Supreme Court of New Zealand | Te Kōti Mana Nui o Aotearoa

25 MARCH 2025

MEDIA RELEASE

IAN JAMES BURDEN AND OTHERS v ESR GROUP (NZ) LIMITED

(SC 96/2023) [2025] NZSC 18

PRESS SUMMARY

This summary is provided to assist in the understanding of the Court's judgment. It does not comprise part of the reasons for that judgment. The full judgment with reasons is the only authoritative document. The full text of the judgment and reasons can be found at Judicial Decisions of Public Interest: www.courtsofnz.govt.nz.

What this judgment is about

This appeal concerns the Copyright Act 1994 (the 1994 NZ Act). Specifically, the issue here is whether a copyright owner's right to issue copies of a work to the public in New Zealand (the first distribution right) is exhausted – that is to say "spent" or "used up" – in circumstances where copies of the work are circulated without a copyright licence in New Zealand but where those copies have previously been circulated outside New Zealand without the consent of the copyright owner.

Background

Mr Burden is a designer, maker and exporter of furniture. He owns the second and third appellants, PGT Reclaimed (International) Ltd and Plantation Grown Timbers (Vietnam) Ltd, which in turn are the copyright owners. The appellants are referred to collectively as "PGT" in the judgment.

Between March 2013 and November 2014, the respondent, ESR Group (NZ) Ltd (ESR), imported furniture from Vietnam that infringed PGT's copyright and sold it in New Zealand without a copyright licence. ESR knew from 28 August 2014 that the furniture infringed PGT's copyright. It is common ground that the relevant copies of the furniture had previously been circulated in Vietnam.

Issues

Under ss 29(1) and 31 of the 1994 NZ Act, a person is liable for primary infringement of copyright if they issue copies of a work to the public (in other words if they breach the first distribution right). Section 9(1) defines issuing copies as "the act of putting into circulation copies not previously put into circulation". If ESR is liable for primary infringement, it does not matter whether or not it knew that the copies it sold breached PGT's copyright.

Under s 35, a person will be liable for secondary infringement if they import a copy of a work which infringes copyright into New Zealand with knowledge or reason to believe that it is an infringing copy.

At issue in this appeal therefore is whether the expression "not previously put into circulation" in s 9(1) of the 1994 NZ Act refers to prior circulation anywhere in the world, or just in New Zealand. A further issue is whether that expression refers only to prior circulation with the consent of the copyright owner.

If the expression in s 9(1) is limited to prior circulation in New Zealand and/or prior circulation with the consent of the copyright owner, ESR will be liable for primary infringement as its circulation of the furniture in New Zealand would amount to issuing copies in terms of s 9, and therefore primary infringement under ss 29 and 31. However, if the expression "not previously put into circulation" includes prior circulation anywhere in the world and prior circulation without the copyright owner's consent, ESR will only be liable for secondary infringement under s 35 as a consequence of its importation of infringing copies with the requisite knowledge.

PGT's position is that prior circulation means domestic circulation and that consent of the copyright owner is required. ESR's position is that prior circulation includes circulation anywhere in the world and without consent.

Decisions below

The High Court agreed with PGT that "not previously put into circulation" in s 9(1) of the 1994 NZ Act refers to prior circulation in New Zealand only. It also agreed with PGT that the provision related only to prior circulation with the copyright owner's consent. The Court ordered that ESR was liable to account to PGT for profits for primary infringement of copyright.

The Court of Appeal reached the opposite conclusion on both issues, holding that prior circulation under s 9(1) is not restricted to circulation in New Zealand or circulation with the copyright owner's consent. It therefore overturned the decision of the High Court, finding in favour of ESR.

The Supreme Court granted PGT leave to appeal against the decision of the Court of Appeal. The approved questions were whether the Court of Appeal was correct to conclude, for the purposes of s 9(1) of the 1994 NZ Act, that:

(a) a copyright owner's consent is not necessary for a work to be "in circulation"; and
(b) circulation outside of New Zealand could constitute "circulation".

Supreme Court decision

The Supreme Court has unanimously allowed the appeal and reinstated the High Court order awarding an account of profits against ESR for primary infringement of copyright.

Does circulation outside New Zealand constitute "circulation"?

Addressing whether prior circulation included circulation outside of New Zealand, the Supreme Court considered that the position advanced by PGT—limiting prior circulation to circulation in New Zealand—was more consistent with the wording of the 1994 NZ Act, the statutory history and context and policy considerations.

The Court noted that intellectual property law is territorial in nature. This supports the view that the word circulation in s 9(1) relates to circulation in New Zealand. It would be odd if the copyright owner could be deprived of its rights by actions outside the jurisdiction without clear wording to indicate that this was the intended effect of the legislation. It is also significant that the 1994 NZ Act was based closely on the United Kingdom legislation in force at the time. The relevant section in the United Kingdom legislation specified that circulation is "in the United Kingdom or elsewhere". The omission of an equivalent phrase like "in New Zealand or elsewhere" in the New Zealand provision also supports PGT's interpretation.

An analysis of other provisions in the New Zealand legislation as well as a comparison of other provisions in United Kingdom legislation also supported that interpretation, as did relevant policy factors.

Is a copyright owner's consent required for a work to be considered "in circulation"?

On the issue of the copyright owner's consent, the Court first noted that it was not strictly necessary for it to consider this issue as it had already concluded PGT were correct in respect of the territorial limitation on "circulation" under s 9(1). That conclusion alone was sufficient to allow the appeal. However, it proceeded to comment briefly on the consent argument.

The Court acknowledged that the former United Kingdom provision on which s 9(1) of the 1994 NZ Act was based did not provide for consent of the copyright owner as a requirement for prior circulation to have occurred; that this omission was taken by commentators as an indication that such consent was not relevant to the question of prior circulation; and that the subsequent amendment of the provision to explicitly recognise that prior circulation was limited to circulation with the copyright owner's consent did tend to support the view that consent was not relevant before that addition.

However, the Court still considered—while again emphasising it was not necessary to decide the issue—that there was a good argument that consent of the copyright owner was required for prior circulation to have exhausted its right to first distribution of copies of the work. 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. The parallel importing provisions in the 1994 NZ Act also provided support for that view.

Result

The formal orders of the Supreme Court are as follows:

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. Costs in the Courts below, if not agreed, can be settled by those Courts.

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