conduct is to be held to curtail their statutory rights under the copyright statute in New Zealand. There are many companies whose products are unlawfully copied, counterfeited or pirated all over the world and then imported and sold into other countries and as happened

here, pirated copies are made entirely without consent and then sold again without consent overseas before being imported into New Zealand.

5 If one takes a counterfeit Lego set, a company's products who are counterfeited all over the world, manufactured unlawfully in Vietnam and then sold by the counterfeiter to a distributor of counterfeiter products in Vietnam, seemingly a third-party sale, the pirated goods are then imported into New Zealand and sold. On this view, on this construction of the Act, the lawful owner of copyright losses its right to control the first act of circulation in New Zealand by virtue of
10 the unlawful conduct of third parties and we submit that such an outcome has consequences for the capacity of owners to control first circulation of their works. Given that outcome is not clearly mandated in the words of the Act, my submission is that PGT's interpretation should be preferred. Your Honours, those are the matters that I wish to address you on. Unless there are any further
15 matters, I'll hand back to Mr Brown.

GLAZEBROOK J:

Thank you.

MR BROWN KC:

Thank you, your Honours, so that leaves us with item 8 of the roadmap, where
20 I just wanted to address three aspects of ESR's submissions and the first in proposition 8(a) really arises from ESR's submission where they say that the argument that innocent distributors can be sued for primary infringement is novel, unsupported by authority and cuts across the fundamental division of rights in the Act.

25

And then an associated submission is made that PGT's arguments when they say "render section 36, lack of knowledge defence, redundant", and our first proposition is that object to reliance on that because the Court of Appeal squarely addressed that issue at paragraph [43] and following in the judgment.
30 There's a heading in the judgment, there's a heading just before paragraph [43] of the judgment which says: "Can the sale or distribution of an imported product not previously put into circulation constitute primary infringement,

notwithstanding the absence of a knowledge component in sections 35 and 36?” And at paragraphs [55] to [61] the Court held that such sale or distribution could constitute primary infringement, and the Court recognised the very different nature of primary infringement rights at [59]. Very different rights, and then [60], it’s not possible to construe section 31 as incorporating a defence in circumstances where the distributor is unaware that the copy they are selling has never previously been distributed, and it’s not the role of the Court to read into section 31 a knowledge component which would transform the scope of the restricted act.

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10 1225

ESR has not sought nor obtained leave to cross-appeal against the finding and we submit the multiple submissions on that point should be disregarded.

15 In the road map, if your Honours were somehow minded to consider the point, ESR relies for its proposition on a House of Lords decision in 1982 called *Infabrics Ltd & Ors v Jaytex Ltd* [1982] AC 1. They claim it’s authority for the proposition that it’s implausible that a person who can’t be sued for secondary infringement should be sued for primary infringement and the texts and
20 authorities which we’ve listed in 8(a) are all clear that the *Infabrics* decision under the predecessor 1956 Act does not represent the law under the UK 1988 Act and, indeed, the UK provision which we copied in section 18 was passed to reverse the effect of the *Infabrics v Jaytex* decision, and just two highlights from that list of authorities: *Copinger* in the 14th edition said that: “Infringement by
25 issue of copies to the public was a new concept introduced by section 18 of the 1988 Act and represented a substantial departure from the previous law...Decisions under the earlier law are therefore of limited assistance in interpreting section 18,” and *The British Phonographic Industry Ltd v Mechanical Copyright Protection Society Ltd (No 2)* [1993] EMLR 86 case
30 which is in the list there, a decision of Sir Robin Jacob, later Lord Justice Jacob, one of the leading IP Judges in the UK, said the distribution right was a statutory reversal of the *Infabrics v Jaytex* case which my learned friends rely on.

So the other point to note is section 121 which is the second to the bottom paragraph in our road map, and this was a point Justice Downs noted but the Court of Appeal did not. It provides an innocent defence ameliorating type provision which applies in cases of primary infringement. So it says: “Where,
5 in proceedings for infringement of copyright, it is proved or admitted that at the time of the infringement the defendant did not know, and had no reason to believe, that copyright existed in the work to which the proceedings relate, the plaintiff is not entitled to damages but, without prejudice to the award of any other remedy, is entitled to an account of profits.” That provision started in
10 1911. It’s been adopted in the UK, and in New Zealand since 1913. So you can’t get damages but you get an account of profits.

So insofar as ESR has submitted to you that the distribution right would render section 36 lack of knowledge defence redundant, it’s incorrect. There’s already
15 a special lack of knowledge defence which is arguably wider and which ameliorates the remedies in respect of primary acts of infringement.

The final point on this 8(a) — I should say that in circumstances where ESR made a profit of 220,000 on the sale in New Zealand of infringing copies of
20 PGT’s copyright designs, ESR’s now seeking a windfall so that it can keep this money for itself, and even if the section 121 lack of knowledge defence had been established ESR would still have been required to disgorge these profits.
1230

25 So the last point is just responding to this, well, it would make section 36 redundant and the Court of Appeal noted itself that the exclusive rights in the distribution right cover genuine and infringing copies, whereas section 36 only covers infringing copies, so there is no way in which section 36 could be applicable in all cases to which the distribution right applies.

30

The next point, 8(b) in the roadmap is really responding to an ESR submission that Article 6 is permissive not directive, nothing in Article 6 insists of primary infringement strict liability. The submission is made that the New Zealand Act complies with Article 6 as section 36 provides a non-exhaustible distribution

right and there's the submission made, no need to shoehorn a strict liability into section 9.

5 The first point in response to that is quite apart from Article 6, the New Zealand Act does provide a distribution right and the Court of Appeal has held in 60 that Parliament saw fit to categorise contravention of the distribution right as primary infringement and it was not the role of the Court to read knowledge into this. So again was no lead was sought or obtained to challenge this.

10 Secondly, Article 6(1) plainly is directive. The wording says: "Authors of literary and artistic works shall enjoy the exclusive right of authorising the making available to the public of the original or copies of their work", and Article 18 provides that each contracting state shall assume all of the obligations under the Treaty. So the only permissive aspect of Article 6, is Article 6(2), which
15 allows contracting parties to determine the conditions of exhaustion of the right, but with the precondition to that freedom, after the first sale or other transfer of ownership of the original or a copy with the authorisation of the author.

So we say this is a directive that it's given effect to in New Zealand in the
20 Copyright Act existing provisions and indeed in the written synopsis we provided, we've set out how the Ministry and Parliament have consistently regarded the New Zealand provisions as meeting that obligation and the only way that obligation could be met is through the interpretation of section 29.

25 The last point I wanted to touch on is the relevance of section 9(1)(c). Now Mr Oliver-Hood has dealt with some aspects of this, there were just a couple of additional points I wanted to make. PGT reject the submission made by ESR that they have ignored the plain meaning and we rely on the fact that importing per se does not constitute distribution, a point that the Court of Appeal has
30 acknowledged. Successive issues of the leading UK text, *Copinger*, clearly stated that the CDPA equivalent of section 9(1)(c) was muddled thinking and even the 13th edition, which was the first one after the 1988 Act, ESR claims that the muddled thinking theory was not mentioned, well it was and if we could just bring up the 13th edition at 8–97. So here the learned author said: "If it is

correct that the mere importation of copies of a work not previously in circulation amounts to an infringement, the result appears to be anomalous and unduly harsh, thus as has already been noted, even the act of secondary infringement by importation is only committed if the defendant has sufficient knowledge that they are infringing copies.” The word “subsequent” was only introduced into subsection 2(b) at a late stage in the passage of the Bill.

1235

As the Bill previously stood, it was clear that no importation of copies of a work could amount to infringement under this section. The position may be that if goods are being imported, there will always be someone higher up the distribution chain who has put these copies into circulation, even if it is only by the act of exportation from a place abroad. Now bearing in mind that the UK has the words “in the United Kingdom or elsewhere”, which we do not.

15

The difficulty with this view is that if correct it would mean that no act of importation would ever amount to an infringement under this section and therefore it is difficult to see why subsection 2(b) was enacted at all or why the word “subsequent” was introduced into what was previously a clear provision.

20

Now in its judgment, the Court of Appeal addressed this at [117] and [118] and following and at [120] is the one I particularly want to focus on. So the Court of Appeal acknowledged at 120 that: “Given our view that mere importation without more cannot amount to infringement of the distribution right, the phraseology of 18(2)(b) was less than ideal. But the Court of Appeal is forced to add some words to get past the fact that importation is not circulation. So at [120] it introduces the words “in due course”. So it says: “Bringing into the United Kingdom copies which had already been put into circulation elsewhere would not in due course culminate in an infringement of the distribution right, whereas introducing into the United Kingdom market”, and here there's another introduced concept: “Ultimately by sale there, copies which had never previously been circulated would do so.” And we submit that the Court of Appeal is clearly struggling and it is forced to say in the next paragraph at [121]: “In the absence of any credible alternative, we do not consider that some

different meaning should be placed on the near identical word of 9(1)(c).” And we submit that the Court’s earlier acknowledgment that importing itself can never amount to distribution is the key point here and that section 9(1)(c) in fact was an aberration and it is interesting in the UK it was dropped in 2018. That is apparent in the version which is at tab 13, and you can see from that reference to subsequent importation has just been completely removed.

Subsection (3), references in this part to the issue to the public of copies of work do not include and then (b) has just been removed altogether and you can see this was substituted by the copyright on related rights Marrakesh Treaty. Now my learned friends in their submissions say oh well that was not a mistake but as a result of regulations past in 2018. Well with respect it was not. There is nothing in the Marrakesh Treaty which deals with rights of making available copyright works for visually impaired. It has absolutely nothing to do with what is section 9(1)(c) or 18(2)(b) of the UK Act and it’s clear that when the opportunity was provided for an amendment, the UK Parliament simply quietly dropped it and it’s reasonable to suggest that the consistent commentary from the leading text in *Copinger* that it was nonsense it finally had some success. So those are the concluding remarks in relation to my learned friend’s submissions.

GLAZEBROOK J:

Thank you Mr Brown. Mr Miles.
1240

MR MILES KC:

Your Honours, you’ll see that I did prepare an outline of submissions. Given the indications of your Honours at the start of these submissions, there are elements in that outline that probably don’t need to be discussed in any detail, but let me start with what I say in the outline is the central issue which is literally just the proper construction of section 9(1) and section 9(1)(c). Of course, when doing so you have to assess what section 16 also means because it’s clear that section 9 is simply incorporated into 16. It’s part of the definition of

what amounts to circulation to the public, and that is simply the heart of this appeal.

I might say, your Honours, that as a rather unfortunate start, my friend in his
5 written submissions, he says at — and I'll just quote them — this is
paragraph [14] of the written submissions, contrary to my view that the heart of
this appeal is all about section 9 and 16, my friend's assessment at [14] says:
“At the heart of this appeal is the effect of Article 6(1) and its reading given by
the European Courts and the critical restrictions on the powers of contracting
10 parties contained in Article 6(2).” So certainly when these submissions were
written, and presumably which form the basis of the appeal, the view that my
friend had is that Article 6 controls and defines the meaning of sections 16 and
section 9, and a proposition which I flatly reject.

15 The second point which is inevitably part of the analysis is section 18 of the UK
Act because that's the section that's essentially replicated by our section 9 and
hence any discussion on the meanings of section 18 by the UK commentators
has genuine, real resonance, which leads me then to the third point, that the
clear view expressed by all the UK and New Zealand commentators is that the
20 intention of those sections, together with section 16 which actually the UK
equivalent of section 16, it's the same in both Acts, was to provide a defence to
primary infringement if the copies had been circulated previously anywhere in
the world, regardless of the consent of the copyright owner. So that's the
fundamental proposition —

25 **GLAZEBROOK J:**

Is “defence” quite the right word?

MR MILES KC:

It's a carve-out really.

GLAZEBROOK J:

30 Okay, I understand that.

MR MILES KC:

So I use that in the slightly colloquial sense.

GLAZEBROOK J:

That's fine. I just...

5 **MR MILES KC:**

Strictly speaking, your Honour —

GLAZEBROOK J:

It's slightly difference to "defence" from it's not included in the first place.

MR MILES KC:

10 No, no, it's a carve-out.

Now in my written submissions, your Honours, we take you to those commentators and I would like to do so very briefly if your Honours...

KÓS J:

15 What's the policy justification for that? Why would that be the law? Why would Parliament want that to be the law?

1245

MR MILES KC:

20 It's essentially a political decision, your Honours, depending on where you want the exhaustion to hit. It can either be — and by the way in the authorities we've given you, there's a very useful article by, is it Vinelli. It's tucked away in the last set of authorities we've given you, where he discusses the three primary choices that countries have.

GLAZEBROOK J:

25 It might be useful to have it up, if we could.

MR MILES KC:

It is worth reading because what the author discusses are essentially the three choices. So you've got universal where effectively the countries that choose universal exhaustion are saying in an open market the sale anywhere in the world is enough to defeat primary infringement and it's essentially how you approach the market. Is that appropriate or do you want a tighter regime which might be regional which the EU adopted or it might be entirely national, which is what the US I think has adopted but it is simply a policy decision.

KÓS J:

10 And when you say "entirely national", that's really the argument Mr Brown and Mr Oliver-Hood are making.

MR MILES KC:

Yes, quite. And when you go to the, I think it's the last — if you go to the end of that article, I think there's a summary or a conclusion, if you just go to the very end. You'll see there like Japan's, Australia's intellectual property system favours international exhaustion. I just note that as another example and you can track through that part of the article where they set out how that was achieved. So if you just keep going to the end, conclusion. Well they talk about the uncertainty surrounding the exhaustion of intellectual property rights prompt electronic companies to take matters into their own hands. Can you just continue through there. Yes, then nations that have a national exhaustion regime enable rights holders to utilise price discriminations in multiple markets since the regime only affects domestic rights. Although community exhaustion builds upon the concept of national exhaustion, it allows for exhaustion only within the community. The parallel importation between the community members is acceptable but unlike the other methods international exhaustion removes the rights and subsequent controls regardless of where the initial sale occurs and so is most beneficial to parallel importers, traditionally every country takes a different stance.

30

So when the UK in 1988 very specifically adopted an international exhaustion by saying sales, prior sales in the UK or anywhere else, that was a deliberate

decision and when New Zealand followed suit in 1994 they did exactly the same. They defined it by a different way of defining it. You could say it was a rather more elegant way of doing it by simply removing any geographical limitation at all but if there is any doubt about that then 9(1)(c), referring to
5 subsequent importations of those copies, it just puts the issue beyond doubt. What is intending is universal exhaustion because otherwise 9(1)(c) is meaningless. It is clear what they intended and that is precisely what the UK intended.

1250

10 **GLAZEBROOK J:**

Can I just, in terms of those choices what your friend would say under the WTC and I don't like going down that rabbit hole, but just so that I understand, what they say is that whether you choose international, national or regional, the first sale still has to be with the consent of the copyright holder and you don't exhaust
15 the right until you have that consent. So just what do you say about that and as I say I know it's a rabbit hole but just —

MR MILES KC:

It is a rabbit hole, your Honour, because ultimately what you come back to is what the statute says.

20 **GLAZEBROOK J:**

I understand that but if you can just help me on my rabbit hole so I understand whether this is or is not in accordance with the WCT in your submission?

MR MILES KC:

Firstly, just one way of looking at it, is just looking at the amendments that the
25 UK carried out over the next 20 or 30 years and we set out in our submissions those series of amendments. It was at page 12 of our submissions.

GLAZEBROOK J:

Actually if you could just answer yes or not.

MR MILES KC:

Sorry, the reason I was taking you to that sort of panel of examples is that you can see how the initial 1988 section had nothing to do with consent, it simply didn't introduce the concept but by 1996, you will see that the Act was specifically amended to say the act of putting into circulation the copies not previously put into circulation by or with the consent of the copyright owner. So they've specifically added that as a necessary element to alter the scope of the restricted acts and that phrase then was used, continued to be used in the 2018 amendment and the 2020. So you've got a clear indication in practice of how that's included.

GLAZEBROOK J:

So the answer probably is that on your interpretation it's not consistent with WCT?

MR MILES KC:

Oh, I think what I'd say with the WCT is firstly that it's not strictly speaking irrelevant because I accept that any orthodox construction of statute, you take that into account and provided the statute can incorporate the amendments or requirements of the Treaty and without altering the original meaning of the statute, then of course you do so. The problem that my friend has which is insuperable is that the version he is promoting requires such significant changes to section 9 that it completely alters the scope of the restricted acts. What it effectively does is move international exhaustion into national exhaustion and it incorporates this concept of consent. Now either of those separate components would so alter the meaning of section 9 that it would be unacceptable on any orthodox treatment of the section.

1255

KÓS J:

But the second at least might be easier to read in than the first, if you're trying to work out what on earth Parliament is intending and it's not easy to work it out because of the statutes, full of problems.

MR MILES KC:

Well, I at least can claim support, your Honours, of commentators of rather more impressive expertise than my own. I can include *Laddie*, I can include *Copinger*, I can include the New Zealand — or, and Sterling. All three in their
5 separate commentaries have stated that distribution, regardless of consent, is what the UK section was talking about, and let me just take you to those —

GLAZEBROOK J:

Can I just — if, in fact, you have somebody who wrongly copies a work and also puts it onto the market and nobody else has done so, they can't, by putting it
10 on the market without consent, say, well, the first distribution right has been exhausted by my own actions of putting it on the market without consent, could they?

MR MILES KC:

Yes.

GLAZEBROOK J:

I mean here there's an earlier distribution.

MR MILES KC:

They can be — let's take the pirate who, I mean let's take Vietnam, that created the pirate copies. Whether or not they can be sued in Vietnam depends on the
20 laws of copyright in Vietnam. In New Zealand, if they are imported into New Zealand, because of the wording of our section 9 —

GLAZEBROOK J:

No, I'm not importing them; I'm just having them made here.

MR MILES KC:

25 Made in New Zealand?

GLAZEBROOK J:

So they copy them, they make them and they distribute them, surely, without the consent of the copyright holder, surely they would have breached both the distribution right and the —

5 **MR MILES KC:**

Absolutely.

GLAZEBROOK J:

All right, so why don't you have "with the consent of the copyright holder" built into the first distribution more generally?

10 **MR MILES KC:**

Because you have to distinguish where the first act takes place, and if you go back — if the first sale or distribution takes place outside New Zealand then that's a defence to primary.

GLAZEBROOK J:

15 Even if — so I then get them — I ask them to be manufactured overseas.

MR MILES KC:

Yes, if I commission them.

GLAZEBROOK J:

20 Yes, and I know it's in breach of copyright and then I distribute — I don't distribute them anywhere whatsoever, I just distribute them in New Zealand.

MR MILES KC:

Then that's primary infringement, and —

GLAZEBROOK J:

25 All right, so you're really relying on the fact somebody else has distributed them somewhere else, aren't you, which makes it a territorial, not a consent argument?

MR MILES KC:

Yes, it becomes slightly more complicated if the pirate, of course, distributes them in Vietnam first and then imports them into New Zealand. I would say that was primary.

5 **GLAZEBROOK J:**

So we're really — I suppose this is what I was putting to your friend, we're really talking about territorial?

MR MILES KC:

Well, yes, although I suppose if there's...

10 **GLAZEBROOK J:**

Yes, if somebody else has done the first distribution in New Zealand and then its subsequent, that's obviously different, yes.

MR MILES KC:

15 Quite. Then that's — yes, and keep in mind always that the owner has rights under secondary infringement to kick in.

KÓS J:

Right, so if we get then back to what Vinelli was talking about, what's the point of this interpretation, because the distribution of, knowing distribution of an infringing copy in New Zealand is always going to be restrainable.

20 **MR MILES KC:**

Yes.

KÓS J:

It can be enjoined and the profits earned from it can be stripped out. So the consumer doesn't benefit from that.

25 **MR MILES KC:**

Correct.

KÓS J:

All that happens is there's a tiny little window of opportunity in which something might get in before the distributor finds out that what they're bringing in is pirated.

5 **MR MILES KC:**

Well, it becomes a — yes, I understand what your Honour is saying.

1300

KÓS J:

And in this case a distributor can keep its 224,000 on your argument.

10 **MR MILES KC:**

Yes. Well, then you have to actually look at the impact that this has on trading in New Zealand because behind the separation and — sorry — behind the separate regimes of primary and second which, by the way, goes back way beyond the 1994 Act and the English '88 Act, this has been part of the English

15 and New Zealand law for 100 years, and it is informative looking at *Jaytex*, by the way, because the primary element that altered with *Jaytex* and with the subsequent Act is that back then it was publishing rather than circulating which was the primary issue, and that was altered by — I don't need to get into that sort of detail. But *Jaytex* is helpful when you look at the history of primary and

20 secondary and the emphasis running through that separation that primary is designed as specific infringements of copyright, in other words, copying the work itself, whereas secondary tends and normally depends on a primary act having taken place first, so that the pirate work is done in Vietnam and then the importer, second in the chain, is protected so long as the importer is unaware

25 that the product is a pirate —

WILLIAMS J:

The Court of Appeal wasn't with you on that, was it?

MR MILES KC:

Well, they were with me I think on the — they found against me on my absolute proposition that knowledge was a requirement of primary. Now the reason I put that forward, and I was well aware that the text books and indeed *Ortmann*,
5 when *Ortmann* defined primary and secondary, they said primary does not require knowledge. My point was that when you look at the circumstances where primary is what is being alleged, almost invariably knowledge is part of it because you're looking at the pirate. The pirate producer, which reproduces, which offends the reproduction right —

10 **WILLIAMS J:**

How do you explain section 121?

MR MILES KC:

(no audible answer 13:03:04)

GLAZEBROOK J:

15 Maybe...

MR MILES KC:

Let me go to 121.

GLAZEBROOK J:

Isi that going to be a quick point or should we deal with it after the luncheon
20 adjournment?

WILLIAMS J:

Well, it's just that section 121 says in the case of primary infringement the lack of knowledge reduces the remedies that are available. Now if knowledge is invariable there's no point in section 121.

25 **MR MILES KC:**

No, no, and anyway the Court of Appeal said that, *Ortmann* has said that.

KÓS J:

You're saying this is so as a matter of practice?

MR MILES KC:

Quite.

5 **KÓS J:**

Yes.

MR MILES KC:

And so my rather bold claim in the Court of Appeal was rejected and I'm not arguing that today. I am saying, however, that when you're trying to work out
10 how those separate regimes kick in in practice then my point that on any standard breach of primary it involves knowledge because you're talking pirates. There are circumstances, for instance, when the infringing copy, if you like, has not been put into circulation before. So it's sitting in a, somewhere, in — presumably still with the manufacturer, say, in Vietnam, and then in some way which is not easy to define but it becomes aware, an importer becomes
15 aware, unaware that it's a pirate, and imports it and distributes it. In those circumstances section 31 I think kicks in because it is then distributing without a prior sale.

20 But I cannot think of any other set of circumstances where primary could kick in where there is lack of knowledge. But this is part of the bigger picture really of trying to sort out the distinction between primary and secondary. It isn't a significant element, at least in my submission, with defining 9 and 16, because, on the face of it, they seem quite clear.

25 **GLAZEBROOK J:**

Can I just check, would it be — can we make it two if — even if it means we finish a bit earlier, if...

MR MILES KC:

I'm very comfortable with that, particularly thinking about my flight out, which, of course, is irrelevant to...

GLAZEBROOK J:

- 5 Well, we certainly will finish at four no matter what, so cloth has to be cut accordingly, but it would be good if we could finish a bit earlier even if it's only for the sake of Mr Miles' flight.

MR MILES KC:

No, I am sure there are other factors.

10 **GLAZEBROOK J:**

We'll start again at two.

COURT ADJOURNS: 1.06 PM

COURT RESUMES: 2.04 PM

MR MILES KC:

- 15 Your Honour, I thought I would just go back to the helpful definition, I think, of primary and secondary which we find in *Ortmann* and we've got that at paragraph [19] of my written submissions. You'll see there the, I suppose the standard definition of primary. And you'll see secondary, that it generally depends on a primary act of infringement having first taken place, for example
- 20 the making of an infringing copy and this way a person can infringe copyright, even if they don't do one of the primary restrictive acts themselves, provided they do one of the secondary infringement acts with the principal element of secondary infringement actual or constructive knowledge.
- 25 So that is the regime which broadly speaking I suggest has been in existence really for, you know, since the earliest of the Acts and essentially it's designed to ensure that the innocent trader, whether they be an importer or a distributor or a retailer, are not liable unless they know they're infringing and the copyright

owner is protected and that's where you get sections 120 and 121, that any profits incurred after knowledge is recoverable and of course you can get an injunction immediately and this is the regime, by the way your Honours, which has been in existence, certainly in my professional lifetime, where the standard
5 approach for what is the usual secondary infringer, in other words the trader who didn't pirate the infringing copy themselves, you sue them as a secondary infringer and that's exactly what happened in this case.

That was the argument run before Justice Duffy and it wasn't until they realised,
10 well, the only issue became notice, Justice Duffy said they got notice in late 2014, that was clearly wrong, the Court of Appeal — sorry, she said earlier, 18 months earlier in 2013, the Court of Appeal corrected that and said not until July or August 2014. They then went for an account of profits and it turned out
15 it was only \$9,000 because by that stage the further orders which were on the sea, were diverted or tried to be diverted. They were landed, Customs seized them, destroyed them and all they had was some furniture left over which they sold and there was a profit of \$9,000.

So once they realised after several years that the loss of profits was only
20 \$9,000, they then decided to run this argument and it's my submission, your Honours, that there is no reported case that I'm aware of and certainly not cited by my friend in New Zealand, that has permitted an innocent importer or distributor to be sued for primary infringement.

KÓS J:

25 Could we play with the facts just very slightly?

MR MILES KC:

Yes.

KÓS J:

30 So let's imagine that they saw this catalogue from this Vietnamese manufacturer and they said: "Those look nice, we'll have some of those", and so the manufacturer then made them for the first time, put them in a container

and your people open the container and started selling them in their showrooms, that would then be the first circulation and in that situation your client would be a primary importer, although innocent.

1410

5 **MR MILES KC:**

Yes, yes, I accept that, although there is no case that I'm aware that has ever said that. The two of three cases that touch on this, *Jeanswest Corporation (New Zealand) Ltd v G-Star Raw C.V.* [2015] NZCA 14, (2015) 13 TCLR 787, Court of Appeal, *Inverness Medical Innovations, Inc v MDS Diagnostics Ltd & Anor* (2009) 93 IPR 14, High Court, both involve importers who had knowledge that it was an infringing copy.

KÓS J:

Yes, but in the facts that I put to you, I think they would have to be a primary — if it hadn't been circulated previously before.

15 **MR MILES KC:**

When I said yes, your Honour, let me just —

KÓS J:

You say no?

MR MILES KC:

20 Yes.

GLAZEBROOK J:

I really meant no.

MR MILES KC:

Under the regime that we have, the only statutory infringement involving
25 importation is 35.

KÓS J:

Yes but I'm talking about putting it in the showroom and selling it when it hadn't been previously circulated anywhere.

MR MILES KC:

5 Well I would say, your Honour, well clearly there was no knowledge and I think the short answer is that since it was circulated, well I mean as far as I'm concerned it was circulating, of course, so we don't have that problem and it's not easy to see how, one your facts, how it could not be prior circulation because they've picked it up from a brochure and the brochure is surely an act
10 of selling something so —

KÓS J:

Even if they hadn't been manufactured at that point?

MR MILES KC:

15 Sure, sure, because that's where they pick it up and it's been manufactured and —

GLAZEBROOK J:

Is there authority that just putting something in a brochure is distributing it? I mean you're certainly attempting to distribute it but whether you actually have or not is —

20 **MR MILES KC:**

What the authorities suggest is that when circulating to the public is a generous assessment and there is the — so do the commentators, certainly in *Copinger* and I think in *Laddie* as well, say well we take a generous view on that and I would suggest that a brochure would come within that. Now I haven't — I mean
25 I remember reading those sections in *Copinger*, I didn't actually take it any further because I didn't expect it to be an issue.

GLAZEBROOK J:

Well here there clearly was actual, so —

MR MILES KC:

Clearly, yes, but if you are interested in this you will find specific paragraphs in *Copinger* and probably in *Laddie*, that has words to the effect when assessing what has been circulated or how it's been circulated, you take a generous view
5 of it.

WILLIAMS J:

Offered to circulate is good enough?

MR MILES KC:

Look I don't want to say for certain, your Honour, on that. I would expect so,
10 given the generous way in which the commentators say that ought to be assessed.

WILLIAMS J:

Well you might say it's like having a showroom.

MR MILES KC:

15 Quite.

WILLIAMS J:

It's just on paper and what's up for sale is the IP.

MR MILES KC:

That's clearly open to the public, yes. So while I understand the conceptual
20 point of your Honour's question, like so many of these fringe areas around these concepts, there's no instant answer because this is essentially a creature to statute, so they are inevitably sort of talking some generalities.

WILLIAMS J:

Mr Brown says that importation is by definition no first distribution.

25 1415

MR MILES KC:

Yes, and the Court of Appeal I think said so. When you look at section 35, the importation section, it says specifically the act of importing and infringing copy is — let me go to it, it's headed up or the section is described as "infringement by importation". That person imports into New Zealand an object that is an infringing copy, if they knew or ought to have known it was and when you go to the definition of "infringing copy", which is at 12, you have a further concentration on the fact that it's imported. You'll see at 12(2): "An object is an infringing copy if its making constitutes an infringement of the copyright", well that obvious. "(3) An object that a person imports, or proposes to import," is an infringing copy if it infringes the copyright either in the country where it was made or in the country which it was imported. So there's no doubt —

WILLIAMS J:

That's the infringing copy, not the importation itself. You're saying importation is itself infringement, aren't you?

MR MILES KC:

Oh I take your point, yes. What I took from 35 is that it has to be an infringing copy so it's pirated, either in where it is made or infringes New Zealand copyright, but it becomes open to —

WILLIAMS J:

35(1)(b).

MR MILES KC:

Yes, it becomes an infringement if it's imported, now —

KÓS J:

But that's a 35 secondary infringement, not a 31 primary infringement.

MR MILES KC:

Yes well that's what it says but certainly the commentators have some difficulty with that and I think to be fair the Court of Appeal did as well and the way round

it, which I think is a legitimate way around this, is what is clear is that Parliament wanted to make it clear that importing an infringing product, so long as there is no knowledge is not a restricted act, it's not an infringement and the importance of it I suppose is that in the real world no one, and bearing in mind we have
5 nothing to do with importing for personal use, that's out of this debate altogether. So the only basis on which you import objects is in business and the only reason you import them is to distribute them. So in the real world, if you look at 35 and 36 together, Parliament is say importing, whether it's just an importer who is then on-selling to a distributor or whether the distributor is both
10 importer and distributor, as it was in this case, you have a complete defence under secondary, so long as you don't know about it.

So it still has a role, even if using a very specific and slightly pedantic analysis, you might say simply importing on its own is not enough because there's no
15 distribution to the public but in the real world that is highly improbable. So if you look at the two together, you have a coherent approach.

KÓS J:

Isn't that improbable? You are told that what you imported innocently is infringing, you have two choices, you can sell them and give Mr Brown the
20 proceeds or you can burn them but if you burn them, there's no infringement is there? You haven't dealt in the copies.

MR MILES KC:

On that analysis that would be right, yes. On first blush you would say it might under 31 because it is what it is, it's the act of importing them. On the face it
25 would appear to be enough but the Court of Appeal wasn't prepared to go that far and I can understand that argument.

1420

Now could I just now touch on this issue of how both the UK and the
30 New Zealand commentators have looked at both issues that are before the Court, the geographical restriction on circulation anywhere in the world or just national, and secondly the issue of consent, and what becomes clear when you

look at those is that all of the commentators have a clear view that that was what the intention of the UK Act, sections 18 and 16 meant and what the New Zealand equivalents meant. So if I could just —

GLAZEBROOK J:

- 5 Well why with the words “UK or elsewhere”, would they have a clear view that it was meant to be geographically limited to the —

MR MILES KC:

Oh they didn't, I'm sorry, I meant — when I said “geographically limited”, there was no limits.

10 **WINKELMANN CJ:**

Okay, no limits, right thank you.

MR MILES KC:

- And I have set out in the written submissions, starting with the New Zealand commentators on section 9 and 9(1)(c) and the first one at paragraph [27] of our submissions and at that paragraph, your Honours, I have set out the views of the authors of intellectual property law in New Zealand and they will say that it's clear the English equivalent 18(2) is quite explicit. It is considered at 9(1), likewise envisages circulation in New Zealand or anywhere else in the world and that interpretation is supported by the reference in 9(1)(c) to subsequent importation and indeed it seems almost inarguable to me, your Honour, that that must be so because the subsequent, the 9(1)(c) is completely meaningless unless it recognises there's been prior circulation.
- 15
20

- Professor Frankel had a similar view and perhaps if we go to her reference to tab 58. Yes, and you see there under the first sale principle, the last couple of lines: “The Act provides that issuing copies of a work to the public means ‘putting into circulation copies not previously put into circulation’. However, acts of subsequent distribution of those copies don't amount to issuing to the public, nor does importation of those copies into New Zealand,” and nor with rental or hire. Now I appreciate that the professor didn't feel the need to go into any
- 25
30

further analysis but she's quite clear there that I suppose what the definition set out by section 9, what it covers.

1425

5 Finally, if I could go to I Finch *James & Wells Intellectual Property Law in New Zealand* (3rd ed, Thomson Reuters, Auckland, 2017) at tab 55, there's a little more in that in the commentary than just in the paragraph we have cited, and I'll just bring that up. So you see it's headed "Issue copies of the work to the public by sale", and they say at the second paragraph: "This means that the
10 economic right relating to the sale will usually only be breached where the person selling the copied goods in New Zealand is either the manufacturer, or specifically commissioned the manufacture. When the copied goods have been made by someone else or imported, subsequent sale", et cetera, that will be secondary infringement either through importing or infringing. Then they
15 discuss *Inverness* and they found that the defendant was a primary infringer because they'd commissioned the manufacture outside the country, so there was on first sale in New Zealand and hence liable as primary and then the last paragraph: "The clear intention of section 9 is to create a distinction between cases in which the defendant is directly responsible for the creation of the
20 alleged infringement," being primary, "and those in which the defendant has merely bought and sold the products of another manufacturer (a secondary infringement)."

Then over the page: "The distinction (between the act of putting into circulation
25 copies not previously put into circulation on the one hand, and subsequent dealings on the other) is important because, for a secondary infringement", necessary to establish they have reason to believe that they know about it. So those are the views expressed by the three New Zealand commentators.

30 The English commentators are all commenting of course on what the 1988 Act originally said and you have Professor Sterling which we refer to at paragraph [31] of our submissions and if we — and you'll find him at 56. I do invite your Honours to read that article because it's highly — it's a very helpful

and analytical analysis of what was a new Act. This was published in 1989 and so commenting on the 1988 Act as it originally was.

5 The important or helpful segments of the article kicks off at page 4 and then into the bottom of the page, which is “Putting into circulation” and it’s that next pages, page 5 in particular and he makes it clear, you see in that top paragraph, where 18(2) refers to the act of putting into circulation copies not previously put into circulation, at least initially, the issuing right is relevant in regard to every single copy, whether the copy is made legally or not.

10

Then under (d), the words “in the United Kingdom or elsewhere” made it clear there is no right under section 16 in respect of a copy that’s once been put into circulation anywhere in the world. No suggestion that consent is required.

15 And at page 8, under “importation”, you have really just, you know, further discussion this time concentrating on 18(2)(b) which is the equivalent of our 9(1)(c). This is the subsequent importation of these copies into the UK. It seems importation into the UK may constitute an act of putting into circulation but that’s all part of the discussion.

20 1430

He does recognise in the last paragraph, if reading section 18(2) is correct, et cetera, there would appear to be some overlap with the equivalent of secondary and that’s really what I think Justice Kós and I discussed briefly, 25 where in the outer regions, if you like, of what has been prevented here there is some overlap but no support in this article for the proposition that the consent of the copyright holder is a requirement under the equivalent of our 9(1)(c).

KÓS J:

Why did the UK then introduce that explicitly?

30 **MR MILES KC:**

On the timing it suggests there was a directive from the EEC indicating that consent, probably because it was considered to be a requirement of WIPO or

the WCT that they issued that directive and they complied but what they didn't do was simply assume that the Act as it stood was enough. What is crucial from our point of view is they adopted specifically changes in their subsequent amendments.

5

It is possible that by keeping 18(3), that's in the UK, being the equivalent of our 9(1)(c), by keeping that in and removing under the 9(1)(c) any requirement of consent, they negated to a significant extent probably the assistance of the copyright holder that the consent element was included for and it's no doubt that when they're talking about the restricted act, they added this issue for exhaustion to take place it had to be with the consent, but keeping the subsection (3)(a) and (b), the equivalent of ours, without incorporating consent into it, that immediately meant that any prior sale in the EEC, pirated or otherwise is enough to affect exhaustion.

10

15 **KÓS J:**

And what's the policy and logic behind that position? Why should we reward wrongdoing?

MR MILES KC:

20

Well I think it comes down once again to the issue of freedom of trade and a recognition that once a copy has been sold, distributed in a particular area, that negates the copyright holder's primary right and by keeping that subsection in, that had that effect.

KÓS J:

And that would mean one copy, one pirated copy for sale in Moldavia?

25 **MR MILES KC:**

30

Well yes, but it has to be that copy that's then imported, yes, yes that's correct and that's certainly what *Laddie* suggests in a later edition. Now eventually they removed that and they removed it in 2018, just significantly altering the balance between the copyright holder and the trader. New Zealand kept logically, never had the requirement, never had a national restriction and kept

the logical addition to that, being 9(1)(c) and so contrary to, totally contrary to the need, my friend says, to make these substantial changes, what they had in 1994, and that has never altered, is a coherent set of requirements for breaching primary — for primary infringement and always balancing the right of the copyright holder against the innocent trader.

5 1435

GLAZEBROOK J:

Why do you need 9(1)(c) if just one sale overseas deals with that anyway?

MR MILES KC:

10 Well then if it's imported.

KÓS J:

Only the circulated copies?

MR MILES KC:

Yes.

15 **GLAZEBROOK J:**

But if importation itself isn't distribution, and you are allowed to distribute it, as it's already been distributed in Vietnam, why do you need 9(1)(c)?

MR MILES KC:

I think it's just confirming that it is — it confirms that your rights, while — so it confirms the original definition that you're recognising that there should be any circulation anywhere in the world which is how 9(1) kicks off and logically if you are then adding specifics, you would say subsequent distribution or sale of course is part of that process and subsequent importation, it's merely ramming home the point that even —

20

25 **GLAZEBROOK J:**

So it's nothing other than confirmation?

MR MILES KC:

That's how it appears to me, your Honour, mmm, but as so often the specifics in a section are, you know, you've got the general proposition to start with and then followed up by specifics and that became a little clearer four or five years
5 after the passing of the 1994 Act, when they brought in the parallel importing amendment and you find that by the amendment to section 12 which we can go to under 5(a), that's your permitting parallel importation if it was made with the consent of the owner of the copyright in the country in which the object was made.

10

Now up until then, the general view was, I think rightly, that parallel importing was not permitted because even though the copy was made with the permission — it was a genuine copy made in the country of origin, because copyright tended to be assigned by the owner to separate companies, to separate
15 individuals in different countries, the copyright in New Zealand might be different to the copyright in Vietnam for arguments sake, so that typically until this amendment came through, the entrepreneur who saw that the price of chairs in Australia was X and the same chairs in New Zealand were 50% more and consequently bought the genuine copies in Australia and imported them
20 into New Zealand, fell foul of the fact that the copyright owner will have assigned copyright in New Zealand to a different owner and hence the New Zealand distributor was able to successfully sue.

WILLIAMS J:

It suggests the starting position is as Mr Brown would have it, that these are
25 strictly state-based national regimes and you breach inside the boundaries of the state, not outside them, as a starting proposition.

1440

MR MILES KC:

Absolutely. Certainly you breach — the breach has to be in New Zealand and
30 I accept that but it might be triggered by events that take place outside New Zealand, like the prior publication but it still has to be a breach in New Zealand.

I handed up or perhaps added to the electronic bundle perhaps this morning, what I thought was a helpful commentary by my friend actually in his admirable book *Brown and Grant on Intellectual Property* which sadly has never been updated but there's a useful discussion in there about what the position was pre the 1994 Act. The book was published in 1989 and it refers to a New Zealand judgment called *Barson Computers (NZ) Ltd v John Gilbert & Co Ltd* (1984) 4 IPR 533 which dealt with these issues and explained what the — how parallel importing was being treated in New Zealand at the time. Also by the way a clear recognition I thought in the book of the distinct and different regimes between primary and secondary.

Could I then just take you quickly to *Copinger and Laddie* and staying with *Copinger* at tab 42. Now this is the 1991 edition, if you turn to paragraph [8-95], half way down there, yes half way down you'll see the sentence: "As under the 1956 Act", and they're talking about the 1988 Act here, "it will not matter whether the copies put into circulation were made with the consent of the copyright owner or are in fact infringing copies." So that's a clear statement of where *Copinger* stood on this.

GLAZEBROOK J:

20 What do you say about the case that Mr Brown referred to?

MR MILES KC:

Oh Rye?

GLAZEBROOK J:

Yes.

25 **MR MILES KC:**

What Justice Laddie said, he didn't just rely on the equivalent of our section 29, he said combining, what was it, 18(1), 18(2) and the equivalent of section 29. In other words if you're using the New Zealand combination, you would say if you combined section 31 or 32, being the distribution section and section 16 and 9, and then the equivalent of section 29, then of course you'll get an

infringing act but what my friend was suggesting that somehow that was authority for suggesting that the equivalent of our section 29 was in itself a restricted act or a specific act of infringement and that is just simply not the case and can I just take you to that in a moment, your Honour, because I want to deal with that point.

GLAZEBROOK J:

No that's fine.

1445

MR MILES KC:

Let me just deal with the issue of consent and universal extinguishment which *Copinger* was talking about. Now if we carry on with that paragraph, if you go over the page, yes: "In the common type of case the chain of the distribution will start with the producer of the goods, which are then sent to a wholesaler, who in turn distributes them to retailers," then to the public. "The producer at the head of the chain no doubt is the principal cause of goods being put into eventual circulation and perhaps it is the intention of the Act to make this person primary, or liable for the primary infringement."

Now what my friend says, misleadingly with all due respect, is the head of the chain should be seen as the head of the chain in New Zealand. That is not what *Copinger* is saying. He is talking about the head of the chain of distribution and that starts with the manufacturer. So the chain of distribution in this case began in Vietnam and then to a wholesaler in Vietnam and then finally to the New Zealand importer. So I adopt that as being a helpful commentary but it is important to appreciate how my friend has reformulated that to suggest that it is the head of the chain in New Zealand.

Now the next paragraph is helpful. The use of the word "subsequent" to qualify the acts of distribution, sale, hiring, loan and importation indicates that any such act, if not a consequence of an earlier act of putting into circulation, will amount to infringement. The key point of course if there's been an earlier act of putting them into circulation. "As will be seen, in general the acts of importation,

distribution, sale and hiring amount to separate acts of infringement,” but once again you’ve got the sense that importing actually is a separate act, “but only if infringing copies are dealt with and only if the defendant has a sufficient degree of guilty knowledge,” in other words secondary. Under the present section
5 whoever puts into circulation copies of a work will be liable, notwithstanding his lack of knowledge, unless there has been some preceding act of putting them into circulation. So that’s *Copinger’s view*.

KÓS J:

The next sentence is a bit against your brochure point, isn’t it?

10 **MR MILES KC:**

Oh yes.

KÓS J:

Now that we see it. We can’t have everything.

GLAZEBROOK J:

15 Well in any event, unless you’re right, that it’s not territorial, there’s no preceding act. If it’s territorial there’s no preceding act of putting it into circulation, is there?

MR MILES KC:

Yes.

GLAZEBROOK J:

20 So the answer to Justice Kós’ question earlier would actually be, as you first said yes, rather than no, not that it matters in this case because there was a preceding act in circulation.

MR MILES KC:

25 There was, but I think that must be right but I think if you also bear in mind that it’s hard to envisage such a circumstance in the actual word of business. So fascinating to sort of work these things through on a conceptual basis but —

GLAZEBROOK J:

Well unless it's my example where you actually are the primary infringer both in terms of making the copy and in terms of distribution.

MR MILES KC:

5 Yes, because there hasn't been a primary act.

GLAZEBROOK J:

There's nobody else involved.

1450

MR MILES KC:

10 Quite. Could I just again then just take you very quickly to tab 44, which is the next edition of *Copinger*, this is 1999 and at 7109, the authors essentially repeat what they said in the paragraphs that I've already discussed with your Honours, but I think there's been a sentence added at the end of this paragraph. So if you go to four lines up from the bottom of that paragraph: "A construction which
15 made the person at the end of the distribution chain liable for the primary act of infringement of issuing copies to the public would thus render the requirement of guilty knowledge nugatory in the case of dealings with infringing copies." Now that's a point that I have made quite significantly in the written submissions. It's not just the person at the end of the chain, it's all of those
20 persons in the chain after the initial act of infringement. So in this case the importer, distributor, subsequent retail et cetera, all of them are in that position and as *Copinger* points out, the defence which is open to them under the Act for secondary is rendered nugatory because on my friend's argument they're all liable.

GLAZEBROOK J:

25 Well they would say no, wouldn't they because if it's territorial, then the first distribution in New Zealand, that says distribution, infringing distribution and everybody from then on in relation to those particular copies are resellers, that's what they would say and in fact you probably have to say that as well in terms
30 of your argument of offshore.

MR MILES KC:

Oh certainly, your Honour but what my friend is saying is because the first act has to be in New Zealand and my client imported and then distributed, being the first, they are liable for primary infringement.

5 **GLAZEBROOK J:**

But nobody else is in relation, even if you have retailers who are buying those copies and selling them on, they aren't, so it's only the person who breaches the right if it's territorially based.

MR MILES KC:

10 Quite, but in this case, as so often is the case, the importer and retailer are one in the same person. So ESR imported and sold, they're a chain of furniture shops and why should there be a distinction — I mean just suppose there was a New Zealand importer who didn't distribute and then there was a chain of shops, why should the shopkeeper be able to escape liability because the
15 shopkeeper knew nothing about the breach of copyright, why should they escape and not the innocent importer? It just makes no commercial sense whatsoever and that's why it is so important on a primary infringement argument that the defence or carve-out of prior circulation is so important because that way the first distributor, seller, whatever it might be in New Zealand also
20 escapes liability under primary, liable of course on secondary once they are told.

1455

Now could I just finally on this topic just take you to *Laddie* because *Laddie* is
25 sort of the final commentator who I am interested in. It's tab 60, published in 1995 and if we go to 2.123, "Issuing copies to the public; rental right", now what the author said was, four lines down: "Section 18(2) explains subject to the rental exceptions, this means putting into circulation copies not previously put into circulation: once any specific copy has been put into circulation anywhere
30 in the world, any subsequent distribution, sale, hiring or loan, or importation of that copy is not a breach." And he says that's similar really to what the public would understand as being publishing but the House of the Lords in *Jaytex*

made that proposition, well, effectively made it hard to sue. The reason the copyright owner in *Jaytex* lost, is because they weren't able to show that there had not been prior circulation of the pattern in the UK and that sort of negative obligation was difficult and eventually led to the new Act.

5

Under 2.125, on the other hand the selling of a stock of copies lawfully printed, pursuant to a publishing licence but after the expiry attracts liability under s 18, as does the selling of copies after parting with the copyright, even though they were lawfully printed. This is to be contrasted with secondary infringement where it's a requisite that dealings be with infringing copies. Now all of that rather obliquely confirms the subheading to that, that it doesn't have to be pirate copies, it can be old copies as well. So I think just ramming home that the carve-out happens if there's been sales anywhere in the world and no suggestion that consents are necessary.

10

15

So it's really on the basis of those propositions, your Honour, firstly that the UK Act is highly relevant in determining what our section 9 means because it's essentially a cut and paste, although slightly different ways of recording the section 16 or section 18 carve-out. They've done it, as I say, rather more elegantly in our Act.

20

GLAZEBROOK J:

Can you explain what the elegance is because I think I've missed the submission.

MR MILES KC:

25 Oh well instead of saying — I mean they could've just said "in New Zealand or anywhere".

GLAZEBROOK J:

Well I know they didn't say that.

MR MILES KC:

30 And instead they actually put no geographical restriction at all.

GLAZEBROOK J:

In section 9, but in section 16, when defining the Act, they have got “in New Zealand”.

MR MILES KC:

5 Yes.

GLAZEBROOK J:

When defining the rights, it’s in New Zealand.

MR MILES KC:

10 Yes, because it is a copyright, the right — the restricted act is just an act in New Zealand, so that’s just a given and that’s what 16 says. It lists the —

GLAZEBROOK J:

15 Well I suppose — you say it’s elegant by leaving out a provision in section 9 which they’ve got in the UK Act that makes it absolutely explicit, so you say it’s more elegant to leave it out because it’s implicit anyway or what is the submission?

MR MILES KC:

20 Well I rather like the elegance of simply not inserting any geographical restriction. So if you go to 9, they simply say: “Means the Act of putting into circulation copies not previously put into circulation.” That indicates anywhere in the world, I mean otherwise they could’ve said in New Zealand which is what my friend says.

GLAZEBROOK J:

So it’s not that they’ve done anything more elegant, they’ve just left out what you say are added verbiage?

MR MILES KC:

25 Well perhaps I was perhaps describing it as more — personally I think it’s a more elegant way of doing it because they have deliberately removed the

restriction that the UK explicitly put in. Now to be fair, the Court of Appeal, when dealing with that submission of mine, said well they thought that was neutral. I, with respect, think it's stronger than that but the confirmatory subsection that puts it beyond doubt is 9(1)(c) because that has no other function other than to
5 make it clear that the public we're talking about, who it's been put in circulation for, is overseas.

GLAZEBROOK J:

But they copied it from the UK and you say it's useless, it's just meaningless in the UK, it's just a confirmation of what UK and elsewhere means?
10 1500

MR MILES KC:

Yes.

GLAZEBROOK J:

So what's it doing here that it's not doing in the UK?

15 **MR MILES KC:**

Oh no, no I'm not saying that, your Honour. It's saying exactly the same as the UK provision. The 9(1)(c) I think is in identical terms to the English equivalent. The only difference is that instead of having "in the UK or elsewhere", they have simply said "putting into circulation copies not previously put into circulation",
20 so they just deleted the geographical restriction.

GLAZEBROOK J:

Well the geographic expansion, if anything.

MR MILES KC:

Well yes, I supposed depending on — yes.

25 **GLAZEBROOK J:**

You say it wasn't necessary to say "in the UK or elsewhere" because that's just what the words mean anyway?

MR MILES KC:

Mmm, yes.

O'REGAN J:

5 But if you're copying in a statute from another country, why would you make that distinction if you weren't trying to make a difference between the two countries?

MR MILES KC:

10 I simply can't answer that your Honour, other than the drafter decided to do it that way but I think I can say with some confidence that the intention was to perform essentially a cut and paste of the UK equivalent. I might say —

O'REGAN J:

They cut this bit and didn't paste it.

MR MILES KC:

15 Well they pasted most of it, your Honour and certainly pasted 9(1)(a), (b) and (c), they're all identical. You'll get no help by expecting total consistency running through this Act. Both of us I think would say, if we agreed on anything, I think we'd agree that both the UK Act and *Laddie* despairs, by the way, of the UK Act, the House of Lords in *Jaytex* despaired on it, Lord Wilberforce despaired on it.

20 **WILLIAMS J:**

It's too old, that's its problem, it's got too many 100 year old provisions in it I suspect.

MR MILES KC:

25 I think it's just very densely worded and it is hard to pick up precisely what is meant.

WILLIAMS J:

So would you say that section 75 and 127 which are country specific, provide no help because no one can make any sense of this Act?

MR MILES KC:

5 I wouldn't go so far as to say that but I would say —

WILLIAMS J:

Basically what we are getting from both sides here is an argument as to the bits of the Act that are consistent with one side's argument and then reference to the bits of the Act that are consistent with the other side's argument.

10 **MR MILES KC:**

Yes you are, your Honour, but the difference between my assessment and my words is I am dealing with the relevant sections. What my friend never does is explain why section 9 supposedly to recreate section 18 of the UK Act, why it has something so fundamentally different and that's why I say ultimately you
15 come back to this section. Certainly there are different phrases used throughout the Act. They tend to be discrete issues.

WILLIAMS J:

You see section 9 is helpful to both sides depending on which you focus on, against you is the fact its parent was geographically specific and this is not, so
20 it's possible to say as the Court of Appeal said, that you've got to look elsewhere for the answer to that question and then 9(1)(c) which you say is helpful because if you have importation then it must be global.

1505

MR MILES KC:

25 And so when you look elsewhere, which is what the Court of Appeal did, they only looked four lines down, they looked to 9(1)(c), that's my point. So the section is coherent, it's coherent because there is no geographical restriction in the body of the section and the subsection clearly assumes prior circulation and I don't see any other realistic way of construing that section.

KÓS J:

Could we just try another little exercise, could we look at sections 31, 16 and 9 in that order, starting with 31, so this is the infringement in 31.

MR MILES KC:

5 I must say, your Honour, I tend to look at 16 before 31.

KÓS J:

Well humour me this time.

MR MILES KC:

Yes.

10 **KÓS J:**

So the infringement there, “the issue of copies of a work to the public is a restricted act”, that would be the issue of copies of work in New Zealand, to be an infringement for the purposes of the New Zealand Act?

MR MILES KC:

15 We’re ignoring the definition at 9?

KÓS J:

We are, I’m just asking what could be an infringing act by the issue of copies or be the issue of copies in New Zealand, for 31, wouldn’t it?

MR MILES KC:

20 Yes.

KÓS J:

So that’s in New Zealand and then in 16.

GLAZEBROOK J:

25 Do you want to look at 29 as well because infringement by definition is other than pursuant to a copyright licence.

MR MILES KC:

Yes, I will deal with 29.

KÓS J:

Yes, but that's superfluous to my enquiry at the moment, so 16, acts restricted
5 by copyright, now again 16(1)(b): "To issue copies of the work to the public",
but that must be New Zealand because of the chapeau.

MR MILES KC:

Mhm.

KÓS J:

10 So the operative places in which the expression "issue copies of the work to the
public", in 31 and 16 are the primary places where those appear.

MR MILES KC:

Yes.

KÓS J:

15 Those are necessarily acts in New Zealand, aren't they?

MR MILES KC:

Yes.

KÓS J:

And I suppose the question then I have is if that's the case, then why shouldn't
20 we read 9 in the same way?

MR MILES KC:

Because it specifically indicates otherwise.

KÓS J:

Except where would it have any work to do, if 16 and 31 are New Zealand-based
25 and they are the primary places in which section 9 does its work?

MR MILES KC:

Because they recognise, because they use the word “issuing to the public”, they use that phrase each time, both in 31 and in 16. So if you stay for instance with 31, to understand where there's been an infringement or not, you have to
5 understand the definition of issuing and to do that you go to 9.

KÓS J:

Mmm, but the only issuing you are concerned with in 31 would be issuing in New Zealand because we don't worry about infringements in Australia.

MR MILES KC:

10 No, your Honour, but let's go back, if you don't mind can I just go back to the English section. I think it's all accepted what the English section means, that's universal and no consent required, so assuming then — and that is deliberately done because it's a defence to enable traders to be able to trade without fear of being sued and it's also a competition issue as well. So you've got this
15 phrase “issuing to the public” in both 16 and 31, you then go back to 9 and you see that there is a specific definition or carve-out, if you like, of who the public is that we're concerned with and if you're with me, that the purpose of this Act is to provide —
1510

20 GLAZEBROOK J:

And just so I'm clear, the carve is (c), is that paragraph (c), is that the carve-out you're talking about?

MR MILES KC:

Well it starts with the first paragraph, putting into circulation copies not
25 previously put in circulation because that's where I say that's the beginning of the reference to it being universal because there's no “in New Zealand” inserted there. So you start with that and it is that universality of the exhaustion is confirmed by (c). Subsequent importation of those copies is not an act of putting into circulation. So an overseas act is a specific element of 16 and 31.

KÓS J:

How could it be so in 16 for instance?

MR MILES KC:

Because it specifically says that it includes issuing copies of work to the public,
5 16(1)(b).

KÓS J:

But there must be an act in New Zealand.

MR MILES KC:

No, no, because it's then defined by 9.

10 **KÓS J:**

Except 16(1) chapeau would exclude any issue of copies of the work outside
New Zealand because of the chapeau.

MR MILES KC:

There's a distinction between — what we're talking about here is what the acts,
15 the restricted acts in New Zealand and that includes issuing copies of the work
to the public. The issue then is what does that mean, what public? It could be
the New Zealand public, it could be an overseas public. So we go to 9 that tells
us that it's an overseas public, that's what the UK Act said, that's what our
section says.

20 **KÓS J:**

Well how would that be an act in New Zealand, I'm just not following?

WILLIAMS J:

Isn't it the point that your infringement right relates to New Zealand but issuing
to the public on your reading of section 9 is not restricted that way?

25 **MR MILES KC:**

Correct.

WILLIAMS J:

So you don't have recourse for first distributions, first issue, whatever, offshore, at least not using this Act, you only have recourse when it occurs in New Zealand?

5 **MR MILES KC:**

Correct.

WILLIAMS J:

So the two aren't inconsistent, they're dealing with slightly different situations?

MR MILES KC:

10 Quite.

GLAZEBROOK J:

And how do you reconcile (c) and (d)?

MR MILES KC:

Well if we're through with (c) because if it were the other way, if it's as my friend
15 suggests, you would have to insert into 9 "in New Zealand and with the
consent", you would have to insert both of those because otherwise you haven't
dealt with (c) which talks about importation from, you know, subsequent
importation. And just coming back to the proposition about that it has to be in
New Zealand, the infringing act has to be in New Zealand but it can be defined
20 by elements that happen overseas. I mean there's no difficulty with that
conceptually.

1515

Overseas acts run through section after section of the Copyright Act, including
25 the parallel importing provision. So there's nothing inconsistent about that, the
infringement has to take place in New Zealand but it is defined by what is
happening elsewhere and that's a policy decision, that's what universality of
rights are about and that was the decision that Parliament took at the time, that
they would adopt the same philosophy as the UK and Australia as it happens

but that's by the by and that's why all the commentators are quite specific that this effectively amounts to universal extinguishment of rights.

5 And were you to include those further words which would turn this into just a national extinguishment, you effectively then remove the defences that the initial secondary infringers currently have. So it means that importers and first distributors in New Zealand are going to be sued and they've got no defence.

WILLIAMS J:

Well they just have to be careful.

10 **MR MILES KC:**

So you look at the brochure.

WILLIAMS J:

If it's a 10th the price of the New Zealand equivalent, then that might make you be careful.

15 **MR MILES KC:**

Well if your Honours took that view you'd be the first to do so, which doesn't necessarily mean —

WILLIAMS J:

Not the first.

20 **MR MILES KC:**

Well that's true. I'd like to think perhaps in this case you wouldn't be so consistent but flippancy aside, there is not a single commentator or judgment that I'm aware of that would support that view.

WILLIAMS J:

25 Yes, I mean your basic thesis is that this is a distribution of responsibilities according to a market structure.

MR MILES KC:

Exactly.

WILLIAMS J:

One choice is as good as any other, it's just the choices being made.

5 **MR MILES KC:**

Absolutely and that choice is recorded in the relevant Act and has to be construed in accordance with what it says. I mean the advantage we have here is that we know that — is that it is based on the English Act and because of the phrase that they use and then the different phrases that they used over the next
10 30 years, changing the breadth I suppose of the or expanding the breadth actually of copyright holders' rights, how they altered it and how the words in the relevant section were altered in every occasion but what we know is that the original manifestation of 1988 which is what our Act was based on, did have the clear views that what the commentators said and what we say is the
15 appropriate way of looking at our section 9. Now could I just talk briefly about section 29 for a moment?

GLAZEBROOK J:

Well you do have to tell me also why *Rye* isn't applicable, is that going to be related to your talk about 29?

20 **MR MILES KC:**

It can do.

GLAZEBROOK J:

I don't mind when you deal with it but I'd like to know what you say about that case.

25 **MR MILES KC:**

Let's talk about 29, that simply says: "Copyright is a work infringed by anyone who pursuant to a copyright licence does any restricted act." This is not a restricted act in itself. The restricted acts are at section 16 and if you just go to

16 again, you'll see, paragraph [1]: "The owner of the copyright work and — right in a work has the exclusive right to do, in accordance with sections 30 to 34, the following Acts", not 29, 30 to 34. So those are the restricted rights.

1520

5

And then the consequences and if we go to 30 and 31 et cetera, now these then record what infringing of those rights — define the infringement of those rights. So each one of those restricted acts has a corresponding equivalent from 30 onwards and so you've got copying, infringement and performance et cetera.

10

KÓS J:

What do the words "in accordance with sections 30 to 34" actually do there, Mr Miles?

MR MILES KC:

15 I think it links the restricted acts at 16 with the consequences with how they're infringed.

KÓS J:

Very odd drafting.

MR MILES KC:

20 Yes it is and I'll explain to you why it is odd. There is a precise equivalent in the UK.

KÓS J:

I assumed there would be.

MR MILES KC:

25 If we could go to 16 I think in the UK, section 16 of the 1988, which I think is tab 11 or 12.

KÓS J:

I think we've only got section 18, haven't we?

GLAZEBROOK J:

5 Don't you have to look at 29, because the copyright holder has certain rights and if you do any of those things without the consent of the copyrighter through licence, then aren't you infringing, secondary or primary, but you're still infringing?

MR MILES KC:

No.

10 **GLAZEBROOK J:**

Well you infringe if you do it with the consent of the copyright holder?

MR MILES KC:

And that's why they say it has to be, of course you don't infringe with the consent.

15 **GLAZEBROOK J:**

Well there you go.

MR MILES KC:

20 But what 29 says is that none of those acts or I'll put it another way, all of those acts of course to be infringing have to be without the consent but they don't — and I mean that's just a given but they don't define what the infringement act is. You then go to 30 through, and that's when you then track back to 9 and that's why that section is irrelevant in terms of defining firstly, what is a restricted act and secondly, what is an infringing act. It simply provides an element of every infringing act, in other words the lack of consent. But when you go to assessing
25 what circulating copies to the public are, then you are back to 9 and section 29 has nothing to do with 9, it's just a separate element altogether in an infringing act and the UK understood that and if you go to — sorry it's 16, could you go to 16. Tab 59.

WILLIAMS J:

For some reason my tab cross-reference Mr Brown, isn't working, which version of CPDR?

MR BROWN KC:

5 Your Honour it was a standalone, oh does yours come in volumes? You don't have volumes. It's in the supplementary bundle, your Honour, it's the very first document.

MR MILES KC:

Have your Honours got that?

10 **WILLIAMS J:**

Yes.

MR MILES KC:

You'll see this is the equivalent of our 16. So 16(1) identical except it's UK instead of New Zealand. Copying, (b) issuing copies of the work to the public,
15 just the same, then look at subsection (2): "Copyright in a work is infringed by a person without the licence of copyright owner does or authorises", that's the identical section to our 29. That's where it actually ought to be because it's not defining an infringing act at all, it is simply making the point that before you get
20 into the definitions of what is infringing or otherwise, of course it has to be without the authority. I mean that's just a given but it is not integrated into the definition of the relevant public, that's another issue, another definition.

1525

WILLIAMS J:

29 does a bit of other work too in subsection (2), defining what infringement can
25 be, it can be substantial infringement or indirect infringement and it doesn't matter whether there are intervening acts which themselves are infringing. Can you help me with the meaning of the intervening acts proposition there.

KÓS J:

I mean that's a direct lift from 16(3) of the UK Act.

MR MILES KC:

Yes, thank you. Yes, I'm obliged your Honour.

5 **WILLIAMS J:**

That's where it comes from, now tell me what it does.

MR MILES KC:

Well I think it's talking about the materiality of the infringement. It doesn't define the infringement as such but it says before it can infringe, it has to infringe a
10 material part.

WILLIAMS J:

I'm interested in the intervening acts, what the intervening acts that are being referred to there, just for my education?

MR MILES KC:

15 Where do find "intervening", oh I see it in the last. I don't know, your Honour, I hadn't noticed it to be honest. I've never looked at it before to be honest.

GLAZEBROOK J:

It may if somebody has copied it earlier and then afterwards this is distributed, this doesn't let you off the hook for copying.

20 **MR MILES KC:**

Yes.

WILLIAMS J:

I just wondered whether it's a reference to what had occurred in Vietnam on these facts.

MR MILES KC:

Yes it could do. It could. I'm sorry your Honour I'm not being helpful but I haven't actually focussed on that phrase. I can only say it doesn't — on the face, I mean I understand why your Honour is interested because one likes to
5 know what the whole of the section actually means but I don't think it has any relevance to the fundamental point I'm making which is that section 29 actually is out of place and it is reflected by the fact our 16, when referring onto the infringement definitions deliberately excludes it.

10 So when my friend argued that that section was an integral part in his argument that the consent of the copyright holder is important for section 9, it is with respect simply not the case. They are dealing with separate issues and separate definitions.

KÓS J:

15 It's really odd because it seems to imply, if you look at the organisation of part 2, that that has some sort of organising function in relation to what a primary infringement is.

MR MILES KC:

Exactly.

20 **KÓS J:**

But there's absolutely no equivalent before section 35 where we start dealing with secondary infringements, so God only knows what section 29 is actually doing.

MR MILES KC:

25 And I think the subheading is unhelpful.

KÓS J:

Mmm, well yes, certainly on your argument, that's right.

WILLIAMS J:

It does raise the possibility, doesn't it, going back intervening acts, so primary infringement can be primary infringement irrespective of whether there is an intervening primary infringement.

5 1530

MR MILES KC:

Yes could mean that.

WILLIAMS J:

10 And I'm not sure whether the intervening is before the alleged, the impugned conduct or after it, but if it is before, that may mean you can primary infringe twice and you can ignore the first primary infringement.

MR MILES KC:

15 I suppose — well can I put it this way, I suppose you could include that within that rather nomic phrase but when you look at the purpose, the overall purpose of that section and where it fits into the regime I don't think that was intended. I am conscious I have gone on longer. If I could just bring up, I did make a note of the problem with *Rye*. Let's bring it up.

GLAZEBROOK J:

20 Well you say that was on the basis of looking at a whole pile of sections, are any of those sections not in our Act?

MR MILES KC:

No they're all part of it.

GLAZEBROOK J:

25 So they're all part of Act, so on the face of it, it would say it should have the same effect unless it's wrong.

MR MILES KC:

Quite and we're looking under *Rye*, the case. What I also jotted down is that what Justice Laddie talks about is the combined effect of 16(1)(b), let's see if we can find it here. It was that paragraph I think that my friend relied on.

5 **O'REGAN J:**

It's at the bottom of 208.

MR MILES KC:

That was the point, yes. Yes, that's what I noted. "Under the combined effects of section 16(1)(b), 16(2) and 18(2) of the 1988 Act, it is now an act of primary
10 infringement..." Now those are the equivalents of 16(1) and (b), 9(1) and (c), I think that's right isn't it? And 18(2) is 29(1). So that just said well if you add the whole lot together, you've got a primary infringement. Well of course you do but that's what my friend was trying to suggest is that 18(2) on its own has that impact and begins to define how the others are looked at or in particular the
15 definition of circulation in the appropriate public and that's hardly surprising given that his text book that he wrote with others had a different view, made it clear that the 1988 Act was universal and consent was unnecessary.

GLAZEBROOK J:

So it's wrong?

20 **MR MILES KC:**

Sorry, your Honour?

GLAZEBROOK J:

Well let's call it *Nelson*, because that was the first name, so *Nelson* was wrong?

O'REGAN J:

25 No it was right because it talked about all three sections not just one of them.
1535

MR MILES KC:

Yes. No, I'm perfectly happy with adding the three together.

GLAZEBROOK J:

Well what I don't understand is why don't you add the three together and say it
5 has to — even if it happens elsewhere, if it happens without consent it doesn't
let you off primary infringement because that's what was put against you there.

MR MILES KC:

Well he just said that, I mean I haven't looked at the facts of that case, but he
just said if you need to assess whether there's been primary infringement they
10 have to comply with all of those requirements and one of them is no circulation
prior to the copy turning up in England.

GLAZEBROOK J:

Well no circulation without consent is what has been taken from that.

MR MILES KC:

15 Well it's wrong.

GLAZEBROOK J:

Oh with consent, sorry, the other way round.

MR MILES KC:

Well all it's saying is the copyright holder didn't authorise it but then when you
20 get into the definition of circulation, you have to deal with the specific sections
that we've been talking about, the UK equivalent of 9(1)(c), has there been a
prior circulation or hasn't there?

GLAZEBROOK J:

Well I'd understood the argument that the prior circulation in order to let anyone
25 off the hook, according to *Nelson v Rye*, has to be circulation with consent, even
if it can be circulation with consent somewhere other than the UK because that's
what their equivalent of section 9 says.

MR MILES KC:

Look I haven't spent time analysing the case but if it suggests, and what's the date of the case?

KÓS J:

5 21 November 1995, so it's a little ahead of the 1996 amendments.

MR MILES KC:

Well what I'd like to do, if this is seen as being a significant point that needs to be dealt with, I wonder if you'd allow me just to file a page of responses to that. I don't recall a reference to the case being relied on in my friend's submissions
10 but I know he referred to it this morning but I don't recall it being relied on previously. It's certainly not in the judgment that's been appealed from.

GLAZEBROOK J:

Yes and then obviously there would be a reply. So how long do you think you would need for that?

15 **MR MILES KC:**

Could I have it in by Wednesday?

GLAZEBROOK J:

Absolutely and then anything in reply?

MR BROWN KC:

20 The following Monday.

GLAZEBROOK J:

By Monday is fine, yes.

MR MILES KC:

Wednesday 5 o'clock.

25 **GLAZEBROOK J:**

Certainly.

MR MILES KC:

Now is there anything further? Parallel importing, if you look at the Bill you will see precisely why that was thought necessary. It doesn't help, it's a discrete carve-out from what was previously there and it was done so because — for
5 policy reasons, they just wanted to make New Zealand more competitive effectively and of course they had to introduce the words “with the consent of the copyright holder”, because that defined the carve-out. The carve out was if it was manufactured with the consent of the copyright holder in the country in which it was made, but not with copyright holder in the country which imported
10 it. So it had to use the words “by consent”.

1540

That doesn't mean that the remaining subsections incorporated consent, it rather to me indicates that it wasn't that. They deliberately had to insert the
15 consent at that stage to define the specific carve—out. One would've thought if that indicated that the rest of the section had included the consent, why bother? I think to the extent it assists either party, I think on orthodox construction grounds, you would say that it probably supported the construction that I am arguing for. The fact that they then didn't alter the introduction to
20 section 9 and kept in 9(1)(c) suggests that the rest of the section continued to perform the function that they thought it had run since 1994.

There were I think three changes over the years. That was one. There was a significant one a few years later that dealt with the digital requirements and
25 there was a slight amendment, if you look at section 9, you'll see in brackets some reference to digital copies and such like. Again if you look at the introduction to that Bill, you'll see that that was specifically to bring us up to date in the digital world. Once again you would have thought on orthodox grounds, if they had thought that 9(1) and (a), (b) and (c) were not performing the function
30 they should or needed to be altered, then they would've been altered but they remained in the same form and the only other time that it was referred was when the Trade Marks Act in 2002 was passed and they specifically inserted in the Trade Marks Act a clause 79, I think, which specifically said that a trade mark can be exhausted by use anywhere in the world unless — or put it another

way, you had the right to use the trade mark anywhere in the world, so long as it was done by consent or put it another way, use of the trade mark without the consent of the trade mark owner, didn't amount to exhaustion. In other words it very specifically said what the Copyright Act didn't say and again, because
5 the Copyright Act was being looked at, at the same time as the Trade Marks Act was being looked at, that's when it ought to have been altered, if it needed to be altered and so if you look at each of the amendments that have taken place, not once has Parliament decided that the balance of section 9, much less 16, should be altered.

10

But in each case, where consent was thought necessary as in parallel importing in the Trade Marks Act or where they were altering the geographical limits, they said so. All of that to me says that section 9 continued to have the meanings that we've been putting forward.

15 **KÓS J:**

Do you know, just looking at the margin notes, section 9, 9(1)(d) was added in 1998, so it presumably didn't exist before, 9(1)(c) was amended in the same amendment act, do you know what the amendment was?

MR MILES KC:

20 9(1)(c)?

KÓS J:

9(1)(c), how did they change 9(1)(c) from it's —

MR MILES KC:

That's the digital one I think.

25 1545

KÓS J:

No, no that's the one we've been dealing with today.

MR MILES KC:

Has it been amended?

KÓS J:

Well you look at the margin notes at the bottom, 9(1)(c) amended.

5 **MR BROWN KC:**

They put the word “or” in.

WILLIAMS J:

Yes, that would’ve been necessary, well spotted Mr Brown.

KÓS J:

10 Parliament putting its oar in again.

MR MILES KC:

It’s always helpful have my friend assisting, yes. So that’s it. I did mention in my outline when talking about the traditional way of interpreting statutes, in particular when faced with treaty obligations, *Ortmann*, if we go to *Ortmann* —

15 **GLAZEBROOK J:**

And just remember we’re stopping at four and at the moment there's almost no time for reply.

MR MILES KC:

20 All right, I’ll just — *Ortmann* and I think the conclusion at *Ortmann* is paragraph [313], but it’s quite clear that the role of the Courts is to determine what the statute says, rather than what a treaty says. Obviously it will try to ensure that one incorporates the other, but if the wording doesn’t permit it, then so be it.

25 *Helu v Immigration and Protection Tribunal* [2015] NZSC 28, [2016] 1 NZLR 298 at [143], another Supreme Court judgment, by the way you get these cases cited in *Ortmann* under footnote 77 I think and they have a list of authorities and

it includes *Helu* and it includes *Zurich Australian Insurance Ltd v Cognition Education Ltd* [2014] NZSC 188, [2015] 1 NZLR 383 at [40] and both of those I've given to you. The relevant paragraphs, yes that's 313, and the relevant paragraph in *Helu* is if you go to —

5 **GLAZEBROOK J:**

We only need one citation for that, you don't need to show us the rest.

MR MILES KC:

You'll find them your Honour, in the footnote in *Ortmann* and I think 77. There's a paragraph of Justice McGrath and a paragraph I think of your Honour and
10 there is certainly in *Zurich* which I think is paragraph [40], I think that's again your Honour, Justice Glazebrook again to that effect. So there's no doubt what the law is on that and for the reasons I've obviously gone about, the additions are so fundamental that they couldn't possibly be construed as effectively being the meaning of the relevant section when it was passed in 1994.

15

And I finish with the written submissions with what the effect of this on the New Zealand business, I've already dealt with during the oral argument, so if there's anything else your Honour, otherwise I will finish.

GLAZEBROOK J:

20 Thank you, Mr Miles.

MR MILES KC:

While my friend responds, I will find the paragraphs in *Helu* and *Zurich*.

MR BROWN KC:

Your Honours, I don't propose to reply on anything. I think that everything that
25 could be said has been said and you'll possibly be relieved to hear that. The only thing that I didn't think about was the point Justice Williams has raised about intervening act and it's not something that I've ever thought about or looked at and I wonder if it's considered or if your Honours would be willing, we could look at that in the separate memorandum that leave has been given for,

that we could have a little section in that which tried to address what the meaning is if we can find it.

GLAZEBROOK J:

Certainly both sides can do that. Well thank you counsel, I'm sure we will find
5 those paragraphs in *Helu* and I don't think we need to be referred to them but if
you feel the absolute need, you can put that in your memorandum as well
Mr Miles. So subject to receiving the memoranda from counsel, we'll obviously
consider our decision after we've received those memoranda and give the
judgment in due course and thank you very much counsel for your assistance,
10 both the written submissions and the oral submissions and we will retire thank
you.

COURT ADJOURNS: 3.51 PM