

IN THE SUPREME COURT OF NEW ZEALAND

I TE KŌTI MANA NUI O AOTEAROA

SC 96/2023  
[2025] NZSC 18

BETWEEN	IAN JAMES BURDEN First Appellant
	PGT RECLAIMED (INTERNATIONAL) LIMITED Second Appellant
	PLANTATION GROWN TIMBERS (VIETNAM) LIMITED Third Appellant
AND	ESR GROUP (NZ) LIMITED Respondent

Hearing:	26 April 2024
Further submissions:	1 and 3 May 2024
Court:	Glazebrook, Ellen France, Williams, Kós and O'Regan JJ
Counsel:	A H Brown KC, J Oliver-Hood and J R E Wach for Appellants J G Miles KC and A J Pietras for Respondent
Judgment:	25 March 2025

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JUDGMENT OF THE COURT

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- A      The appeal is allowed.**
  - B      The High Court order awarding an account of profits is reinstated.**
  - C      The respondent must pay the appellants costs of \$25,000, plus usual disbursements. We allow for second counsel.**
  - D      Costs in the Courts below, if not agreed, can be settled by those Courts.**
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**REASONS**  
(Given by Glazebrook J)

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## Background

[1] Mr Burden is a designer, maker and exporter of furniture. He is the sole shareholder in PGT Reclaimed (International) Ltd and the beneficial owner of the shares in Plantation Grown Timbers (Vietnam) Ltd (PGT),<sup>1</sup> which are held by a holding company he controls. The respondent, ESR Group (NZ) Ltd (ESR), sells furniture in New Zealand.

[2] This appeal concerns the sale in New Zealand by ESR of furniture (imported from Vietnam) that infringed PGT's copyright.<sup>2</sup> ESR ordered the furniture after seeing it advertised in a "promotional spreadsheet" from a Vietnam-based supplier, Morrow Marketing Management Ltd (Morrow). To fill the order, Morrow purchased the furniture from another Vietnam-based company, Galaxy Home Vietnam Ltd (Galaxy). For ease of handling, Galaxy dispatched the product to ESR directly. It appears that Galaxy did not manufacture the furniture. Rather, it would purchase the furniture from joinery companies, colour it, and attach handles where necessary.

[3] ESR sold the furniture in New Zealand from March 2013. From 28 August 2014 it knew that the furniture infringed PGT's copyright.<sup>3</sup> It stopped selling the furniture on 22 November 2014.

[4] The issue is whether ESR is liable for primary infringement of PGT's copyright under s 29(1) of the Copyright Act 1994 (the 1994 NZ Act). Section 29(1) provides that copyright will be infringed if a person performs one of the restricted acts set out in s 16, including copying a work (the "reproduction right") and issuing copies of a work to the public (called in this judgment the "first distribution right"), without a copyright licence. At issue in this case is the first distribution right, and in particular the relevant definition section: s 9(1). That provision defines issuing copies of a work to the public as "putting into circulation copies not previously put into circulation".

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<sup>1</sup> We use "PGT" to refer collectively to the first, second and third appellants.

<sup>2</sup> We note that the Court of Appeal, at an earlier stage of the proceeding, ruled that the second and third appellants owned the copyright and not Mr Burden: *ESR Group (NZ) Ltd v Burden* [2017] NZCA 217, (2017) 14 TCLR 590 at [53]–[55].

<sup>3</sup> ESR's net profit from the furniture sales over the period from March 2013 to 22 November 2014 was \$221,134.50. The profits from the period between 28 August and 22 November 2014 (during which ESR knew the furniture infringed copyright) was the much smaller amount of \$9,316.50.

To be liable for primary infringement it is not necessary that ESR knew that the copies were infringing copies.<sup>4</sup>

[5] Alternatively, ESR is only liable for secondary infringement under s 35 of the 1994 NZ Act, which deals with secondary infringement of copyright by importation. To be liable under s 35, ESR would have to have known or had reason to believe that the copies were infringing copies. In this case, ESR only had such knowledge from 28 August 2014.

[6] The High Court held that ESR was liable for primary infringement because “not previously put into circulation” in s 9(1) means not previously put into circulation in New Zealand.<sup>5</sup> The Court also held that the right of first distribution is not exhausted where the issue of copies is without the consent of the copyright holder.<sup>6</sup> The term “exhaustion” refers to when a particular right is “spent” or “used up”, such that claims can no longer be brought based on it.

[7] The Court of Appeal overturned that decision, holding that the consent of the copyright owner was not required for the first distribution right under s 9(1) to be exhausted and that, if a copy is first distributed abroad, it has been “previously put into circulation”.<sup>7</sup>

[8] In this judgment we use the terms national, regional and international exhaustion. With regard to the first distribution right, national exhaustion is where only domestic distribution will exhaust a right. Under a regional exhaustion regime, exhaustion of the right will only occur once a copy is issued to the public within a particular region or regional bloc. International exhaustion means that the right is exhausted when a copy is issued to the public anywhere in the world.

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<sup>4</sup> By contrast, secondary infringement does require knowledge: see Susy Frankel *Intellectual Property Law in New Zealand* (2nd ed, LexisNexis, Wellington, 2011) at [5.12.3].

<sup>5</sup> *Burden v ESR Group (NZ) Ltd* [2022] NZHC 1818, [2022] 3 NZLR 380 (Downs J) [HC judgment]. The Court set out the full procedural history in the schedule, reported at 395 and following.

<sup>6</sup> At [55].

<sup>7</sup> *ESR Group (NZ) Ltd v Burden* [2023] NZCA 335 (Miller, Brown and Katz JJ) [CA judgment].

[9] On 7 December 2023, this Court granted PGT leave to appeal on the following questions:<sup>8</sup>

- (a) Was the Court of Appeal correct to conclude, for the purposes of s 9(1) of the Copyright Act 1994, that a copyright holder’s consent is not necessary for a work to be “in circulation”?
- (b) Was the Court of Appeal correct to conclude, for the purposes of s 9(1) of the Copyright Act 1994, that circulation outside of New Zealand could constitute “circulation”?

### **The relevant New Zealand legislation**

[10] As this Court commented in *Ortmann v United States of America*,<sup>9</sup> the 1994 NZ Act was introduced in response to New Zealand’s accession to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).<sup>10</sup> The Copyright Act 1962 reflected the 1928 Rome Revision of the Berne Convention for the Protection of Literary and Artistic Works.<sup>11</sup> The adoption of TRIPS meant that New Zealand needed to comply with that convention in its modern form (the Berne Convention).<sup>12</sup>

[11] We provide a summary of the relevant sections of the 1994 NZ Act below, with the full text of the relevant sections in Appendix 2 of this judgment.<sup>13</sup>

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<sup>8</sup> *Burden v PGT Reclaimed (International) Ltd* [2023] NZSC 159 (Glazebrook, O’Regan and Ellen France JJ) [SC leave judgment].

<sup>9</sup> *Ortmann v United States of America* [2020] NZSC 120, [2020] 1 NZLR 475 at [251].

<sup>10</sup> Copyright Bill 1994 (32-1) (explanatory note) at i; and Marrakesh Agreement establishing the World Trade Organization (with final act, annexes and protocol) 1869 UNTS 3 (opened for signature 15 April 1994, entered into force 1 January 1995), annex 1C (Agreement on Trade-Related Aspects of Intellectual Property Rights) [TRIPS]. TRIPS was one of several agreements resulting from the Uruguay Round of Multilateral Trade Negotiations. For a summary of the Uruguay Round prepared by the United Kingdom Department of Trade and Industry, see: Department of Trade and Industry *The Uruguay Round of Multilateral Trade Negotiations 1986* (May 1994).

<sup>11</sup> Convention of Berne for the Protection of Literary and Artistic Works, as revised at Rome 123 LNTS 233 (opened for signature 2 June 1928, entered into force 1 August 1931). The Berne Convention was adopted in 1886 and has been the subject of numerous revisions. New Zealand became a party to the Rome Revision on 24 April 1928.

<sup>12</sup> TRIPS, art 9(1); and Paris Act relating to the Berne Convention for the Protection of Literary and Artistic Works 1161 UNTS 3 (opened for signature 24 July 1971, entered into force 15 December 1972) [Berne Convention]. Note some articles of the Berne Convention did not enter into force until 10 October 1974.

<sup>13</sup> Below at [121]–[134].

[12] Section 16 sets out the exclusive rights of copyright owners. It includes, in s 16(1)(b), the exclusive right “to issue copies of the work to the public, whether by sale or otherwise”.

[13] Section 9(1) sets out a definition of “issue copies of a work to the public”. It provides that the term means “the act of putting into circulation copies not previously put into circulation”. Paragraph (c) provides that issuing copies to the public does not include “subsequent importation of those copies into New Zealand”, and para (d) provides that the definition does not include “distribution of imported copies that are not infringing copies within the meaning of section 12 subsequent to their importation into New Zealand”.

[14] Under s 12(2), an “object is an infringing copy if its making constitutes an infringement of the copyright in the work in question”.

[15] Under s 29(1), a person is liable for primary infringement of copyright if they do a restricted act without licence from the copyright holder. Under s 2(1), a restricted act means any of the acts described in s 16.

[16] Section 31 provides that issuing copies of a work to the public is a restricted act.

[17] Section 35 governs secondary infringement by importation. A person will be liable for secondary infringement under this provision if they (among other things) import an infringing copy into New Zealand, with knowledge or reason to believe that it is an infringing copy.

### **The relevant United Kingdom legislation**

[18] Partly as a result of time pressure ensuing from the accession to TRIPS, the 1994 NZ Act largely copied the Copyright, Designs and Patents Act 1988 (UK) (the UK Act).<sup>14</sup> This meant that the first distribution right contained in the UK Act

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<sup>14</sup> *Ortmann v United States of America*, above n 9, at [251] citing (29 November 1994) 545 NZPD 5272. See also Copyright Bill 1994 (32-1) (explanatory note).

was carried over into the New Zealand legislation.<sup>15</sup> The relevant sections in the UK Act and subsequent amendments are contained in full in Appendix 3.<sup>16</sup>

[19] In brief, s 18(1) of the UK Act, as it was in 1994, provided that issuing copies of a work to the public was a restricted act. Section 18(2) defined issuing copies of a work to the public as “the act of putting into circulation copies not previously put into circulation, in the United Kingdom or elsewhere”. Section 18(2)(b) provided that “any subsequent importation of those copies into the United Kingdom” would be excluded from this definition.

[20] There have been a series of amendments to s 18 of the UK Act. Notably, the United Kingdom has retreated from a position of international exhaustion to regional exhaustion. Exhaustion also now explicitly requires the consent of the copyright holder.

### **High Court decision**

[21] The main issue for the High Court was what was meant by “not previously put into circulation” in s 9(1) of the 1994 NZ Act.<sup>17</sup> The issue was whether this means first distribution anywhere (ESR’s position) or first distribution in New Zealand (PGT’s position). If the former, the High Court said that PGT’s distribution right would have been exhausted when the furniture was made available for purchase in Vietnam, and ESR would not have committed a primary breach of copyright when it sold the furniture in New Zealand. There was also the question of whether the first distribution had to be by consent of the copyright holder. Ultimately, the High Court sided with PGT and read s 9(1) in the following way, with the additions in square brackets:<sup>18</sup>

References in this Act to the issue of copies of a work to the public mean the act of putting into circulation copies [in New Zealand] not previously put into circulation [in New Zealand by or with the consent of the owner].

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<sup>15</sup> The history of the first distribution right replacing the prior publication right in the United Kingdom is set out in the CA judgment, above n 7, at [24]–[39]. As the Court of Appeal pointed out at [41], the inclusion of the new first distribution right was not attributable to the influence of the Berne Convention, which did not in 1994 (and still does not) require a first distribution right.

<sup>16</sup> Below at [135]–[138].

<sup>17</sup> HC judgment, above n 5, at [11].

<sup>18</sup> At [55].

[22] The High Court considered ESR's strongest argument to be that s 9(1)(c) refers to "subsequent importation", the word "subsequent" suggesting that first distribution has already occurred outside of New Zealand.<sup>19</sup> That was, however, overridden by the following 10 considerations.

[23] First, the common law presumes a statute does not have extraterritorial effect.<sup>20</sup> Further, the High Court said that in the UK Act, s 18(2) (as enacted) provided that references to "copies" referred to copies not put into circulation "in the United Kingdom *or elsewhere*".<sup>21</sup> The 1994 NZ Act omitted the words "or elsewhere".

[24] Second, s 16 "identifies an elementary feature of copyright: that it is territorial".<sup>22</sup> All of the exclusive rights stated in s 16 are exercisable "in New Zealand".

[25] Third, s 16 "creates a code of rights of a copyright owner. The right of first circulation is one such right. As with the others, it is exercisable in New Zealand only."<sup>23</sup>

[26] Fourth, recourse to secondary infringement is insufficient for a plaintiff, as contravening the distribution right is a primary copyright infringement in terms of ss 29 and 31.<sup>24</sup>

[27] Fifth, ESR's interpretation would deny plaintiffs a remedy and thereby reduce the efficacy of the 1994 NZ Act and the first distribution right.<sup>25</sup> Again, to refer to secondary copyright infringement is no answer.

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<sup>19</sup> At [41].

<sup>20</sup> At [44].

<sup>21</sup> Emphasis added.

<sup>22</sup> At [46] (emphasis omitted).

<sup>23</sup> At [47].

<sup>24</sup> At [48].

<sup>25</sup> At [49].



[28] Sixth, the various provisions of the 1994 NZ Act which allow parallel importation<sup>26</sup> would not be necessary if foreign circulation already qualified under s 9(1).<sup>27</sup>

[29] Seventh, ESR's construction would cut across the 1994 NZ Act's distinction between genuine and infringing copies and would be inconsistent with the parallel importation regime.<sup>28</sup>

[30] Eighth, PGT's construction was consistent with the current position under the UK Act (on which the 1994 NZ Act was based) and the WIPO Copyright Treaty (WCT).<sup>29</sup> Under the current United Kingdom position, "a copyright owner's right of first circulation is exhausted only when the acts of prior circulation have been by the copyright owner or with her, his, or its consent".<sup>30</sup> In relation to the WCT, acceded to by New Zealand on 17 December 2018, the High Court relied on art 6 which provides:<sup>31</sup>

- (1) Authors of literary and artistic works *shall enjoy the exclusive right of authorising the making available to the public* of the original and *copies* of their works through sale or other transfer of ownership.
- (2) 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*.

[31] Ninth, the High Court considered that PGT's construction was consistent with exhaustion in relation to other forms of intellectual property.<sup>32</sup> Particularly relevant in this regard was s 97A of the Trade Marks Act 2002, which was inserted to address the international exhaustion of rights conferred by a registered trade mark.

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<sup>26</sup> Sections 9(1)(d), 12(3) and 12(5A).

<sup>27</sup> HC judgment, above n 5, at [50]. The Copyright Act 1994 [the 1994 NZ Act] was amended in 1998 to allow parallel importing: see Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998.

<sup>28</sup> At [51].

<sup>29</sup> At [52]; and WIPO Copyright Treaty 2186 UNTS 121 (opened for signature 20 December 1996, entered into force 6 March 2002). "WIPO" refers to the World Intellectual Property Organization, see < <https://www.wipo.int/portal/en/>>.

<sup>30</sup> HC judgment, above n 5, at [23].

<sup>31</sup> Emphasis added.

<sup>32</sup> HC judgment, above n 5, at [53].

[32] Finally, the High Court noted that the above points were consistent with comments in a 2019 discussion paper published by the Ministry of Business Innovation and Employment (the MBIE Paper) on the exhaustion of intellectual property rights.<sup>33</sup> The MBIE Paper states, in part:<sup>34</sup>

- 239. In the context of intellectual property rights, exhaustion generally means that when a product covered by an intellectual property right is sold to the public, the ability of the rights owner to control further sale of the product is limited.
- 240. For example, the owner of copyright in a book has the exclusive right to issue the book to the public. But once the book is sold by the copyright owner, the purchaser is free to sell the book without seeking the permission of the copyright owner, or paying a royalty. That is, the right of the copyright owner to issue the book to the public is “exhausted”. Section 9(1) of the [1994 NZ Act] explicitly provides for this exhaustion of rights.
- 241. The [1994 NZ Act] and the Trade Marks Act 2002 provide for “international exhaustion” of copyright and trade mark rights. This relates to situations where a copyright work or a product carrying a trade mark registered in New Zealand is placed on the market in another country by or with the permission of the copyright or trade mark owner. In these situations the copyright work or the trade marked product can be imported into New Zealand without the permission of the copyright owner or the trade mark owner. Such imports are known as “parallel imports”.

### **Court of Appeal decision**

[33] ESR appealed against the High Court decision. The two issues relevant to the present appeal were formulated by the Court of Appeal as follows:<sup>35</sup>

- (a) Is the distribution right spent only when the copies of a work are put into circulation by the copyright owner or with their consent or licence?
- (b) If a copy is first distributed abroad has it been “previously put into circulation”?

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<sup>33</sup> At [54]; and Ministry of Business, Innovation and Employment *Discussion Paper: Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953* (May 2019).

<sup>34</sup> Emphasis omitted.

<sup>35</sup> CA judgment, above n 7, at [22] (paragraph numbering altered).

*Issue (a): Owner's consent or licence*

[34] On issue (a), the Court of Appeal rejected the argument that s 29(1) supports the position that consent is required. That section “simply recognises that only an unauthorised performance of a restricted act is an infringement”.<sup>36</sup> More generally, the Court of Appeal commented on the impact of requiring consent for the right of first distribution to be exhausted, which would mean that each sequential unauthorised sale of a copy of a work would be an infringement. The Court said:<sup>37</sup>

In our view such an outcome is the antithesis of the purpose of the distribution right, both in its original manifestation in the [UK Act] and in the [1994 NZ Act]. We agree with [ESR] that it is highly unlikely that Parliament would have intended such a consequence. That is especially so given the fact that s 31 infringement is primary infringement. While the vendor of a new item should be on guard, a downstream acquirer of a second-hand item, be it a book, a music score or even a motor vehicle, could have no way of knowing whether in selling the item they might be liable for a claim of primary infringement at the suit of a copyright owner who had never consented to the item's disposal.

[35] The Court of Appeal then embarked on an extended discussion of the role of later developments in statutory interpretation.<sup>38</sup> This was relevant due to the High Court and PGT's reliance on various downstream developments (for example, the WCT and the MBIE Paper). The Court of Appeal seemingly accepted that downstream developments could be relevant to the construction of a statute.<sup>39</sup> But it said that there were “limits to the ambulatory approach”.<sup>40</sup> The Court noted that PGT were not contending that downstream developments caused the meaning of the 1994 NZ Act to change. Rather, PGT submitted that subsequent developments can be “informative in determining the meaning of a statutory provision ... at the time it was enacted”.<sup>41</sup>

[36] The Court of Appeal then went on to consider the various specific downstream developments relied on by PGT. The Court of Appeal held that the relevant paragraphs of the MBIE Paper were too general to favour either side.<sup>42</sup> It also said that the WCT

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<sup>36</sup> At [73].

<sup>37</sup> At [78] (footnote omitted). See the example given at [74]–[77].

<sup>38</sup> At [81]–[103].

<sup>39</sup> At [86]–[88].

<sup>40</sup> At [84].

<sup>41</sup> At [85].

<sup>42</sup> At [98].

was not informative in this case, and that, based on a 2016 National Interest Analysis, the art 6 obligation had been perceived to be already satisfied by the 1994 NZ Act.<sup>43</sup>

[37] The Court of Appeal ultimately concluded in favour of ESR on this issue, holding that:<sup>44</sup>

... the Judge erred in accepting [PGT's] contention that a copy of a copyright work will only be put into circulation for the purposes of s 9(1) if the relevant act (distribution, sale, etc) is performed either by, or with the consent of, the copyright owner. In our view the release of a copy to the market, whether that release is unauthorised or non-infringing, causes the relevant copy to be placed "in circulation". The copyright owner's exclusive right to distribute that copy is then spent, notwithstanding that the act of issuing was an infringement of the owner's s 16(1)(b) right.

*Issue (b): First distribution abroad*

[38] On this issue, the Court of Appeal rejected the submission that to read s 9(1) to include distribution abroad would be to give the provision extraterritorial effect.<sup>45</sup> It also rejected the submission that a comparison to s 18(2) of the UK Act supported national exhaustion. The Court of Appeal said that the "absence of any territorial qualification of the word "circulation" [in s 9(1) was] a neutral factor".<sup>46</sup> The Court noted that the New Zealand drafters made "several changes to the wording of s 18" and "the location of its components" within the 1994 NZ Act. It suggested that one reason for the omission of "or elsewhere" may simply have been that the word "circulation" was sufficient to indicate the international market, such that no specific qualifier was necessary.

[39] The Court then considered the use of the word "subsequent" in s 9(1)(c). It held that its meaning was clear: "the relevant importation of copies into New Zealand must be subsequent to the first issue of those copies in some other country".<sup>47</sup> After tracing the legislative history of s 18(2) of the UK Act,<sup>48</sup> the Court

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<sup>43</sup> At [102]. See also Ministry of Foreign Affairs and Trade *WIPO Copyright Treaty National Interest Analysis* (25 January 2016) at 3.

<sup>44</sup> CA judgment, above n 7, at [103].

<sup>45</sup> At [108], contrasting the version of s 18(2) of the Copyright, Designs and Patents Act 1988 (UK) [UK Act] in force between 1996 and 2018.

<sup>46</sup> At [111].

<sup>47</sup> At [113].

<sup>48</sup> At [115]–[119].

acknowledged that the phraseology was “less than ideal” (given that mere importation without “[s]ome additional step in the nature of distribution of the copy to the public” cannot amount to infringement of the distribution right)<sup>49</sup> but said:<sup>50</sup>

... the meaning of the provision in its entirety was clear. Bringing into the United Kingdom copies which had already been put into circulation elsewhere would not, in due course, culminate in infringement of the distribution right, whereas introducing to the United Kingdom market (ultimately by sale there) copies which had never previously been circulated would do so. The inclusion of “subsequent” was to emphasise that in the former scenario (but not the latter) circulation had already occurred.

[40] The Court of Appeal concluded that the High Court had erred in concluding that first distribution must be in New Zealand.<sup>51</sup>

### **PGT’s submissions**

[41] It is submitted by PGT that the effect of the right “to issue copies of the work to the public, by sale or otherwise” in New Zealand is to grant the copyright owner the right to control when the original or a copy of a copyright work is “put into circulation”. Where there are multiple copies of the work, the right applies to each copy.

[42] PGT submit that there are three recognised rationales for this limitation on the copyright owner’s right to control distribution of a copy of their work to the first act of circulation of that copy.<sup>52</sup> The first is that, once the owner has put the copy on the market, they have received “a just reward” and reaped the economic benefit of that act. The second is to foster the existence of a lawful second-hand market for goods in which copyright subsists. The third justification is the traditional hostility of the common law towards restrictions on the alienation of lawfully acquired personal property. PGT submit that these three rationales are all inconsistent with exhaustion by an unauthorised act of circulation.

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<sup>49</sup> At [55].

<sup>50</sup> At [120].

<sup>51</sup> At [127].

<sup>52</sup> Citing Pascale Chapdelaine *Copyright User Rights: Contracts and the Erosion of Property* (Oxford University Press, Oxford, 2016) at 111–116.

[43] PGT say that five separate provisions (ss 2(1), 9, 16, 29 and 31) of the 1994 NZ Act cumulatively create the first distribution right. Contrary to the Court of Appeal’s ruling, PGT submit that the words “other than pursuant to a copyright licence” in s 29(1) do not just “simply [recognise] that only an unauthorised performance of a restricted act is an infringement”.<sup>53</sup> For the words to be given their full and proper meaning, they must apply to the definitions of all of the restricted acts in ss 16(1) and 30–34.

[44] PGT therefore submit that the words in s 29(1) “other than pursuant to a copyright licence” should be treated as an integral part of both the definition in s 9 and the short descriptions of the restricted acts in ss 16(1)(b) and 31. In PGT’s submission, this means that the overarching words in s 29(1) require the s 9(1) definition of the term “issue to the public” to be properly read as meaning “the act of putting into circulation copies not previously put into circulation by or with the consent of the copyright owner”.<sup>54</sup>

[45] PGT further submit that to give effect to the words “other than pursuant to a copyright licence” in the limited sense stated by the Court of Appeal would deprive the copyright owner of the full value of the distribution right to which New Zealand has committed, and would interpret the 1994 NZ Act in a manner that is inconsistent with New Zealand’s obligations under art 6 of the WCT.

[46] In terms of s 9(1)(c), PGT submit that there is a credible alternative to the Court of Appeal’s interpretation: an interpretation that conforms with New Zealand’s art 6 obligations.

[47] With regard to the WCT, PGT submit that arts 6(1) and (2) require that the distribution right only be exhaustible with the authorisation of the copyright holder. Ever since New Zealand acceded to the WCT in 2002, no amendment has been made to the provisions governing the distribution right, and multiple official analyses (from various sources) indicated the belief that New Zealand was already in compliance with

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<sup>53</sup> CA judgment, above n 7, at [73].

<sup>54</sup> Emphasis omitted. PGT submit that the same words must also be read into the rental provisions in ss 9(2)–(3).

art 6 at the time of accession. In PGT's submission, various principles of statutory interpretation support construing the 1994 NZ Act in accordance with the WCT. For instance, statutes should be interpreted in accordance with New Zealand's international obligations, and may be interpreted according to an ambulatory approach.<sup>55</sup>

[48] PGT point out that the phrase "or elsewhere" in s 18 of the UK Act was not used in the 1994 NZ Act.<sup>56</sup> PGT submit that, where the 1994 NZ Act intends a consequence to follow from an event which occurs overseas, it says so explicitly.

[49] PGT also submit that the Court of Appeal erred in its view that subsequent distributors (following an initial act of unauthorised distribution) would be liable for primary infringement. This is because the key inquiry under s 9(1) is whether the defendant is the first person to put copies into circulation. Section 9(1)(a) would preclude action against subsequent distributors.

[50] PGT note that s 16(1) provides that a copyright holder has the exclusive right to do the various restricted acts in New Zealand. As such, a New Zealand copyright holder could not sue an infringer for doing a restricted act overseas (here, PGT could not sue the Vietnamese manufacturer under the 1994 NZ Act). Despite this lack of overseas recourse, PGT, under the Court of Appeal's interpretation, have lost their right to control the first circulation of copies in New Zealand.

[51] The sole express legislative indicator regarding New Zealand's position on the exhaustion of the distribution right comes from s 9(1)(d) (providing for parallel imports). In PGT's submission, the Court of Appeal effectively read s 9(1)(d) so as to render it redundant. This is the case both with regard to allowing circulation without authorisation to exhaust the right, and regarding the Court's adoption of a position of international exhaustion.

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<sup>55</sup> Citing *Ortmann v United States of America*, above n 9, at [313]; and Legislation Act 2019, s 11.

<sup>56</sup> PGT also note that the United Kingdom subsequently retreated from this position of international exhaustion to one of regional exhaustion.

## **ESR's submissions**

[52] ESR submits that the Parliaments of the United Kingdom (with regard to the UK Act) and New Zealand (with regard to the 1994 NZ Act) intended that the distribution right would be extinguished by overseas circulation, whether authorised or not. In its submission, s 9(1) of the 1994 NZ Act has the same meaning as s 18(2) of the UK Act, despite the omission of the phrase “or elsewhere”. This interpretation is supported by s 9(1)(c) and the opinions of commentators in the United Kingdom and New Zealand. It submits that commentators also support the view that authorisation of the copyright owner is not required. In its submission, the insertion of s 9(1)(c) was deliberate and not mistaken or unnecessary. It supports the Court of Appeal’s interpretation.

[53] As to the parallel importing provisions, ESR submits that s 9(1)(d) is peripheral to the issues before the Court. It is a standalone provision altering the definition of infringing copy. It did not alter the meaning of the other paragraphs of s 9(1). Regarding s 29, ESR submits that the act of infringement under s 29 is not a standalone restricted act. That provision simply provides that in order to constitute infringement, the relevant act must be unauthorised. Only the acts stated in s 16 are restricted acts.

[54] ESR submits that PGT’s interpretation would render the lack of knowledge defence in the secondary infringement provisions redundant. In its submission the Court of Appeal’s approach does not present a problem of extraterritoriality. PGT’s interpretation would also lead to the consequences referred to by the Court of Appeal with regard to sequential distributors.<sup>57</sup>

[55] ESR submits that the application of the ambulatory approach advocated for by PGT is not in accordance with principle. Regarding the WCT, ESR submits that art 6(2) leaves it open for member states to determine the conditions under which a distribution right would be exhausted and that the Court of Appeal’s judgment does not deprive copyright holders of their distribution rights. Nor does it breach the WCT.

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<sup>57</sup> See above at [34].



[56] ESR also refers to various policy grounds supporting its argument. It says that PGT's interpretation would leave New Zealand importers in an invidious position. Businesses that import and sell products in good faith with no knowledge of any copyright in them would be strictly liable for infringement, even if they had taken all reasonable steps. New Zealand importers should remain free to order goods after looking at catalogues from overseas suppliers, or online, so long as they have no knowledge that the goods infringe copyright.

[57] It is submitted that, on PGT's analysis, the result for New Zealand businesses would be particularly problematic, as there is no register of copyright that importers can consult before importing and selling products. While the New Zealand Customs Service | Te Mana Ārai o Aotearoa has some copyright notices on its website, there are very few of them and it is not a requirement that a copyright owner lodge such a notice to be able to sue. It is submitted that Parliament would not have intended such harsh consequences for importers who are a key part of the lifeblood of commerce in New Zealand.

### **The issues**

[58] As already indicated, the questions on which leave was granted are:<sup>58</sup>

- (a) Was the Court of Appeal correct to conclude, for the purposes of s 9(1) of the 1994 NZ Act 1994, that a copyright holder's consent is not necessary for a work to be "in circulation"?
- (b) Was the Court of Appeal correct to conclude, for the purposes of s 9(1) of the 1994 NZ Act 1994, that circulation outside of New Zealand could constitute "circulation"?

[59] The second question is the more important: whether, under s 9(1) of the 1994 NZ Act, exhaustion of the first distribution right is national or international. We therefore address this question first. We then discuss the first question relating to consent of the copyright owner.

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<sup>58</sup> SC leave judgment, above n 8.

## **Is the first distribution right exhausted by the issue of copies to the public outside New Zealand?**

[60] Section 9(1) provides a definition of the first distribution right. Issuing copies of a work to the public means: “the act of putting into circulation copies not previously put into circulation”. The definition is silent as to whether “previously put into circulation” means “previously put into circulation anywhere in the world” (the position of ESR and the Court of Appeal) or “previously put into circulation in New Zealand” (the position of PGT and the High Court).

[61] We consider that the position advanced by PGT is more consistent with the wording, the statutory history and context and policy considerations. Our discussion of this is set out under the following headings:

- (a) Statutory wording and scheme
- (b) Principle of territoriality
- (c) Comparison to the equivalent UK Act provision
- (d) Other relevant references in the 1994 NZ Act
- (e) Comparison with similar provisions in the UK Act
- (f) Exclusion for subsequent importation
- (g) Parallel importing provisions
- (h) Policy considerations
- (i) Conclusion

[62] We comment that it is unfortunate that, having decided to adopt the UK Act’s first distribution right, the legislation did not make it clear in s 9 whether the purpose was to adopt the UK model in its entirety (which could easily have been achieved by adding “in New Zealand or elsewhere”) or to adopt it with modification (which could

easily have been indicated by adding “in New Zealand”). The result has been unnecessary and avoidable uncertainty.

*Statutory wording and scheme*

[63] Section 9(1) is a definition section. It thus has no independent force, only serving to define words contained in other sections. In this case, the definition is relevant not only to the section defining the exclusive first distribution right (s 16(1)), but also to the sections defining infringement (ss 29(1) and 31). Further, the s 9 definition applies generally to references in the 1994 NZ Act to the issue of copies of a work to the public. This means that the interpretation of the definition may, subject to context, be relevant to other sections as well.<sup>59</sup>

[64] The starting point is s 16(1) of the 1994 NZ Act, which provides that the owner of the copyright in a work has the exclusive right, in accordance with ss 30–34, to do the acts set out in the following paragraphs in New Zealand. Section 16(1)(b) provides for the right to “issue copies of the work to the public, whether by sale or otherwise”.

[65] Under s 29(1), copyright in a work is infringed by a person who, other than pursuant to a copyright licence, does any restricted act. Under s 2(1), a restricted act is any of the acts set out in s 16 and, under s 31, the issue of copies of a work to the public is a restricted act in relation to every description of a copyright work. Read together with s 16(1), this means that, for there to be infringement of the first distribution right, the restricted act must be done in New Zealand without authorisation from the copyright owner.<sup>60</sup>

[66] This statutory scheme, with the emphasis on the exclusive right to do acts in New Zealand and the corollary that only acts in New Zealand will be infringing, provides support for the argument that the related definition in s 9(1) would by implication be confined to acts in New Zealand, absent words to the contrary.

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<sup>59</sup> For example, the phrase is used in ss 94 and 99 which provide, respectively, for the moral right to be identified as the author or director of a work and the content of the moral right to object to derogatory treatment of a work.

<sup>60</sup> Or without the authorisation of the holder of that particular right in New Zealand if the particular right is held separately: see below at [68].

### *Principle of territoriality*

[67] The above argument based on the statutory wording and scheme is reinforced by the fact that intellectual property law, including copyright law, is territorial.<sup>61</sup> Indeed, Professor Frankel said in a recent article that the “international intellectual property system relies on territoriality as one of its key organising principles”.<sup>62</sup> Local laws reflect the minimum standards of protection that are required under international intellectual property agreements but may offer greater protection.<sup>63</sup> The Berne Convention provides that:<sup>64</sup>

... the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.

[68] Given the territorial nature of intellectual property, each exclusive right related to that property can be owned by or licensed to different entities in different jurisdictions.<sup>65</sup> This “territoriality gives power to rights owners to exploit different rights in multiple markets, enabling maximisation of global profits”.<sup>66</sup> Territoriality also means that “enforcement of intellectual property is territorial whether that enforcement is civil or criminal”.<sup>67</sup>

[69] We accept that the core of the principle of territoriality centres on where copyright can be held and enforced, rather than where rights can be exhausted.<sup>68</sup>

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<sup>61</sup> For the territorial nature of copyright law see Gwynn Harbottle, Nicholas Caddick and Uma Suthersanen *Copinger and Skone James on Copyright* (19th ed, Sweet & Maxwell, London, 2025) vol 1 [*Copinger* 19th ed] at [1-39]. See further the cases referred to in the HC judgment, above n 5, at [46]: *Gao v Zespri Group Ltd* [2021] NZCA 442, [2022] 2 NZLR 219; and *Atkinson Footwear Ltd v Hodgkinson International Services Ltd* (1994) 31 IPR 186 (HC). In *Atkinson Footwear Ltd*, Tipping J noted that “copyright gives a monopoly within the country which grants it”: at 190. Further, he described copyright law as having a “territorial ambit”: at 191. We note also *Society of Composers, Authors and Music Publishers of Canada v Canadian Assn of Internet Providers* 2004 SCC 45, [2004] 2 SCR 427 where the Canadian Supreme Court commented that national copyright laws “are typically territorial in nature” albeit in the context of acknowledging the challenges the internet posed to this principle: at 437 per McLachlin CJ, Iacobucci, Major, Bastarache, Binnie, Arbour, Deschamps and Fish JJ.

<sup>62</sup> Susy Frankel “Intellectual Property’s Territorial Framework and the Macro-Level Contradiction with Tax Policy” (2022) 52 VUWLR 769 at 769.

<sup>63</sup> At 769.

<sup>64</sup> Berne Convention, above n 12, art 5(2).

<sup>65</sup> Frankel, above n 62, at 770–771.

<sup>66</sup> At 771.

<sup>67</sup> At 770. Professor Frankel notes that there is some flexibility for this regarding unregistered intellectual property rights, particularly for disputes relating to copyright.

<sup>68</sup> We agree with the Court of Appeal that providing for international or regional exhaustion, rather than national exhaustion, would not be giving the copyright extraterritorial effect: see discussion

However, the territorial nature of copyright would support the view that exhaustion is national, in the absence of any indication to the contrary. It would be odd if the copyright owner could be deprived of their rights by actions outside the jurisdiction without clear wording to indicate that this was the intended effect of the legislation.

*Comparison to the equivalent UK Act provision*

[70] As we note earlier, the 1994 NZ Act was based closely on the version of the UK Act in force in 1993. The first distribution right in the UK Act, as noted above, is contained in s 18. In New Zealand, the first distribution right provisions were split, with s 31 of the 1994 NZ Act mirroring s 18(1) of the UK Act and s 9 of the 1994 NZ Act reflecting—with one particularly significant omission—the rest of s 18. In Appendix 1, we set out a table comparing the two provisions and highlighting the similarities and differences.<sup>69</sup>

[71] Section 18(2) of the UK Act contains wording making it clear that exhaustion of the right of first distribution is not confined to the United Kingdom. It says that references to the issue to the public of copies of a work are to the act of putting into circulation copies “not previously put into circulation in the United Kingdom or elsewhere”. Section 9(1) does not include equivalent wording.

[72] Contrary to the view of the Court of Appeal, we do not accept that the “absence of any territorial qualification of the word ‘circulation’ in s 9(1) is a neutral factor”.<sup>70</sup> We see the omission from the 1994 NZ Act of an equivalent to “the United Kingdom or elsewhere” as significant, given the otherwise extensive similarity between s 18(2) of the UK Act and s 9(1) of the 1994 NZ Act.

[73] We disagree with the Court of Appeal’s suggested rationale for the qualifier “or elsewhere” not being included in New Zealand: that it was simply cutting back surplusage and relying on the word “circulation” as meaning circulation anywhere in the world.<sup>71</sup> If Parliament’s purpose had been to ensure s 9(1) created a system of

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in CA judgment, above n 7, at [104]–[108].

<sup>69</sup> Below at [120].

<sup>70</sup> See above at [38]; and CA judgment, above n 7, at [111].

<sup>71</sup> See above at [38].

international exhaustion, then not inserting the phrase “in New Zealand or elsewhere” (which would have put this beyond doubt) and merely relying on the word “circulation” as denoting circulation anywhere in the world would be an odd way to proceed, especially in light of the territorial nature of copyright. We comment that the UK drafters appear not to have considered the word “circulation” on its own sufficient to denote international exhaustion, given that they added the words “in the United Kingdom or elsewhere”.

[74] There is also a divergence between s 9(2) in the 1994 NZ Act and s 18(3) in the UK Act as it was at the time of the 1994 NZ Act’s enactment. Both provisions deal with computer programs. Section 18(3) of the UK Act applied generally to the issue of copies of a computer program to the public. It adopted a position of regional exhaustion (“in the United Kingdom or any other [European Community] member State”) for computer programs and also required the consent of the copyright holder. The New Zealand provision clarifies that, in certain circumstances, the “issue of copies of a work” includes the rental of copies of computer programs to the public. It does not contain similar wording to s 18(3) in relation to regional exhaustion, but this is understandable given that New Zealand has obviously never been part of the European Union or its predecessor institutions.

[75] The omissions of territorial qualifiers from both s 9(1) and (to a less significant extent) s 9(2) suggest that the New Zealand drafters were aware of the significance of national, regional and international exhaustion requirements. It means that their decision to omit from s 9(1) the equivalent of the words (“in the United Kingdom or elsewhere”) present in s 18(2) of the UK Act was deliberate and that the purpose of the omission was to denote national, as against international, exhaustion.

*Other relevant references in the 1994 NZ Act*

[76] That the drafters of the 1994 NZ Act were conscious of territoriality and made a deliberate decision not to include the equivalent of the words “in the United Kingdom or elsewhere” in s 9(1) is reinforced by provisions in the 1994 NZ Act that do make it clear that they apply in New Zealand or any other country.

We accept PGT's submission that this suggests that when the 1994 NZ Act is intended to apply to acts or omissions in New Zealand or elsewhere, it will say so explicitly.

[77] Sections 18, 19 and 20 of the 1994 NZ Act all contain wording specifying when overseas works can qualify for copyright, by author, country of first publication and origin of communication work, respectively. PGT emphasise that these provisions provide for qualification in reference to relevant conditions being met, or acts being performed, in a "prescribed foreign country". For example, s 18(2)(a) provides that a work qualifies for copyright if the author is "a citizen or subject of a prescribed foreign country".<sup>72</sup> We accept the submission of PGT that these sections also show that careful regard was paid to location.

[78] Section 75 of the 1994 NZ Act, which provides an exception from protection of artistic work that has been applied industrially, states at subs (1)(b) that the making of copies:<sup>73</sup>

... does 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 ...

[79] PGT also point to s 127(2) of the 1994 NZ Act, which sets out a presumption applying in proceedings relating to infringement of copyright in an artistic work of which copies in three dimensions have been issued to the public. Section 127(2) states that "where copies as issued to the public, *whether in New Zealand or in any other country*" bear a label or mark with a number of claims relating to copyright<sup>74</sup> these claims will be presumed to be correct, along with the fact that the defendant had knowledge of them.

[80] We note that s 126, dealing with presumptions for literary, dramatic, musical or artistic works, does not contain similar wording ("in New Zealand or in any other

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<sup>72</sup> The Copyright (Application to Other Countries) Order 1995, sch 1, sets out which countries are "prescribed foreign countries".

<sup>73</sup> Emphasis added.

<sup>74</sup> Emphasis added. These claims being: "that copyright existed in the artistic work of which the copy was made", "that a named person was the owner of the copyright in the artistic work at the time the copy was issued to the public", "that a named person was the exclusive licensee of the copyright owner at the time the copy was issued to the public" and "that the copy was first issued to the public in a specified year".

country”). Nor does s 128, relating to computer programs, sound recordings and films. But the definition in s 9 of issuing copies to the public applies across the entire Act, including s 128. If ESR’s interpretation of s 9(1) were correct, it could arguably change the meaning in 128, ignoring the fact that, unlike s 127, it does not contain an international qualifier.<sup>75</sup>

*Comparison with similar provisions in the UK Act*

[81] The significance of the provisions in which the 1994 NZ Act shows care in specifying whether a section has territorial or extraterritorial effect is further highlighted when these sections are contrasted to similar provisions in the UK Act. PGT submit that the drafters made deliberate decisions as to “extraterritoriality” when copying over equivalent United Kingdom provisions and that these decisions at times differed from those in the UK Act. PGT submit that this indicates a conscious decision in each case whether or not to follow the UK Act in this regard. We accept that there are differences in wording that support the view that consideration was given, in drafting the 1994 NZ Act, to whether or not to use the UK Act’s wording in relation to territorial effect.<sup>76</sup>

[82] PGT note that ss 18, 19 and 20 of the 1994 NZ Act mirror ss 154, 155 and 156 of UK Act. PGT submit that, by contrast, s 75 of the 1994 NZ Act does not have a direct equivalent in the UK Act. We comment that there may be some resemblance to s 52 of the UK Act, which dealt with the situation where artistic works are made by industrial process and are marketed “in the United Kingdom or elsewhere”. In s 75 of the 1994 NZ Act, the phrase “in New Zealand or in any other country” attaches, however, to where the artistic work has been applied industrially, and not to marketing.

[83] Sections 126, 127 and 128 of the 1994 NZ Act mirror (but do not exactly replicate) ss 104 and 105 of the UK Act (as it was at the time of the 1994 NZ Act’s enactment). Unlike s 127 of the former, none of the latter’s provisions contain references to application in other countries.

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<sup>75</sup> It could also alter the meaning of s 126. That section talks about works “as published”, but publication is defined in s 10(1)(a) as “the issue of copies of the work to the public”.

<sup>76</sup> We note, however, that by accepting this submission we are not saying that in all the examples below the 1994 NZ Act adopted a UK Act provision and then changed it. Rather, some provisions of the 1994 NZ Act (like s 75) do not have a precise equivalent: see below at [82].



### *Exclusion for subsequent importation*

[84] We now turn to the wording of s 9(1)(c)—one of the main factors underpinning the view reached by the Court of Appeal. The Court considered that the meaning of s 9(1)(c) was clear, despite the phraseology being “less than ideal”, because mere importation can never, without an additional step in the nature of distribution of the copy to the public, amount to infringement of the right of first distribution.<sup>77</sup> It held that the meaning of s 9(1)(c) had to match the meaning of the nearly identical provision in the UK Act (s 18(2)(b)).<sup>78</sup> The Court derived its interpretation of the 1994 NZ Act provision in part from the legislative history of the equivalent UK Act provision.<sup>79</sup>

### United Kingdom legislative history

[85] We agree with the Court of Appeal that the legislative history shows that the intention of the equivalent United Kingdom provision was likely to provide that bringing copies that had already been put into circulation offshore into the United Kingdom would not constitute infringement of the first distribution right, but that introducing into the United Kingdom market copies which had never previously been circulated, and then selling them, would do so.<sup>80</sup>

[86] There was, however, difficulty with the wording. The authors of the 13th edition of *Copinger and Skone James on Copyright (Copinger)* (the edition of *Copinger* first published following the passage of the UK Act) were concerned that the provision meant that the mere act of importation, if not subsequent to first issue of the copy elsewhere, would be an infringement of s 18:<sup>81</sup>

The use of the word “subsequent” in subsections 18(2)(a) and (b) of the 1988 Act to qualify the acts specified there of distribution, sale, hiring, loan and importation indicates that any such act, if not subsequent to an earlier act of putting copies into circulation, will amount to an infringement under this section.

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<sup>77</sup> CA judgment, above n 7, at [120] and see at [53]–[55].

<sup>78</sup> At [121].

<sup>79</sup> At [115]–[120].

<sup>80</sup> At [120].

<sup>81</sup> EP Skone James and others *Copinger and Skone James on Copyright* (13th ed, Sweet & Maxwell, London, 1991) [*Copinger* 13th ed] at [8–96]. A similar point was made in Kevin Garnett, Jonathan Rayner James and Gillian Davies *Copinger and Skone James on Copyright* (14th ed, Sweet & Maxwell, London, 1998) at [7–108].

This result, in their view, would be “anomalous and unduly harsh”.<sup>82</sup>

[87] Professor Sterling, writing in 1989, also took the view that s 18(2)(b) might indicate that mere importation could constitute distribution in some circumstances, and that this might lead to overlap with the secondary infringement provision prohibiting importation.<sup>83</sup>

[88] The authors of the current 19th edition of *Copinger* suggest that the addition of the “subsequent importation” clause was the result of “muddled drafting”.<sup>84</sup> They argue that “it is difficult to see how the mere act of importation could amount to putting copies into circulation”, particularly if the copies were not released to the public.

#### Effect of s 9(1)(c) of the 1994 NZ Act

[89] We accept that the inclusion of s 9(1)(c), and in particular the word “subsequent”, could support an argument that s 9(1)(a) can, as the Court of Appeal put it, be interpreted as if the reference to circulation in s 9(1) was a reference to the international market, with no specific qualifier needed to give effect to that intention.<sup>85</sup> We do not, however, consider that the possibility is strong enough to overcome all the indications to the contrary discussed above and to require reading s 9(1) as if it included the words “in New Zealand or elsewhere” which had not been included when copying the UK Act.

[90] The equivalent provision to s 9(1)(c) in the UK Act, as we discuss above, gave rise to credible concerns that it was an attempt to make mere importation a breach of the right of first distribution in certain circumstances. The meaning of the provision in the United Kingdom was therefore unclear. Unlike s 9(1) of the 1994 NZ Act, it must also be interpreted bearing in mind s 18(2) of the UK Act, including the words

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<sup>82</sup> *Copinger* 13th ed, above n 81, at [8–97].

<sup>83</sup> JAL Sterling “Copyright, Designs and Patents Act 1988: the new issuing right” (1989) 11 EIPR 283 at 287. But the author did not make the point that s 18(2)(b) had to be a mistaken addition.

<sup>84</sup> *Copinger* 19th ed, above n 61, at [6-147], n 724.

<sup>85</sup> CA judgment, above n 7, [111]. Some New Zealand texts agree with this position: see HC judgment, above n 5, at [42]–[43] citing Ian Finch (ed) *James & Wells Intellectual Property Law in New Zealand* (3rd ed, Thomson Reuters, Wellington, 2017) at 410, and Clive Elliott and others *Copyright and Design* (looseleaf ed, LexisNexis, updated to June 2022) [*Intellectual Property Law (NZ)* 2022 version] at [COP9.5].

“in the United Kingdom or elsewhere”. There is no doubt that the drafting is at best “muddled” as the authors of the current edition of *Copinger* say.

[91] In light of this, there are two possible interpretations. The first is that s 9(1)(c) should be read as merely confirming that, in New Zealand, mere importation cannot be an infringement of the first distribution right, with the word “subsequent” being a mistaken carry over from the (at best) muddled UK Act provision.<sup>86</sup>

[92] The second possible interpretation arises from our conclusion that the word “circulation” in s 9(1) must be read in each instance as “circulation in New Zealand”—a territorial limitation we take to have been intended by Parliament. It follows that the acts excluded by s 9(1)(a)–(c) must relate to copies that have been circulated in New Zealand, s 9(1)(c) therefore being concerned with a subsequent reimportation into New Zealand.<sup>87</sup> By contrast, s 9(1)(d) is not concerned with “those copies”—that is, copies previously put into circulation in New Zealand—but with newly-imported, non-infringing copies.

[93] As we note above, the 1994 NZ Act did not include in s 9(1) the equivalent of the UK Act wording: “in the United Kingdom or elsewhere”.<sup>88</sup> To rely on the word “subsequent” to hold that s 9(1) allows for international exhaustion of the first distribution right would be to ignore the omission and to remove PGT’s first distribution property right by a sidewind.

#### *Parallel importing provisions*

[94] PGT submit that s 9(1)(d) is a clear indication that its interpretation of s 9(1) is correct. The argument mainly relates to their contention that consent is required, but they say it also supports the view that s 9(1) contemplates national exhaustion only.

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<sup>86</sup> Professor Frankel seemingly interprets s 9(1)(c) without regard to the word “subsequent”, summarising s 9(1)(c) as providing that “importation of those copies [that is, the “copies of a work” referred to in s 9(1)] into New Zealand” will not constitute issuing copies to the public: Frankel, above n 4, at [5.11.3(a)]. But she does not include discussion of this point.

<sup>87</sup> The High Court also suggested this as a possible explanation of s 9(1)(c), stating that the provision “could well” be directed at situations where “genuine copies of a New Zealand-made product ... are exported, only to later return to our domestic market”: HC judgment, above n 5, at [44].

<sup>88</sup> See above at [75]–[76].

[95] When the 1994 NZ Act was introduced, the possibility of allowing parallel importing was mooted but rejected.<sup>89</sup> Against this backdrop (parallel importing being prohibited), it would have been odd if the first distribution right in New Zealand could have been defeated by an unauthorised (or even authorised) distribution outside the country, without explicit wording stating this.

[96] Section 12(3)(a), as enacted, was the key provision in prohibiting parallel importing. This section provided that a copy would be an infringing copy if:

... had [the person who imported or proposed to import the object into New Zealand] made the object in New Zealand, that person would have infringed the copyright in the work in question ...

[97] Section 35 made importing infringing copies a form of secondary infringement. So the combination of ss 12(3)(a) and 35 created a prohibition on parallel importation.<sup>90</sup>

[98] That changed with the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998, which made amendments allowing parallel importing provided the copies had been made with the consent of the copyright holder.<sup>91</sup> This was effected by amending s 12 of the 1994 NZ Act. This included the addition of s 12(5A), which specifies certain circumstances in which an object made outside of New Zealand that a person imports or proposes to import into New Zealand will not be an infringing copy under s 12(3)(b), even if it would have been had the importer made the object in New Zealand. Section 9(1)(d) was added at the same time,<sup>92</sup> while subs (2) and (3) were further amended in 2003.<sup>93</sup> The words “and rental

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<sup>89</sup> See for example (29 November 1994) 545 NZPD 5106 referring to the Copyright Bill 1994 (32-2), cl 35.

<sup>90</sup> Professor Frankel, above n 4, at [2.5.3(b)] argues that s 12(3)(a) reflected the interpretation of s 10 of the Copyright Act 1962 (which governed infringement by “importation, sale, and other dealings”) adopted in *Barson Computers (NZ) Ltd v John Gilbert & Co Ltd* (1984) 4 IPR 533 (HC). In that case it was held to be irrelevant that the actual makers of the copyright articles had been the copyright owners; their importation was still an infringement. Prichard J emphasised a purposive approach to construction in the face of ambiguity, seeking to uphold the scheme of copyright protection and avoid anomalous outcomes: at 550–551. As in that case, we are here faced with an ambiguous provision. Prichard J’s approach provides support for a position of domestic exhaustion and requiring consent before exhaustion can occur.

<sup>91</sup> Section 5.

<sup>92</sup> Copyright (Removal of Prohibition on Parallel Importing) Amendment Act, s 4.

<sup>93</sup> Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act 2003, s 3.

subsequent to those works having been put into circulation” were inserted into both subsections.

[99] The explanatory note said that importing copies that were not lawfully made was still prohibited.<sup>94</sup> We accept PGT’s submission that this comment must also encompass first distribution, given the additional paragraph (d) added to s 9(1), which only applies to lawful copies and which would have been unnecessary if the provision already encompassed international exhaustion without the consent of a copyright holder.

[100] ESR submits that the parallel importing provisions are standalone provisions and that s 9(1)(d) does not colour the interpretation of the rest of s 9(1). ESR supports the conclusion of the Court of Appeal that s 9(1)(d) “was unnecessary and misconceived”.<sup>95</sup> This comment is derived from a passage which we do not repeat in full here.<sup>96</sup>

[101] It suffices to note that the Court of Appeal’s view appears to have been that s 9(1)(d) deprives a copyright holder of their first distribution right in an arbitrary manner, which blurs the line between the independent reproduction and distribution rights. We do not comment on this apart from saying that, even if a valid criticism, it cannot alter the clear effect of s 9(1)(d), which we accept provides some support for PGT’s argument for national exhaustion (as well as its consent argument as we discuss below).

### *Policy considerations*

[102] ESR also relies on policy arguments for its interpretation of s 9(1) in terms of encouraging trade. The contrary policy arguments (related to ensuring that the copyright owner enjoys their exclusive rights in New Zealand protected by the

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<sup>94</sup> Copyright (Removal of Prohibition on Parallel Importing) Amendment Bill 1998 (128-1) (explanatory note) at i.

<sup>95</sup> Court of Appeal judgment, above n 7, at [95].

<sup>96</sup> *Intellectual Property Law (NZ)* 2022 version, above n 85, at [COP9.6]. For completeness, we note that the Court of Appeal cited the online version rather than the looseleaf as we do here. The passage is also in the current version: Clive Elliott and others *Intellectual Property Law (NZ)* (online ed, LexisNexis) at [COP9.6]. We could not find discussion of s 9(1)(d) in Finch, above n 85.

1994 NZ Act) appear to us to be much stronger. And policy arguments protective of the copyright owner are reinforced by international treaties such as TRIPS to which New Zealand is a party and with which the 1994 NZ Act was enacted to comply.

[103] ESR also submits that it is unfair to hold importers liable without a knowledge requirement. The (at least partial) answer to this submission is that s 121 of the 1994 NZ Act provides that where a defendant did not know or have reason to believe that copyright existed in the relevant work, then the plaintiff will not be entitled to damages but only an account of profits.<sup>97</sup> Another relevant point is that the structure of the parallel importing regime, allowing only the importation of lawful copies, shows a further policy choice in favour of the copyright owner. Importers can also protect their position through warranties from suppliers.

### *Conclusion*

[104] Based on the above reasons, we hold that the first distribution right is not exhausted by the issue of copies to the public outside New Zealand. In other words, the s 9(1) definition—“the act of putting into circulation copies not previously put into circulation”—must be read as meaning “not previously put into circulation in New Zealand”. This conclusion is the result of a consideration of the 1994 NZ Act’s text, purpose, context and legislative history. We expand on this in the summary of our decision at [114] below.

### **Is consent of the copyright holder required for the first distribution right to be exhausted?**

[105] PGT contend that “put into circulation” under s 9(1) should be read as referring only to circulation with the consent of the copyright holder, as well as being limited to prior circulation in New Zealand, as opposed to offshore. This means that s 9(1) would be interpreted to mean “previously circulated in New Zealand with the consent of the copyright holder”.

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<sup>97</sup> We note that the Court of Appeal rejected the argument that a knowledge requirement should be read into s 31: CA judgment, above n 7, at [57]–[61].

[106] It is not necessary for us to consider this argument, given that we have concluded that PGT are correct and “circulation” under s 9(1) means previous circulation in New Zealand. This is sufficient to allow the appeal. We do, however, make some brief comments on the consent argument.

[107] When the 1994 NZ Act was passed, s 18 of the UK Act did not contain a provision specifying that prior circulation was limited to circulation with the consent of the copyright owner. This was the version largely copied over to s 9(1) of the 1994 NZ Act (but without the inclusion of the equivalent to “in the United Kingdom or elsewhere”, as discussed above).

[108] As the Court of Appeal noted, commentators on s 18 of the UK Act, when it was first introduced, did not consider that it included a consent limitation.<sup>98</sup> Section 18 of the UK Act has subsequently been amended, and a consent limitation explicitly included as noted above.<sup>99</sup> There have been various amendments over the years. The fact that it was considered necessary to add explicit recognition of consent to s 18 of the UK Act does tend to support the view of commentators that consent was not relevant before this addition.<sup>100</sup>

[109] Despite the above, we consider there is a good argument that consent of the copyright owner would also have been required for exhaustion of the first distribution right if we had read into s 9(1) the deliberately omitted words “in New Zealand or elsewhere”. As we said earlier, it would be most odd under the statutory scheme if the first distribution property rights in New Zealand of a copyright owner could be taken away by an unauthorised distribution offshore.<sup>101</sup>

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<sup>98</sup> CA judgment, above n 7, at [37]. This was the view of the authors of *Copinger* 13th ed, above n 81, at [8–95] and of Sterling, above n 83, at 286.

<sup>99</sup> See above at [20].

<sup>100</sup> It is submitted by PGT that *Nelson v Rye* [1996] 2 All ER 186 (Ch) is authority for the proposition that, even before the amendment of s 18, consent was required for exhaustion under the UK Act. PGT refer to a passage of the decision at 208–209, where Laddie J said “[u]nder the combined effect of ss 16(1)(b), 16(2) and 18(2) of the [UK Act], it is now an act of primary infringement to issue copies of a copyright work to the public without licence ... It follows that it is now possible to 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.” We consider that the relevant passage is merely making the point that the first act of circulation will not be infringing if the act was licenced. See below at [113] and [115].

<sup>101</sup> Above at [95].

[110] Further, the parallel importing provisions support a view that legality is a primary aim of the legislation. It is, of course, only non-infringing copies that come within the scope of that regime.<sup>102</sup>

[111] As noted above, the Court of Appeal considered that there would be adverse consequences if PGT were correct and distribution with consent were needed to exhaust the first distribution right. Effectively, the Court said that it would mean each person subsequently dealing with the copies would be liable for primary infringement.<sup>103</sup>

[112] Despite arguing that exhaustion of the distribution right can only occur with the consent of the copyright holder, PGT accepted that subsequent distributors of the copies first distributed by a perpetrator in breach of that right (that is, without the consent of the copyright holder) are only liable (assuming they have knowledge) for secondary infringement given the copies are already in circulation in breach of the first distribution right. PGT submitted that is because subsequent distribution of “those copies” (that is, those that breached the first distribution right) is excluded from the ambit of s 31 (and therefore s 29) by virtue of s 9(1)(a). We agree. The opposite conclusion would mean that the right would no longer be a *first* distribution right but a *serial* distribution right.<sup>104</sup>

[113] We do not, however, need to resolve the issue of consent because we have held there to be national exhaustion only. This means that there is a breach of the first distribution right only if the copies have not been previously circulated in New Zealand. That is the effect of s 29(1), applied in light of the proper interpretation of s 9(1).<sup>105</sup>

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<sup>102</sup> See above at [94]–[101] and [103].

<sup>103</sup> See above at [34] quoting CA judgment, above n 7, at [78].

<sup>104</sup> We comment that there have been many criticisms of s 18 of the UK Act and the amendments it has undergone, but we have not been referred to any material suggesting that the inclusion of the requirement of consent for exhaustion has had the serial effect the Court of Appeal posited would occur in New Zealand if PGT’s interpretation were adopted.

<sup>105</sup> For a fuller discussion see above at [12]–[16].



## Summary of our decision

[114] The answer to issue (b) is that under s 9(1) of the 1994 NZ Act, properly interpreted, references to the issue of copies of a work to the public mean the act of putting into circulation copies that have not previously been put into circulation in New Zealand. That is, the first distribution right held by the copyright owner will only be exhausted by domestic circulation, and not by circulation overseas. This is for the following reasons:

- (a) First, this conclusion follows from the statutory wording and scheme. The statutory scheme comprising ss 2, 9, 16, 29(1) and 30–34 of the 1994 NZ Act, with its emphasis on rights held and infringing actions in New Zealand, suggests that, by necessary implication, the definition of “issuing copies to the public” in s 9(1) is confined to acts in New Zealand, absent clear words to the contrary (which are not present).<sup>106</sup>
- (b) Second, this conclusion is a corollary of the fact that copyright is territorial. While the core of the principle of territoriality centres on where copyright can be held, actioned and enforced, and not on exhaustion, we consider that the territorial nature of copyright suggests a policy of national exhaustion absent clear indication to the contrary (which, again, is not present in s 9(1)). Otherwise, given that different rights can be held by different persons in different jurisdictions, a person’s rights in New Zealand could be defeated by actions in a jurisdiction where they not only do not own rights, but where they could not enforce their New Zealand-held rights.<sup>107</sup>
- (c) Third, this conclusion follows from a comparison with the version of the UK Act in force at the time of the 1994 NZ Act’s passage, on which the 1994 NZ Act was based. Particularly significant is the omission from s 9(1) of the 1994 NZ Act of an equivalent to the words in s 18 of

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<sup>106</sup> See above at [63]–[66].

<sup>107</sup> See above at [67]–[69].

the UK Act, “in the United Kingdom or elsewhere”. This omission, and a similar omission from s 9(2) of the 1994 NZ Act, shows an awareness of the significance of national, regional and international exhaustion requirements and strongly suggests that the omission in s 9(1) of an equivalent of the UK Act’s wording was to denote national exhaustion.<sup>108</sup>

- (d) Fourth, it is clear that the drafters of the 1994 NZ Act were conscious of territoriality and deliberate decisions were made elsewhere in that Act to specify whether other provisions were to apply to any country other than New Zealand. From these provisions it appears that, generally, when the 1994 NZ Act is intended to encompass actions overseas it will say so explicitly.<sup>109</sup>
- (e) Fifth, the significance of the fact that the 1994 NZ Act shows care in specifying if a section applies to a country outside New Zealand is further highlighted when these sections are contrasted to similar provisions in the UK Act. This comparison shows some instances where the New Zealand provisions contain explicit language providing that they apply to other countries, and the equivalent or similar UK Act provisions conversely do not.<sup>110</sup>
- (f) Sixth, differing from the Court of Appeal, we do not consider that s 9(1)(c), which excludes acts of “subsequent importation”, suffices to indicate international exhaustion of the first distribution right given the other factors discussed above and, in particular, the deliberate omission of the equivalent of the words “in the United Kingdom or elsewhere” from s 9(1).<sup>111</sup>

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<sup>108</sup> See above at [70]–[75].

<sup>109</sup> See above at [76]–[80].

<sup>110</sup> See above at [81]–[83].

<sup>111</sup> See above at [89]–[93].

- (g) Seventh, some support for the conclusion we reach is contained in the parallel importing provisions, with their emphasis on legality.<sup>112</sup>
- (h) Finally, this view is supported by positive policy considerations of ensuring copyright owners enjoy their New-Zealand based exclusive rights and of respect for international agreements, like TRIPS, which are generally protective of copyright. Countervailing negative policy arguments are insufficient to alter this conclusion. In particular, the concern about holding importers liable without a knowledge requirement is largely met by s 121 of the 1994 NZ Act.<sup>113</sup>

[115] Regarding issue (a)—whether the copyright holder’s consent is required for exhaustion to occur—there are arguments pointing in both directions. But, because of our conclusion on issue (b), we do not need to come to a conclusion on that issue. We comment, however, that the issue of copies of a work to the public in New Zealand will only be an infringement if done without licence from the copyright holder. That is the clear effect of s 29(1).<sup>114</sup>

[116] We have not found it necessary to consider the extent to which the 1994 NZ Act is or is not consistent with the WCT or, more generally, the circumstances in which later developments can be taken into account in interpreting a statute.

## **Result**

[117] The appeal is allowed.

[118] The High Court order awarding an account of profits is reinstated.<sup>115</sup>

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<sup>112</sup> See above at [94]–[101] and [103].

<sup>113</sup> See above at [102]–[103].

<sup>114</sup> For a fuller discussion see above at [12]–[16].

<sup>115</sup> HC judgment, above n 5, at [67].

[119] The respondent must pay the appellants costs of \$25,000, plus usual disbursements. We allow for second counsel. Costs in the Courts below, if not agreed, can be settled by those Courts.

Solicitors:

James & Wells Solicitors, Auckland for Appellants

AJ Pietras & Co, Lower Hutt for Respondent

## Appendix 1: Comparison of s 9 of the 1994 NZ Act and s 18 of the UK Act (as at 1993)

[120] Below is a table comparing ss 9 and 31 of the 1994 NZ Act (as enacted) and s 18 of the UK Act (as at 1993). Omissions from the UK Act which are in the 1994 NZ Act are in italics. Omissions from the 1994 NZ Act which are in the UK Act are in bold italics. The ordering of some of the subsections has been changed where this is helpful for comparison.

1994 NZ Act, ss 9 and 31 (as enacted)	UK Act, s 18 (as at 1993)
31 The issue of copies of a work to the public is a restricted act in relation to every description of copyright work.	(1) The issue to the public of copies of the work is an act restricted by the copyright in every description of copyright work.
9(1) References in this Act to the issue of copies of a work to the public mean the act of putting into circulation copies not previously put into circulation; and do not include the acts of—	(2) References in this Part to the issue to the public of copies of a work <i>are except where the work is a computer program</i> to the act of putting into circulation copies not previously put into circulation, <i>in the United Kingdom or elsewhere</i> , and not to—
(a) subsequent distribution or sale of those copies; or	(a) any subsequent distribution [or] sale ... of those copies, or
(b) subject to subsections (2) and (3), subsequent hiring or loan of those copies; or	(a) any subsequent ... hiring or loan of those copies, or
(c) subsequent importation of those copies into New Zealand; ...	(b) any subsequent importation of those copies into the United Kingdom;
(3) The issue of copies of a work to the public, in relation to sound recordings and films, includes the rental of copies of those works to the public and rental <i>subsequent to those works having been put into circulation</i> . <sup>[116]</sup>	... except that in relation to sound recordings, and films the restricted act of issuing copies to the public includes any rental of copies to the public.

<sup>116</sup> With regard to the words “subsequent to those works having been put into circulation” in subs (2) and (3), we heard no submissions on these, and they were not relied on in the High Court or Court of Appeal, so we do not comment on them.

<p>(2) The issue of copies of a work to the public, in relation to computer programs, includes the rental of copies of computer programs to the public and rental <i>subsequent to those works having been put into circulation</i>; but does not include any such rental where—</p> <p>(a) the <i>computer program is incorporated into any other thing</i>; and</p> <p>(b) <i>the rental of the computer program is not the principal purpose or one of the principal purposes of the rental</i>; and</p> <p>(c) <i>the computer program cannot readily be copied by the hirer</i>.</p>	<p>(3) References in this Part to the issue to the public of copies of a work where the work is a computer program are to the act of putting into circulation copies of that program not previously put into circulation <b><i>in the United Kingdom or any other member State, by or with the consent of the copyright owner</i></b>, and not to—</p> <p>(a) any subsequent distribution, sale, hiring or loan of those copies, or</p> <p>(b) <b><i>any subsequent importation of those copies into the United Kingdom</i></b>,</p> <p>except that the restricted act of issuing copies to the public includes any rental of copies to the public.</p>
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## Appendix 2: 1994 NZ Act provisions

[121] In this Appendix and in Appendix 3, we have emphasised important parts of the relevant provisions (or parts where the UK and 1994 NZ Acts differ) in bold italics.

### *Preliminary provisions and Part 1*

[122] Section 2 of the 1994 NZ Act provides, in part, that “**restricted act** means any of the acts described in section 16” and that “**infringing copy** has the meaning given by section 12”.<sup>117</sup>

[123] Section 9 provides:<sup>118</sup>

#### **9 Meaning of issue to the public**

- (1) References in this Act to the issue of copies of a work to the public mean the act of putting into circulation copies not previously put into circulation; and do not include the acts of—
  - (a) subsequent distribution or sale of those copies; or
  - (b) subject to subsections (2) and (3), subsequent hiring or loan of those copies; or
  - (c) subsequent importation of those copies into New Zealand; or
  - (d) distribution of imported copies that are not infringing copies within the meaning of section 12 subsequent to their importation into New Zealand.
- (2) The issue of copies of a work to the public, in relation to computer programs, includes the rental of copies of computer programs to the public and rental subsequent to those works having been put into circulation; but does not include any such rental where—
  - (a) the computer program is incorporated into any other thing; and
  - (b) the rental of the computer program is not the principal purpose or one of the principal purposes of the rental; and
  - (c) the computer program cannot readily be copied by the hirer.

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<sup>117</sup> Emphasis in original.

<sup>118</sup> Section 3 of the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act introduced s 9(1)(d) as part of a suite of reforms designed to allow parallel importing. Subsections (2) and (3) of s 9 were also amended in 2003 by s 3 of the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act. The Act inserted the words “and rental subsequent to those works having been put into circulation” into both subsections.

- (3) The issue of copies of a work to the public, in relation to sound recordings and films, includes the rental of copies of those works to the public and rental subsequent to those works having been put into circulation.

[124] Section 12 provides:<sup>119</sup>

## **12 Meaning of infringing copy**

- (1) In this Act, the term **infringing copy**, in relation to a copyright work, shall be construed in accordance with this section.
- (2) An object is an infringing copy if its making constitutes an infringement of the copyright in the work in question.
- (3) An object that a person imports, or proposes to import, into New Zealand is an infringing copy if—
  - (a) 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; or
  - (b) the importer would have infringed the copyright in the work in question in New Zealand had the importer made the object in New Zealand, unless the object is one to which subsection (5A) or subsection (6) applies.
- (4) Where in any proceedings the question arises whether an object is an infringing copy, and it is shown—
  - (a) that the object is a copy of the work in question; and
  - (b) that copyright exists in the work or has existed at any time,—it shall be presumed until the contrary is proved that the object was made at a time when copyright existed in the work.
- (5) In this Act, an infringing copy includes a copy falling to be treated as an infringing copy under any of the following provisions of this Act:
  - (a) section 85(4) (which relates to incidental recording for the purposes of a communication work);
  - (b) section 93(1) (which relates to subsequent dealings with copies made under Part 3).
- (5A) An object that a person imports or proposes to import into New Zealand is not an infringing copy under subsection (3)(b) if—

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<sup>119</sup> Emphasis in original. The current form of subss (3) and (5A) were inserted by the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act, s 5. The old version of s 12(3) was repealed, and is set out below. Less relevantly, the original form of s 12(5)(a) was repealed and replaced with its current iteration by the Copyright (New Technologies) Amendment Act 2008, s 10.



- (a) it was made by or with the consent of the owner of the copyright, or other equivalent intellectual property right, in the work in question in the country in which the object was made; or
- (b) where no person owned the copyright, or other equivalent intellectual property right, in the work in question in the country in which the object was made, any of the following applies:
  - (i) the copyright protection (or other equivalent intellectual property right protection) formerly afforded to the work in question in that country has expired:
  - (ii) the person otherwise entitled to be the owner of the copyright (or other equivalent intellectual property right) in the work in question in that country has failed to take some step legally available to them to secure the copyright (or other equivalent intellectual property right) in the work in that country:
  - (iii) the object is a copy in 3 dimensions of an artistic work that has been industrially applied in that country in the manner specified in section 75(4):
  - (iv) the object was made in that country by or with the consent of the owner of the copyright in the work in New Zealand.
- (6) In this Act, an infringing copy does not include a literary work or an artistic work that—
  - (a) relates to a medicine that has been imported by the Crown pursuant to section 32A of the Medicines Act 1981; and
  - (b) has been made, copied, published, adapted, or distributed, in an overseas country, by or with the licence of the owner of the copyright in the work in that country.

[125] At enactment, s 12(3) originally provided:

- (3) An object that a person imports, or proposes to import, into New Zealand is an infringing copy—
  - (a) If, had that person made the object in New Zealand, that person would have infringed the copyright in the work in question; or
  - (b) If the making of the object, by whomever it was made and wherever it was made, constituted an infringement of the copyright in the work in question.

[126] Section 16 provides, in part:

## **16 Acts restricted by copyright**

- (1) The owner of the copyright in a work has the exclusive right to do, in accordance with sections 30 to 34, the following acts in New Zealand:
- (a) to copy the work:
  - (b) to issue copies of the work to the public, whether by sale or otherwise:
  - ...
  - (i) to authorise another person to do any of the acts referred to in any of paragraphs (a) to (h).<sup>[120]</sup>

[127] Sections 18–20 provide, in part:

## **18 Qualification by reference to author**

- (1) A work qualifies for copyright if the author is, at the material time,—
- (a) a New Zealand citizen; or
  - (b) an individual domiciled or resident in New Zealand; or
  - (c) a body incorporated under the law of New Zealand.
- (2) A work qualifies for copyright if the author is, at the material time,—
- (a) a citizen or subject of a prescribed foreign country; or
  - (b) an individual domiciled or resident in a prescribed foreign country; or
  - (c) a body incorporated under the law of a prescribed foreign country.

...

## **19 Qualification by reference to country of first publication**

- (1) A work (being a literary, dramatic, musical, or artistic work, a sound recording, a film, or a typographical arrangement of a published edition) qualifies for copyright if it is first published—
- (a) in New Zealand; or
  - (b) in a prescribed foreign country.
- (2) For the purposes of this section, publication in one country shall not be regarded as other than the first publication by reason of simultaneous publication elsewhere; and for this purpose publication

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<sup>120</sup> Paragraphs (c)–(h) are not relevant to the present case.

elsewhere within the previous 30 days shall be treated as simultaneous.

**20 Qualification by reference to origin of communication work**

A communication work qualifies for copyright if it is made from—

- (a) a place in New Zealand; or
- (b) a place in a prescribed foreign country.

*Part 2: Infringement of copyright*

Primary infringement

[128] Section 29 is contained in Part 2 (Infringement of copyright) of the 1994 NZ Act under the heading “*Primary infringement of copyright*” and provides in part:

**29 Infringement of copyright**

- (1) Copyright in a work is infringed by a person who, other than pursuant to a copyright licence, does any restricted act.
- (2) References in this Act to the doing of a restricted act are to the doing of that act—
  - (a) in relation to the work as a whole or any substantial part of it; and
  - (b) either directly or indirectly;—

and it is immaterial whether any intervening acts themselves infringe copyright.

...

[129] Section 31 provides:

**31 Infringement by issue of copies to public**

The issue of copies of a work to the public is a restricted act in relation to every description of copyright work.

## Secondary infringement

[130] Section 35, under the heading “*Secondary infringement of copyright*”, provides in part:<sup>121</sup>

### **35 Infringement by importation**

- (1) A person infringes copyright in a work if—
- (a) that person imports into New Zealand an object that is an infringing copy of the work and,—
    - (i) in the case of a work that is a sound recording, film, or computer program to which subsection (6) applies, that person knows or ought reasonably to know that the object is an infringing copy; or
    - (ii) in the case of other works, that person knows or has reason to believe that the object is an infringing copy; and
  - (b) the object was imported into New Zealand without a copyright licence; and
  - (c) the object was imported into New Zealand other than for that person’s private and domestic use.

...

[131] When originally enacted, it provided:

**35 Importing infringing copy**—Copyright in a work is infringed by a person who, other than pursuant to a copyright licence, imports into New Zealand, otherwise than for that person’s private and domestic use, an object that is, and that the person knows or has reason to believe is, an infringing copy of the work.

## *Other provisions*

[132] Section 75 provides in part that:<sup>122</sup>

### **75 Special exception from protection of artistic work that has been applied industrially**

- (1) The making of—

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<sup>121</sup> This section was substituted by s 4 of the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act. That Act created new rules for the importation of sound recordings, films and computer programs.

<sup>122</sup> Emphasis added.

- (a) any object in 3 dimensions; or
- (b) subject to subsection (3), a copy in 2 dimensions reasonably required for the making of the object—

does 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,—

- (c) in the case of a work of artistic craftsmanship, more than 25 years before the object or copy is made:
- (d) in the case of a sculpture that is a cast or pattern for an object that has a primarily utilitarian function, more than 16 years before the object or copy is made:
- (e) subject to subsection (2), in the case of any other artistic work, more than 16 years before the object or copy is made.

...

[133] Section 121(1) provides:

#### **121 Provisions as to damages in infringement proceedings**

- (1) Where, 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.

[134] Sections 126–128 provide, in relevant part:<sup>123</sup>

#### **126 Presumptions relevant to literary, dramatic, musical, or artistic works**

...

- (2) Where a name purporting to be that of the author appeared on copies of a literary, dramatic, or musical work as published or on an artistic work when it was made, the person whose name appeared shall be presumed, until the contrary is proved,—
  - (a) to be the author of the work; and

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<sup>123</sup> Emphasis added. The other subsections deal with works of joint authorship, copies of works without the name of the author appearing on them and works where the author is dead or cannot be ascertained.

- (b) to have made the work in circumstances not falling within subsections (2) and (3) of section 21, or section 26, or section 28.

...

## **127 Presumptions relevant to certain artistic works**

- (1) This section applies to any proceedings for infringement of copyright in any artistic work of which copies in 3 dimensions have been issued to the public by or with the licence of the owner of the copyright in that artistic work.
- (2) 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 or other mark indicating the following claims [related to copyright ownership of the work] ...

...

- (4) Nothing in this section limits or affects section 126.

## **128 Presumptions relevant to computer programs, sound recordings, and films**

- (1) In proceedings brought under this Act with respect to a computer program, where *copies of the program are issued to the public* in electronic form bearing a statement—
  - (a) that a named person was the owner of copyright in the program at the date of the issue of the copies in electronic form; or
  - (b) that copies of the program were first issued to the public in electronic form in a specified year or that the program was first published in a specified country,—

the statement shall be admissible as evidence of the facts stated and shall be presumed to be correct until the contrary is proved.

- (2) In proceedings brought under this Act with respect to a sound recording, *where copies of the recording as issued to the public* bear a label or other mark stating—

[As in subs (1), a number of claims and a presumption are stated].

- (3) In proceedings brought under this Act with respect to a film, where copies of the film as issued to the public bear a statement—

[As in subs (1), a number of claims and a presumption are stated].

...

### Appendix 3: United Kingdom legislation

#### *Copyright Designs and Patents Act 1988 (as at the 1994 NZ Act's enactment)*

[135] As at the relevant time, s 18 of the UK Act provided, in relevant part:<sup>124</sup>

#### **18 Infringement by issue of copies to the public.**

- (1) The issue to the public of copies of the work is an act restricted by the copyright in every description of copyright work.
- (2) References in this Part to the issue to the public of copies of a work are except where the work is a computer program to the act of putting into circulation copies not previously put into circulation, *in the United Kingdom or elsewhere*, and not to—
  - (a) any subsequent distribution, sale, hiring or loan of those copies, or
  - (b) any subsequent importation of those copies into the United Kingdom;

except that in relation to sound recordings, and films the restricted act of issuing copies to the public includes any rental of copies to the public.

- (3) References in this Part to the issue to the public of copies of a work where the work is a computer program are to the act of putting into circulation copies of that program not previously put into circulation *in the United Kingdom or any other [European Economic Community] member State*, by or with the consent of the copyright owner, and not to—
  - (a) any subsequent distribution, sale, hiring or loan of those copies, or
  - (b) any subsequent importation of those copies into the United Kingdom,

except that the restricted act of issuing copies to the public includes any rental of copies to the public.

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<sup>124</sup> Emphasis added. The United Kingdom provisions had been amended in 1993 to give effect to a European Economic Community directive: Council Directive 91/250/EEC on the legal protection of computer programs [1991] OJ L122/42; and see Copyright (Computer Programs) Regulations 1992 (UK), reg 4(2). There was some controversy at the time the changes were introduced. The authors of the third edition of *The Modern Law of Copyright and Designs* argued that they went beyond what was required by the Directive (in terms of potentially creating strict liability for secondary distributors, repealing international exhaustion and requiring consent of the copyright owner) and were possibly ultra vires for this reason: Hugh Laddie and others *The Modern Law of Copyright and Designs* (3rd ed, Butterworths, London, 2000) vol 1 at [15.22]–[15.28].

[136] Section 52 provided in part that:<sup>125</sup>

**52 Effect of exploitation of design derived from artistic work.**

- (1) This section applies where an artistic work has been exploited, by or with the licence of the copyright owner, by—
  - (a) making by an industrial process articles falling to be treated for the purposes of this Part as copies of the work, and
  - (b) marketing such articles, *in the United Kingdom or elsewhere*.
- (2) After the end of the period of 25 years from the end of the calendar year in which such articles are first marketed, the work may be copied by making articles of any description, or doing anything for the purpose of making articles of any description, and anything may be done in relation to articles so made, without infringing copyright in the work.

...

*Copyright Designs and Patents Act 1988 (current)*

[137] As noted above, the current version of s 18 now has a position of regional exhaustion and a consent requirement.<sup>126</sup> The authors of *Laddie, Prescott and Vitoria* make the point that, while the distribution right as originally enacted in the UK Act was “fairly easy to understand”, the subsequent history has not been a “happy one”.<sup>127</sup> Section 18 has become increasingly complex following amendments made via regulations of the Secretary of State for the purpose of implementing various European Directives.

[138] As it is now, section 18 of the UK Act provides:

**18 Infringement by issue of copies to the public.**

- (1) The issue to the public of copies of the work is an act restricted by the copyright in every description of copyright work.
- (2) References in this Part to the issue to the public of copies of a work are to the act of putting into circulation in the United Kingdom copies *not previously put into circulation in the United Kingdom or the*

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<sup>125</sup> Emphasis added.

<sup>126</sup> PGT submit that regional exhaustion for the United Kingdom/European Economic Area (EEA) is the functional equivalent to national exhaustion for the purposes of New Zealand, given the relationship between the UK and EEA which has no equivalent in New Zealand.

<sup>127</sup> Adrian Speck and others *Laddie, Prescott and Vitoria: The Modern Law of Copyright* (5th ed, LexisNexis, London, 2018) vol 1 at [15.2] and [15.7].



***[European Economic Area] by or with the consent of the copyright owner.***

- (3) References in this Part to the issue to the public of copies of a work do not include—
  - (a) any subsequent distribution, sale, hiring or loan of copies previously put into circulation (but see section 18A: infringement by rental or lending) ...
  - ...
- (4) References in this Part to the issue of copies of a work include the issue of the original.