

**IN THE SUPREME COURT**

**SC96/2023**

**UNDER** The Copyright Act 1994

**IN THE MATTER OF** Infringement of Copyright

**BETWEEN** **IAN JAMES BURDEN**

First Appellant

**AND** **PGT-RECLAIMED (INTERNATIONAL) LIMITED**  
**(formerly called PGT INTERNATIONAL LTD)**

Second Appellant

**AND** **PLANTATION GROWN TIMBERS (VIETNAM)**  
**LIMITED**

Third Appellant

**AND** **ESR GROUP (NZ) LIMITED**

Respondent

---

**SUBMISSIONS FOR THE RESPONDENT (ESR)**

Dated this 28th day of March 2023

---

**Solicitor**

Anthony Pietras  
AJ Pietras & Co  
Level 1, 29 Kings Crescent  
Lower Hutt, 5010  
Phone: (04) 566-1024  
Email: mail@ajpietras.com

**Counsel**

Julian Miles KC  
Richmond Chambers  
Level 5, General Buildings  
33 Shortland Street, Auckland, 1140  
Phone: (09) 600-5504  
Email: miles@richmondchambers.co.nz

## SUBMISSIONS FOR THE RESPONDENT

### MAY IT PLEASE THE COURT

#### The Issues on appeal

1. This appeal essentially concerns two issues recorded by the Court of Appeal at paragraph [18] of its [judgement](#), namely is the copyright owner's exclusive right to issue specific copies of their works to the public in New Zealand pursuant to [ss 9 and 31](#) of the Copyright Act 1994 ("the Act") exhausted by:
  - A) an act of circulation of those infringing copies without the consent or licence of the copyright owner; and
  - B) an act of circulation of those infringing copies which occurs elsewhere in the world (in this case Vietnam).
2. The Court discussed the first issue at paragraphs [63]-[103] concluding at [103] that the right would be exhausted. A similar conclusion was reached on the second issue at paragraphs [104]-[127].
3. In a comprehensive and detailed analysis of the Act and, particularly, the proper construction of s 9 of the Act, the Court held that prior circulation of the copies anywhere in the world, unauthorised by the copyright owner, was a defence to a primary infringement claim.
4. As part of that analysis the Court rejected the primary argument advanced by the appellant, and repeated in this Court, that the meaning of s 9 should be dictated by different rights and obligations recorded in Article 6 of the WIPO Copyright Treaty (WCT) entered into by New Zealand in 2019 some twenty five years later.
5. Essentially, the appellant is asking the Court to interpret s 9 of the Act as if it included the changes shown below in bold:

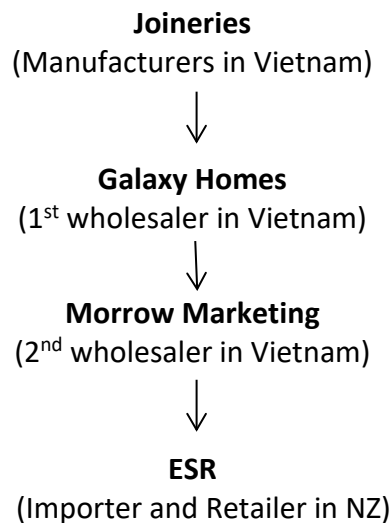
### 9 Meaning of issue to the public

- (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 **in New Zealand by or with the permission of the copyright owner**; 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.*

6. On any orthodox principles of statutory construction, this is impermissible.

### Background

7. In 2013 and 2014 the respondent (ESR), an importer and retailer in NZ, imported a range of furniture and sold it in its retail outlets.<sup>1</sup> The supply chain was as follows:<sup>2</sup>



<sup>1</sup> [Affirmation of Elisa McLennan](#), 22 June 2022, COA [201.001], para 4.

<sup>2</sup> [Affirmation of Craig Morrow](#) paras 16-17, 21-25, COA [201.008].

8. The purchases were ordered from a catalogue circulated by Morrow Marketing in Vietnam<sup>3</sup>. There is no suggestion that ESR was aware that the furniture might be unauthorised copies. Further, the parties have agreed that the furniture had been put into circulation in Vietnam before it was purchased by ESR and subsequently imported and sold in NZ. This was also the finding of Downs J in the High Court<sup>4</sup>. PGT's concession on this point is noted in both the High Court and in the Court of Appeal judgments<sup>5, 6</sup>.
9. In August 2014 ESR received a cease-and-desist letter from the appellants' (PGT's) lawyers. On receipt of this ESR immediately stopped ordering the furniture. However, several containers were already on the water being shipped to NZ. ESR tried to have these diverted to Singapore, but the shipping company was unable to accommodate this<sup>7</sup>. As a result, the furniture landed in NZ. It was detained by Customs and destroyed at ESR's expense.
10. Although ESR had stopped purchasing the furniture, a small amount of residual stock was sold off its retail floor. The sales were minor with a profit of about \$9K<sup>8</sup> which ESR has offered to pay PGT.
11. In 2015 the plaintiffs (PGT) proceeded to trial alleging secondary copyright infringement in respect of ESR's sales both before and after the cease-and-desist letter.

---

<sup>3</sup> [Affirmation of Elisa McLennan](#) at [9], BOD [201.0001].

<sup>4</sup> [High Court Judgment](#), para [7]: "*The evidence implies the furniture pre-existed ESR's orders rather than being made to meet them.*".

<sup>5</sup> [High Court Judgment](#), para [11], foot note 7: "*Mr Brown QC accepted as much (in response to a question from me) at the beginning of the hearing.*".

<sup>6</sup> [Court of Appeal Judgment](#) at paragraph [128], COA [102.000392].

<sup>7</sup> [Affirmation of Elisa McLennan](#), see note 1 above.

<sup>8</sup> Agreed statement of facts, COA Tab 17, [101.198] para [8].

12. Secondary infringement is dealt with at [ss 35 and 36](#) of the Copyright Act 1994<sup>9</sup>. For present purposes it depends on the defendant (ESR) importing and selling the furniture with knowledge or reason to believe that the items were infringing.
13. In a judgment in July 2016 the High Court found that ESR was liable for secondary infringement with a 'reason to believe' date in June 2013<sup>10</sup>.
14. On appeal in 2017, the Court found that ESR did not have the requisite knowledge until after the cease-and-desist letter, and so was not liable for sales made before 28 August 2014<sup>11</sup>.
15. In May 2018 PGT elected to pursue an account of secondary infringement profits. Effectively, this was abandoned as the approximately \$9K profit after ESR's 'knowledge date' is negligible in the scheme of things.
16. In September 2020 the Court of Appeal gave PGT leave to pursue a primary copyright infringement claim as part of the account of profits phase<sup>12</sup>. PGT added the claim as it does not require proving knowledge that the items were infringing. It is a ground traditionally reserved for use against manufacturers of a copy, or businesses that commission a manufacturer to create a copy. PGT is therefore pursuing the profit on ESR's sales made before it had knowledge of the copyright.
17. More particularly, PGT claims that ESR is a primary infringer under s 9 of the Act for having issued copies to the public when it sold the furniture through

---

<sup>9</sup> [Copyright Act 1994, ss 35, 36](#).

<sup>10</sup> [Judgment of Duffy J](#), COA [101.000064] [260].

<sup>11</sup> [COA \[101.00168\]](#) para [63].

<sup>12</sup> [COA \[102.00310\]](#).

its stores. ESR denies this but accepts responsibility for secondary infringement.

18. In the account of profits decision<sup>13</sup> in the High Court, Downs J found that ESR had issued the furniture to the public and so was a s 9 primary infringer regardless of its lack of knowledge.
19. The Act and its predecessors divided copyright infringement into two separate categories, primary infringement relying on ss 9, 16 and 30-34, and secondary infringement relying on ss 35-36. The characteristics of these categories were summarised by this Court at paragraphs [248] and [249] in *Ortmann v United States of America*<sup>14</sup> as follows:

*Primary Infringement*

[248] *Primary infringement of copyright occurs when a person, other than pursuant to a copyright licence, does any restricted act. Under ss 30, 31 and 33 respectively, copying, issuing copies to the public and communicating a work to the public are all restricted acts. A person who does any of these restricted acts is liable for primary infringement of copyright. Knowledge that the work is subject to copyright is not necessary for primary infringement.*

*Secondary Infringement*

[249] *Secondary infringement generally depends on a primary act of infringement having first taken place (for example the making of an infringing copy). In this way, a person can infringe copyright even if they do not do one of the primary restricted acts themselves, provided they do one of the secondary infringement acts with the principal element of secondary infringement – actual or constructive knowledge of copyright*

---

<sup>13</sup> [Judgment of Downs J](#), COA [102.000362].

<sup>14</sup> [Ortman v United States of America](#) [2020] 1 NZLR, 475.

*infringement. Section 36 is one of the sections dealing with secondary infringement. ...*

20. Broadly speaking primary infringement is triggered by the manufacturers of copies and commissioning parties. Secondary infringement is invoked when infringing copies (defined by [s 12](#)) are imported ([s 35](#)) and sold ([s 36](#)). Since ss 35 and 36 both require knowledge that the copies are infringing, innocent importers and distributors are free to import and sell the infringing copies until the status of the objects as infringing is brought to their attention. This is an essential protection for importers.
21. The argument advanced by the appellant that innocent importers and distributors can be sued for primary infringement which does not require knowledge of the infringement is novel, unsupported by authority and cuts across the fundamental division of rights set out in the Act.
22. This fundamental distinction was recognised by the House of Lords in *Infabrics Ltd & Others v Jaytex Ltd*<sup>15</sup> at pages 17 and 25:

*“... it is implausible that a person who escapes secondary infringement through lack of knowledge should be condemned for primary infringement irrespective of knowledge. The result of the respondents’ contention indeed would be to take away almost entirely the protection, in respect of lack of knowledge, given by section 5(3) and (4)...”*

See also the discussion in *Copinger 13<sup>th</sup> Edition* at paragraphs 8.95 – 8.97.<sup>16</sup>

---

<sup>15</sup> [Infabrics Ltd & Others v Jaytex](#), 1982 AC 1, BOA Tab 7.

<sup>16</sup> [EP Skone James and others, Copinger and Skone James on Copyright](#) (13<sup>th</sup> edition Sweet & Maxwell Ltd, UK, 1991; BOA tab 42.

23. Section 16 defines two crucial rights enjoyed by the copyright owner, namely the reproduction right and the distribution right. Both are restricted acts and can be enforced by ss 30 and 31. Crucial to the appeal is the meaning and scope of the phrase “*issue copies of the work to the public*” in [s 16\(b\)](#) which is part of the definition of the distribution right.
24. The definition for issuing in s 16 is found in s 9 in the Act, and s 18(2) in the UK Act. It is accepted by the respondent, and the Courts below, that the NZ Act<sup>17</sup> was largely a cut and paste of the 1988 UK Act. The version of UK [s 18](#) that NZ’s s 9(1) was modelled on compares as follows:

<b>UK s 18(2)</b> <b>Enacted in 1989</b>	<b>NZ s 9 (1)</b> <b>Enacted in 1995</b>
<p><i>(2) References in this Part to the issue to the public of copies of a work are to the act of putting into circulation copies <u>not previously put into circulation, in the United Kingdom or elsewhere, and not to- ...</u></i></p> <p><i>(b) any subsequent importation of those copies into the United Kingdom;</i></p>	<p><i>(1) References in this Act to the issue of copies of a work to the public mean the act of putting into circulation copies <u>not previously put into circulation</u>; and do not include the acts of— ...</i></p> <p><i>(c) subsequent importation of those of those copies into New Zealand; ...</i></p>

25. It is submitted that the conclusions reached by the Court of Appeal that Parliaments in the UK and NZ intended universal extinguishing of the distribution right if the copies had been circulated previously anywhere in the world and whether authorised or not, is unarguable<sup>18</sup>.

<sup>17</sup> [Court of Appeal decision](#) at [41].

<sup>18</sup> [Court of Appeal decision](#), paras [103], [120] and [121].



26. First the relevant phrases convey the same meaning. The phrase “*in the UK or elsewhere*” plainly means anywhere in the world. By not adding any territorial restriction the NZ section has defined the same concept. If there was any doubt, the deliberate addition of s 9(1)(c) has confirmed the intention. The phrase “*subsequent importation of those copies*” can have no other implication<sup>19</sup>. The suggestion that it is in error is misguided. The section has been unchanged for thirty years.
27. Secondly, respected commentators in the UK and NZ have been unanimous in their views that the meanings subscribed to each of the sections reflect the meanings adopted by the Court. For example, the authors of *Intellectual Property Law*<sup>20</sup>, cited favourably by the Court of Appeal at their paragraph [93], opine as follows:

*“[COP9.5] “Copies not previously put into circulation” ... The question arises whether the reference to a previous act of putting into circulation envisages such an occurrence in only New Zealand or anywhere in the world. Section 18(2) of the Copyright, Designs and Patents Act 1988 (UK) is explicit on this issue: it refers to copies not previously put into circulation “in the United Kingdom or elsewhere”. It is considered that s 9(1) likewise envisages circulation in New Zealand or anywhere else in the world. Such an interpretation is supported by the reference in s 9(1)(c) to subsequent importation into New Zealand of the copies previously put into circulation.”*

28. And in *Frankel and McLay, Intellectual Property in New Zealand*<sup>21</sup> the authors comment on s 9(1) as follows:

---

<sup>19</sup> Court of Appeal judgment at [112].

<sup>20</sup> [C Elliott, Intellectual Property Law](#) (online looseleaf ed, Lexis Nexis, 2020), COP9.5 and COP9.6.

<sup>21</sup> [Susy Frankel and Geoff McLay, Intellectual Property in New Zealand](#), at 5.11.3(a), 0-408-71506-5; BOA Tab 58.

*“The Act provides that issuing copies of a work to the public means “putting into circulation copies not previously put into circulation” . However, acts of subsequent distribution of those copies do not amount to issuing to the public, nor does importation of those copies into New Zealand, ...”*

29. See also *James & Wells Intellectual Property Law in New Zealand*<sup>22</sup> at pages 410-411 where the authors opine:

*“The clear intention of s 9(1) is to create a distinction between cases in which the defendant is responsible for the creation of the alleged infringement (amounting to a primary infringement of copyright) and those in which the defendant has merely bought and sold the products of another manufacturer (a secondary infringement).”*

30. The appellant has cited no authority that takes a view contrary to the Court of Appeal or the above commentators.
31. Further, the Court at their paragraph [37] approved the same views, unanimously reflected by the UK commentators. At [37] in particular, the Court adopted JAL Sterling’s<sup>23</sup> interpretation:

*“The fact that a copy was previously circulated without the copyright owner’s consent, or that the copy was illegally made, is irrelevant in determining whether or not a copy is, at a particular time, to be classified as ‘circulated.’”*

See also [79].

---

<sup>22</sup> [Finch I, James & Wells Intellectual Property Law in New Zealand](#), pages 410-411; BOA Tab 55.

<sup>23</sup> [JAL Sterling, Copyright Designs and Patents Act 1988: the new issuing right](#), p283-290 at 286; BOA Tab 56.

32. Similar views were recorded at [37] noting the same analysis in *Copinger* and *Laddie*. Once again, PGT does not respond to those views other than to suggest s 9(1)(c) and the UK equivalent were mistakes and that the views expressed were either wrong or, if right when the statutes were passed, have subsequently changed their meanings as a consequence of treaty obligations entered into twenty five years later. Neither argument has any support from authorities either in NZ or the UK, or from orthodox principles of statutory interpretation.
33. The suggestion that s 9(1)(c) should be ignored because it might have been misunderstood or unnecessary by the House of Lords who inserted the amendment is fanciful. The extract from the speech by Lord Young in the judgment at [117] makes it clear that it was deliberate and intended to have precisely the meaning adopted by the Court.
34. The UK equivalent of s 9(1)(c) was retained in the relevant UK statutes until 2018 despite several amendments. It was later deleted as a consequence of new regulations.
35. Can the meaning of a statute change during the course of its life? The proposition is unarguable. The role of the Courts is limited to teasing out the meaning of any statute in cases where it might be hard to ascertain. But it is the meaning intended by Parliament at the time the statute was passed which is in issue. *Burrows and Carter*<sup>24</sup> [Tab. 51] at page 527 say:

*“The courts normally apply an “ambulatory” or “updating approach” and find that the Act does cover these developments, provided two developments are satisfied: first, that these developments are within the purpose of the Act; and secondly, that the words of the Act, albeit by liberal interpretation, are capable of extending to them.”*

---

<sup>24</sup> [Burrows & Carter, Statute Law in NZ](#), 6<sup>th</sup> edition, page 527.

These principles are well established and were correctly applied by the Court.

36. Relevantly the Court held at [81]-[88]:
- A) the Legislation Act 2019 states that the meaning of legislation must be ascertained from its text and in light of its purpose and its context [81];
  - B) a Court is entitled to interpret the statute in a way that reflects changes in social attitudes and values particularly in respect of the NZ Bill of Rights Act, but there are distinct and orthodox limits to this exercise; and
  - C) where the meaning is clear a Court cannot alter the meaning years later simply by saying Parliament might have amended the statute in some way as a consequence of a change in policy for example.
37. A simple example referred to in the judgement at [85] was the comment by Lord Bingham that *“if Parliament (however long ago) passed an Act applicable to dogs, it could not properly be interpreted to apply to cats, but it could properly be applied to animals which were not regarded as dogs when the Act was passed but are so regarded now”*.
38. The primary argument before the Court and being repeated by PGT in this Court is that the adoption of the WCT in 2019, some twenty five years after the Act was passed, obliged NZ to amend the Act or, failing that, obliges the Courts to realign the meaning of the Act even if that meaning is materially different to the intention of Parliament when the Act was passed.
39. The fundamental changes to the rights of copyright owners and to New Zealand importers and distributors argued by PGT could never be justified on orthodox grounds and are unsupported by any relevant authority. The proper course was the one adopted in the UK which recorded ongoing changes to policy by passing amendments to the 1988 Act. Specifically, in

the UK there were four amendments passed between 1988 and 2020 which altered the scope of the distribution right of the copyright owner and, in particular s 18. They are as follows:

Date	UK s 18 (2) as amended  (emphasis added)
<a href="#">Jan 1993</a> BOA 11	<i>(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, <u>in the United Kingdom or elsewhere ...</u></i>
<a href="#">Dec 1996</a> BOA 12	<i>(2) References in this Part to the issue to the public of copies of a work are to—  (a) the act of putting into circulation in the EEA copies not previously put into circulation in the EEA by or with the consent of the copyright owner, or  (b) the act of putting into circulation outside the EEA copies <u>not previously put into circulation in the EEA or elsewhere.</u></i>
<a href="#">Oct 2018</a> BOA 13	<i>(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 <u>in the EEA by or with the consent of the copyright owner.</u></i>
<a href="#">Dec 2020</a> BOA 14	<i>(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 <u>in the United Kingdom or the EEA by or with the consent of the copyright owner.</u></i>

40. The short point to the primary argument running through the appellant's submissions is that, for whatever reason, NZ chose not to amend on account of the WCT, either before it was adopted or afterwards. It appears the reason may have been the belief by officials that the Act already

substantially complied with the Treaty requirements. Even if that was incorrect that was a decision of the Government of the day and Parliament, not the Courts.

### **Compliance with the WCT**

41. The primary argument underpinning the appellant's argument that the Act should be reinterpreted was the proposition that s 9, without the proposed amendments, does not comply with NZ's obligations under TRIPS, and in particular with the WIPO Copyright Treaty (WCT). It is submitted this argument is also misconceived for the following reasons:

- A) The [MBIE paper<sup>25</sup>](#) relied on by the appellant was written some twenty five years after the Act was passed without authorship or credentials and is an unpromising start as an aide to any explanation of meaning.
- B) It made several wrong assumptions including claims the Act:
  - i. Required prior authorisation by the copyright owner before prior circulation could be relied on;
  - ii. Had the same requirement as the Trade Marks Act 2002 at [s. 97A](#) [Tab 24]. The Trade Marks Act has a specific section dealing with universal exhaustion of rights but only, and crucially, with the consent of the trade mark owner. This was precisely the requirement that was absent from the Copyright Act.
- C) On a conventional analysis the WCT obligations to provide a regime whereby a copyright owner's right to control reproduction and

---

<sup>25</sup> BOA Tab 34.

distribution are already incorporated into the Act without needing to read in the amendments argued by the appellant.

42. The relevant Article of the [WCT](#) reads as follows:

**WCT - Article 6**

*Right of Distribution*

*(1) Authors of literary and artistic works shall enjoy the exclusive right of authorizing 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 authorization of the author.*

43. It is noteworthy that 6(2) specifically leaves it open to member states to determine what conditions, if any, would be appropriate to deal with how or when distribution rights should be exhausted.
44. It is quite wrong for the appellant to claim the result of the judgement will deprive the copyright owner of all their distribution rights. First the owner has the distribution rights set out at s 9(1). Secondly if any of the defences at s 9 are established the owner can rely on s 36 which gives a copyright owner rights to injunct and sue for an account of profits once the importer or distributor has the requisite knowledge. There is nothing in Article 6 that insists on primary infringement strict liability.
45. This has been the understanding of how the Act functions since it was passed. Importers and subsequent distributors have always been treated as

potential secondary infringers who become liable only after a “cease and desist” letter has been sent.

46. There is also the added protection under the Customs regime at ss 135-143 of the Act. This enables copyright owners to lodge a Notice with the NZ Customs Service so that they can pick up and detain suspected infringing items at the border. However, it is not a requirement for a copyright owner to lodge such a Notice to be able to protect their rights, and so relatively few Notices are on record. This protection was utilised in this litigation.
47. To elaborate, the Act complies with the WCT as [s 36](#) provides a non-exhaustible<sup>26</sup> distribution right as follows (emphasis added):

**36 Possessing or dealing with infringing copy**

*Copyright in a work is infringed by a person who, in New Zealand, other than pursuant to a copyright licence,—*

- a) possesses in the course of a business; or*
- b) in the course of a business or otherwise, **sells** or lets for hire;  
or*
- c) in the course of a business, offers or exposes for **sale** or hire;  
or*
- d) in the course of a business, exhibits in public or **distributes**;  
or*
- e) **distributes** otherwise than in the course of a business to such an extent as to affect prejudicially the copyright owner—*

*an object that is, and that the person knows or has reason to believe is, an infringing copy of the work.*

---

<sup>26</sup> Except in a parallel importing situation per s 12 (5A).



48. In view of s 36 there is no need to shoehorn anything extra, let alone a strict liability right, into s 9.

**WCT is not retrospective**

49. A fundamental problem with PGT's case is that even if for argument's sake the WCT influences interpretation of the Copyright Act for sales that occur today, NZ only acceded to the Treaty in 2019, which is more than 5 years after ESR's sales in 2013 and 2014. PGT therefore seeks to apply the influence of the WCT retrospectively, not just to ss 9 and 31, but also to prior events in the marketplace. However, under s 7 of the Interpretations Act 1999 the normal position is that an enactment is not retrospective. Logically, this should also apply to the influence of a Treaty obligation.

**Subsequent importation - S 9 (1)(c)**

50. PGT's paragraph [104(c)] attempts to challenge the Court of Appeal's finding by arguing that there is a credible alternative explanation for s 9(1)(c). However:
- (A) They ignore the plain meaning of ss 9(1)(c) and the UK equivalent;
  - (B) they ignore the views of the NZ and UK commentators;
  - (C) the clause was inserted deliberately and was not "muddled", a theory not mentioned in the 13th edition of *Copinger* published in 1991; and
  - (D) contrary to the claim the deletion of the clause was to remove a mistake, the reason for the deletion was recorded in the judgement at foot note 73 as being a result of regulations passed in 2018.

51. What the Court of Appeal decision does is appropriately balance the rights of the innocent retailer with those of the copyright owner. The retailer is protected by virtue of their innocence and, going forward, all the copyright owner needs to do is issue a cease-and-desist letter. If the retailer persists, then the copyright owner is free to bring a claim under s 36 for distribution or sales.

**Parallel importing – S.9 (1) (d)**

52. In 1998, parallel importing provisions were added to the Copyright Act as s [12 \(5A\)](#)<sup>27</sup>. The effect of these is that a product will never be an infringing copy if it was made by or with the consent of the copyright owner. S 12 (5A) reads as follows-

*(5A) An object that a person imports or proposes to import into New Zealand is not an infringing copy under subsection (3)(b) if—*

*(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; ...*

53. At the same time s 9(1)(d) was added to the Act.
54. The context and meaning of s.9(1)(d) is peripheral to the issues before the Court. It is not that section that is at issue. It only deals with importation of genuine copies without the consent of the copyright owner. There is no need to rule on its meaning, its efficacy or why it was inserted in 1998 in order to determine the appeal. The only reason it was considered in the Judgement was because the appellants ran an argument at their paragraphs [3] and [4]

---

<sup>27</sup> By way of the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998 (1998 No 20), s 4.

that the meaning of the sub section was in some ill-defined way relevant to the meaning of the relevant provisions of s. 9(1)(a)-(c).

55. It was always misconceived as it was a separate, stand-alone provision, carving out a further exception to the definition at s. 12 of infringing copying. The judgement at paragraphs [92]-[95] discussed the crucial distinction between (d) and (a)-(c) and recorded its agreement with the authors of *Intellectual Property Law (NZ)* that (d) was unnecessary and misconceived.
56. There is no doubt what s 9(1)(d) was intended to do. It was to legitimise the importation and sale of genuine goods without the consent of the copyright owner even if not previously put in circulation. It was a standalone provision altering the definition of infringing copying. It did not alter, nor was it intended to alter, the meaning of the other clauses in s. 9. Of course, the addition of sub-section 5(A) to s. 12 referred to “the consent of the owner”. It had to in order to make it clear the carve out there was for genuine objects. To suggest, as the appellant does, that this was an essential aid to construing the remaining provisions in ss. 9 and 12 is untenable on any level.
57. The meaning of ss 9 and 12, and their UK equivalents, had been recognised by the NZ and UK commentators since the passing of both Acts. No amendments have been made to the relevant sub sections either in 1918 or subsequently, indicating any support to the appellant’s arguments.

#### **Redundancy of s 36 defences**

58. PGT’s analysis, if accepted, would render the s 36 lack of knowledge defence redundant when it comes to selling and distributing. This is because if all a business has to do to be an issuer (under s 9) is sell a copy, then they will never be able to take refuge in the s 36 lack of knowledge defence, which will have been rendered nugatory for the acts of innocently selling and distributing.

59. At their paragraph [36] PGT try to dismiss this problem by arguing that some acts can be both primary infringement (issuing under ss 9, 31) and secondary infringement (selling and distributing under s 36). Even if that is correct for some situations, it does not justify PGT's argument in this case because this is not a matter of mere overlap at the fringes of the defences. Rather, the interpretation PGT argues for would always obviate the s 36 lack of knowledge defence when it comes to selling and distributing. That cannot have been Parliament's intention.
60. To illustrate, a manufacturer knowingly makes copies according to someone else's copyright. They therefore have culpable knowledge. When the manufacturer sells the products to the public in NZ, they become a s 9 issuer because those products had not been previously put into circulation. The manufacturer's prior knowledge of the copyright means that their act of selling is also caught by the secondary infringement provisions of s 36. But this is different to ESR's situation because it had no part in manufacturing and had no knowledge of the copyright until after the cease-and-desist letter. Therefore, even if in some cases a sale may be both primary and secondary infringement, this is not one of them.

### **No extraterritoriality**

61. Further, for completeness we note that the Court of Appeal's approach presents no problem of extraterritoriality because it remains the case that infringement under ss 9 and 31 can only occur when the infringing act takes place in NZ. The defence at s 9 (1) simply deals when copyright qualifies for enforcement here. The difference is therefore between qualification on the one hand, and enforcement on the other. There is no issue with this because, for example, the Copyright Act has a number of provisions where one's ability to enforce in NZ depends on an act having occurred overseas.

See for example ss 9(1)(d), [12\(3\)](#), [18\(2\)](#), [19 \(1\)\(b\)](#), [20\(b\)](#), and [75\(1\)](#). The Court of Appeal's paragraph [108] makes the same point.

### **Treaty commentators**

62. PGT's case places significant reliance on the non-judicial writings of selected commentators commenting on treaty obligations for signatories.
63. At their paragraph [14] PGT quote and argues from [Reinbothe<sup>28</sup>](#) that a WCT member can only legislate for exhaustion of the distribution right for particular copies if the copyright owner had consented to a first sale of them. The problems with reliance on Reinbothe and the other commentators include:
  - (A) First, the discussions are entirely academic. They discuss possible obligations on signatories to pass domestic legislation incorporating the principles derived from the treaties. Until such legislation is passed the current domestic law continues to be operative. This was recognised in the UK by passing amendments to the UK Act whenever it was necessary to adopt changes in the definition of issuing to the public.
  - (B) Secondly, the proposed interpretative amendments to s. 9 supposedly to comply with WCT principles fundamentally alter the meaning of s. 9 which has remained unchanged for thirty years.
  - (C) Thirdly it would make it impossible for traders to understand the relevant law defining how importers and retailers could trade. Do they follow the requirements of the Act currently in force or do they assume that sometime in the future Parliament may amend the Act, and if so, to what extent?

---

<sup>28</sup> BOA Tab 46.

(D) Fourthly the Article itself is permissive<sup>29</sup> not directive. As Professor Frankel points out:

*“The WCT provides that authors should enjoy the exclusive right of making their works available to the public. The WCT also provides that it does not determine the conditions of exhaustion of the distribution right. The matter of exhaustion was not a subject where agreement was likely to be reached at the time of negotiation.”*<sup>30</sup>

(E) Fifthly there is the problem of retrospective liability arising supposedly from acceding to the Treaty in 2019 when the acts complained about occurred years before.

64. At their paragraphs [18]-[23] PGT refer to various Governmental position papers in which it is said that the NZ Copyright Act 1994 complies with the requirements of the WCT. We agree that the Act complies, but for the reasons given for ESR, not those argued by PGT.
65. At their paragraph [24] PGT refers to the MBIE Discussion Paper<sup>31</sup> which they claim advances the view that the s 9(1) defence only applies if the prior circulation was approved by the copyright owner. The Court of Appeal was correct in finding that the paper is not sufficiently focused to assist with the issue.
66. To elaborate, the MBIE Paper was published some twenty five years after s 9 was enacted and no name or credentials are given for whoever penned it.

---

<sup>29</sup> See WCT Article 6(2).

<sup>30</sup> [Susy Frankel and Geoff McLay, Intellectual Property in New Zealand](#), at 12.4.4(a), page 742; BOA Tab 58.

<sup>31</sup> [MBIE Discussion Paper](#), Intellectual Property Laws Amendment Bill ... , May 2019, at [240]-[241]; BOA Tab 34.

Critically assessed, it does not go anywhere near as far as PGT suggest. In this regard paragraph [240] of the Paper states:

*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 Copyright Act 1994 explicitly provides for this exhaustion of rights.*

Clearly the author is only giving an example of how s 9(1) can work. As far as an example goes, it is correct, but the example is not the full story. As noted by MBIE, if the copyright owner places the book on the market, then the owner's right to issue the book is exhausted. That is not contentious. However, the MBIE paper does not deal with what would happen if someone other than the copyright owner or its agent had previously put the book into circulation outside NZ. MBIE did not therefore turn its mind to the issue that is before the Court.

## **Section 29**

67. At their paragraphs [56] - [61] PGT refer to s 29 which states that it is an infringement of copyright to do any "restricted act" without a "license" to the copyright. They argue that this supports reading into the s 9(1) defence a requirement for the copyright owner to have consented to the prior circulation. PGT's argument is flawed because the restricted act of s 29 is not a separate restricted act. Only those listed in s 16, are a restricted act. It simply states the act must be unauthorised by the copyright owner. The Court of appeal was therefore correct to find that s 29 lends no support for what PGT argues.

## Authorities

68. The appellants rely on one UK authority and two NZ authorities and argue that innocent importers can be liable for primary infringement. However, it is clear from the facts of each of those cases that, unlike ESR, the importer either participated with the manufacturer or commissioned the copies. The appellant cites no case where an innocent infringer has been sued successfully for primary infringement.

69. In *Inverness Medical Innovations v MDS Diagnostics*<sup>32</sup> the finding of s 9 *issuing* was the result of the defendant having imported in bulk and packaging the product locally before selling it [257]. In particular the defendant:

(a) “authorised Phamatech (the overseas manufacturer) to make copies of the relevant copyright works” [251];

(b) was first to release the products into the market [256]; and

(c) was aware that the products were infringing the plaintiff’s copyright.

Hence the importer/seller was liable for primary infringement as the commissioner of the infringing products. The Court at [259] left open the possibility that prior circulation outside NZ might be a defence under s 9(1).

70. In *Jeanswest v G-Star Raw*<sup>33 34</sup> The Court of Appeal affirmed the judgment of Heath J who found that the NZ subsidiary of the Australian parent company was the “creature” of its parent and hence its knowledge and facts were said to be the knowledge and acts of the parent infringer [108]–[111].

---

<sup>32</sup> [Inverness Medical Innovations v MDS Diagnostics](#), High Court, BOA Tab 4.

<sup>33</sup> [Jeanswest v G-Star Raw](#), 13 TCLR 787, Court of Appeal, BOA Tab 5. The Court noted at [100]: “We have upheld Heath J’s finding that Jeanswest copied G-Star’s Anniversary jean. That finding, coupled with Jeanswest’s admission in [15] that it sold the Dean Biker jeans in New Zealand, established primary infringement.”.

<sup>34</sup> [G-Star Raw v Jeanswest](#), [2013] NZHC 2679; BOA Tab 54.



This was again a case dealing with an importer who was also legally the copier.

71. In *Response Clothing v Edinburgh Woolen Mills* (EWM)<sup>35</sup>, The defendant EWM commissioned orders from suppliers when it had actual or constructive knowledge that the orders were infringing copies [102]-[103]. It escaped liability for primary infringement as there had been a prior sale of the copies to the public [88]. Here the primary infringer was liable as a secondary infringer as it had the necessary knowledge; this was not a case of an innocent importer liable as a primary infringer.

### **What the Plaintiffs Seek is Impractical for NZ Businesses**

72. To summarise, what PGT asks of the Court would leave NZ 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, but just got it wrong through a lack of knowledge. Parliament clearly did not intend such consequences.
73. The principle here is that NZ importers remain free to do things such as looking at catalogues from overseas suppliers, or online, and order so long as they have no knowledge that the goods are infringing.
74. On PGT's analysis the result for NZ businesses would be particularly problematic as there is no Register of copyright that people can consult before importing and selling products. While Customs has some Copyright

---

<sup>35</sup> [Response Clothing v Edinburgh Woolen Mills](#) [2020] EWHC 148 (IPEC), BOA Tab 8. At [03] the Court noted that the infringer EWM supplied a copy of the copyright protected fabric to suppliers together with an invitation to supply product made from the same fabric. And at [94] the Court noted that EWM had also supplied a sample using the copyright to alternative suppliers along with a specification sheet.

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 very unlikely that Parliament would have intended such harsh consequences for importers who are a key part of the life blood of commerce in NZ.

## **SUMMARY**

75. In summary the appellant's arguments in respect of both issues are essentially similar: First, the plain meaning of s. 9, and its UK equivalent s.18, is the antithesis of the amendments suggested by the appellant. These amendments would rewrite universal restriction of rights including unauthorised copying into national restriction only and with the consent of the copyright owner. There is no authority for the proposition. They ignore the plain meaning of the words, the views of respected commentators in NZ and UK, and orthodox principles for the construction of statutes.
76. Secondly it relies on Treaty obligations entered into twenty five years later as a guide to construing the Act. This was rightly rejected by the Court. Unlike the UK, which adopted the orthodox approach of amending domestic legislation to bring about such a change, NZ chose not to. The obvious implication is that UK recognised the amendments were sufficiently significant to require a statutory amendment. NZ for whatever reason considered the relevant sections including ss 9 and 12 did not need amending. That is a complete answer to the appellant's submissions on both issues.
77. Thirdly the final justification relied on by the appellant is at para 106. The claim that the judgement is "a complete negation" of PGT's Art 6 (1) exclusive right etc is highly misleading. As pointed out earlier, the combination of the primary and secondary infringement rights recorded at ss 16, 30-34 and 35-36 give appropriate protection to copyright owners while balancing the rights of NZ importers and distributors.

**RELIEF**

78. The appeal should be dismissed.

79. In the event the appeal is dismissed costs should be awarded to the respondent on an indemnity basis

80. Counsel has made appropriate inquiries to ascertain whether these submissions contain any suppressed information, and certifies that, to the best of counsel's knowledge, these submissions are suitable for publication (that is, they do not contain any suppressed information);

Dated 28th March 2024

---

JG Miles KC / Anthony J Pietras  
Counsel for the Appellant