

**IN THE COURT OF APPEAL OF NEW ZEALAND**

**I TE KŌTI PĪRA O AOTEAROA**

**CA577/2019  
[2020] NZCA 560**

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

**CA594/2019**

BETWEEN ESR GROUP (NZ) LIMITED  
Appellant

AND IAN JAMES BURDEN  
First Respondent

PGT-RECLAIMED (INTERNATIONAL)  
LIMITED  
Second Respondent

PLANTATION GROWN TIMBERS  
(VIETNAM) LIMITED  
Third Respondent

Hearing: 23 September 2020

Court: Kós P, Brown and Courtney JJ

Counsel: A H Brown QC and J Oliver-Hood for Appellants in CA577/2019  
and Respondents in CA594/2019  
J G Miles QC and A J Pietras for Respondent in CA577/2019 and  
Appellant in CA594/2019

Judgment: 12 November 2020 at 11.00 am

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## JUDGMENT OF THE COURT

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- A** The appeal in CA577/2019 is allowed conditional upon the amendments specified in [50].
- B** The appeal in CA594/2019 is allowed.
- C** Costs lie where they fall.
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## REASONS OF THE COURT

(Given by Brown J)

### Introduction

[1] In the liability phase of this litigation<sup>1</sup> ESR Group (NZ) Ltd (ESR) was held liable<sup>2</sup> for secondary infringement of the copyright works of the Plantation interests<sup>3</sup> by the importation into New Zealand on 28 August and 5 and 12 September 2014<sup>4</sup> of a range of furniture known as the Roseberry Collection.<sup>5</sup> In addition to injunctive and declaratory relief, leave was reserved to pursue damages or an account of profits at a separate hearing in respect of the infringing Roseberry items.<sup>6</sup>

[2] In the subsequent discovery process the Plantation interests realised that there had been earlier importations by ESR from May 2013. They also became aware of ESR having imported other infringing items, being the Roseberry shoe shine box and

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<sup>1</sup> CIV-2014-404-2456 (the 2014 proceeding).

<sup>2</sup> *Burden v ESR Group (NZ) Ltd* [2016] NZHC 1542 [Liability judgment]; and *ESR Group (NZ) Ltd v Burden* [2017] NZCA 217, (2017) 14 TCLR 590 [Appeal decision]. Leave to appeal to the Supreme Court was declined: *ESR Group (NZ) Ltd v Burden* [2017] NZSC 173.

<sup>3</sup> The second and third appellants in CA577/2019 and the second and third respondents in CA594/2019.

<sup>4</sup> Under s 35 of the Copyright Act 1994. A prior importation on 30 July 2014 (which was apparently assumed to be the first such importation by ESR) was held not to infringe, as ESR was not shown to have known or had reason to believe those goods were infringing copies.

<sup>5</sup> Together with one item (a shoe shine box) from another furniture range known as the Westbury Collection.

<sup>6</sup> Liability judgment, above n 2, at [309].

some furniture from the Westbury Collection. Hence on 17 December 2018 the Plantation interests filed a new proceeding<sup>7</sup> alleging both primary infringement (the issue of copies of their copyright works to the public by the offering for sale or sale by ESR of both the Roseberry and Westbury Collections in New Zealand)<sup>8</sup> and secondary infringement of copyright by ESR in respect of the Roseberry and Westbury Collections since at least 2013.

[3] On 4 March 2019 ESR applied to strike out the 2018 proceeding on the grounds that the claims of the Plantation interests in relation to the Roseberry Collection had already been adjudicated upon in the 2014 proceeding and that claims in relation to both furniture collections could and should have been raised in the course of the 2014 proceeding.

[4] The Plantation interests then applied on 15 May 2019 for leave to amend the 2014 proceeding not only to include the Westbury Collection items but also to add a new cause of action of primary infringement in respect of both furniture collections. ESR opposed the application to amend.

[5] In a judgment dated 3 July 2019 Venning J declined the application for leave to amend the 2014 proceeding and declined ESR's application to strike out the 2018 proceeding.<sup>9</sup>

[6] The Plantation interests appeal against the refusal to grant leave to amend the 2014 proceeding (CA577/2019). ESR appeals against the refusal to strike out the 2018 proceeding (CA594/2019).

### **Relevant background**

[7] On 20 May 2013 Mr Burden issued copyright border enforcement notices under s 136(1) of the Copyright Act 1994 (the Act) giving notice of his claim to

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<sup>7</sup> CIV-2018-404-2775 (the 2018 proceeding).

<sup>8</sup> Under s 31 of the Copyright Act.

<sup>9</sup> *Burden v ESR Group (NZ) Ltd* [2019] NZHC 1546, (2019) 146 IPR 525 [Amendment judgment]. Leave to appeal the strike out decision was granted on 29 October 2019: *Burden v ESR Group (NZ) Ltd* [2019] NZHC 2745. There was an appeal as of right under s 66 of the Judicature Act 1908 in relation to the amendment decision.

copyright and requesting the New Zealand Customs Service (Customs) to detain any pirated copies. However it was not until August 2014 that Customs first seized containers of furniture imported by ESR.

[8] On 18 September 2014 the 2014 proceeding was commenced<sup>10</sup> in respect of the items found and detained in the containers seized by Customs, namely the Roseberry Collection furniture and the Westbury Collection shoe shine box.<sup>11</sup> It alleged that the second, third and fourth defendants had manufactured or arranged for the manufacture of infringing products for importation into and ultimate sale within New Zealand by ESR.

[9] In respect of ESR the pleading relevantly stated:

25. [ESR] has infringed the Plaintiffs' copyright in the Plaintiffs' Copyright Works by:

25.1 Importing into New Zealand an infringing copy of one or more of the Plaintiffs' Copyright Works knowing or having reason to believe that the object was an infringing copy;

25.2 Possessing or intending to possess an infringing copy of the Plaintiffs' Copyright Works, knowing or having reason to believe that the object was an infringing copy;

[25.3] Issuing or intending to issue an object infringing the Plaintiffs' Copyright Works to the public in New Zealand, knowing or having reason to believe that the object was an infringing copy.

[10] On 6 March 2015 Associate Judge Bell made an order for a split trial in the following terms:

[7] For this proceeding, determination of liability and quantum of monetary relief will be dealt with separately. The trial judge will be able to make all appropriate directions under s 141 of the Copyright Act (as to discharge of the notice, release of detained goods and a determination whether imported goods are pirated copies). The judge will also be able to make declarations, issue injunctions, and give like equitable relief but will not order monetary relief (by way of damages, account for profits or otherwise). Matters of monetary relief will be dealt with separately.

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<sup>10</sup> Under s 140(1)(e) of the Copyright Act proceedings for copyright infringement must be brought within 10 working days of Customs giving an interested party notice of goods being detained as "pirated copies", otherwise the goods will be released.

<sup>11</sup> See [1] above. The statement of claim stated that until discovery the plaintiffs were unable to further particularise all of the relevant acts of infringement by the defendants.

[11] The claim proceeded to trial against ESR alone, the claims against the second, third and fourth defendants being deferred because of difficulties in serving them with the proceedings.<sup>12</sup> Duffy J found there had been copyright infringement only in respect of the items of furniture listed in the schedule to the third amended statement of claim, explaining:

[308] The relief I have granted is narrower than that sought by Mr Burden in the statement of claim. He sought declarations and injunctions that would cover other products that were a substantial reproduction of his copyright works, or that otherwise infringed his copyright works. I consider that language to be too general. Until such time as a judicial determination is made on whether products other than the infringing Roseberry products are a substantial reproduction of his copyright works my view is that he has no entitlement to legal orders that go so far.

[12] In addition to declaratory and injunctive relief and an order for delivery up, the Judge made an order for discovery against ESR in the following terms:<sup>13</sup>

- (e) an order that ESR makes and serves upon Mr Burden's solicitor an affidavit:
  - (i) detailing quantities of the infringing Roseberry products that have been imported into New Zealand by itself or in concert with any other party, including but not limited to the second and third defendants; and
  - (ii) detailing the name, address and contact details of each person, firm or company to whom ESR has supplied or offered to supply the infringing Roseberry products; and listing and exhibiting copies of all documents relating to each such importation, supply or offer to supply;

[13] With reference to a subsequent monetary relief hearing the Judge stated:

[309] Mr Burden has acted promptly to protect his rights. I am satisfied that he is entitled to the relief sought in the statement of claim. Leave is reserved to Mr Burden (as requested) to come back to Court to pursue the relief by way of damages (including additional damages pursuant to s 121 of the Copyright Act) or an account of profits with interest should he choose to do so.

[14] Subsequent to the delivery of this Court's judgment on appeal from the liability judgment, it came to the attention of the Plantation interests that ESR was continuing to advertise infringing Roseberry furniture on its website together with items of

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<sup>12</sup> Liability judgment, above n 2, at [5].

<sup>13</sup> At [307].

Westbury Collection furniture which had not been shipped in the container initially seized that formed the basis for the 2014 proceeding. The Plantation interests claim that it was not until this period that they learned there had been importations by ESR of Roseberry and Westbury Collection furniture as early as at least May 2013.<sup>14</sup> In the present appeal the Plantation interests explained:

52. Solicitors for the parties then engaged in protracted correspondence from July 2017 until November 2018 on the question of remedies. After 18 months had been pursued to provide full disclosure, ESR finally provided a spreadsheet which included all sales of the infringing Roseberry furniture and Westbury shoe shine box on 22 November 2018. It was this disclosure that precipitated the commencement of [the 2018 proceeding].

(Footnotes omitted.)

[15] By memorandum dated 2 May 2019 the Plantation interests made a formal election to pursue an account of profits.

### **The judgment under appeal**

*The application for leave to amend the 2014 proceeding*

[16] The amendments sought fell into three categories:

- (a) to reflect this Court's findings as to copyright ownership;
- (b) to include the new items of the Westbury Collection furniture and the Roseberry shoe shine box; and
- (c) to add what was said to be a new cause of action, namely the infringing act of issuing copies (the furniture) to the public contrary to s 31 of the Act.

[17] ESR accepted that a number of the new furniture items not considered in the liability hearing could fall within the existing finding of secondary infringement and so be the subject of an amended claim for loss of profits. However it challenged the

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<sup>14</sup> In that regard we note that this Court's earlier judgment recorded that the first importation of goods by ESR arrived in New Zealand on 30 July 2014: Appeal decision, above n 2, at [62].

proposition that the Plantation interests could amend their claim to pursue damages either for primary infringement at all or to claim in respect of acts of secondary infringement prior to the “reason to believe” date of 28 August 2014 identified by this Court.<sup>15</sup>

[18] An important consideration in Venning J’s analysis was whether the proposed amendment fell within the scope of the orders made by Duffy J following the liability trial.<sup>16</sup> Noting the acknowledgement by the Plantation interests that the case pursued before Duffy J in the 2014 proceeding was limited to a claim for secondary infringement and that a s 31 infringement was not pleaded, the Judge rejected the submission that the order of Duffy J encompassed issuing copies to the public.<sup>17</sup>

[19] Venning J considered there was good reason to distinguish between permitting an amendment to enable all possible infringements that may follow from an initial liability phase and amendments which seek to plead and raise a different and separate basis for liability:

[36] ... The first should be permitted (and indeed as much is acknowledged by ESR in this case), the second should not. The Court has resolved the issue of the Plantation interests’ ownership of the copyright and found ESR has been liable for secondary infringement from 28 August 2014, but, as yet, there has been no finding that ESR has committed primary infringement.

[37] While it is open and consistent with the rules to allow an amendment to identify new infringing items consistent with the infringement found following a liability trial, it is quite a different issue to suggest that a fresh cause of action requiring the proof of different elements should be permitted. For example, there may be an argument that the items it is said ESR issued had previously been put into circulation, and thus it was not the first entity to do so.

[20] The Judge also rejected the submission that the Plantation interests were not aware ESR had made actual sales of the infringing items, noting an admission by ESR in an amended statement of defence of acts of offering for sale and sale of the furniture within New Zealand.<sup>18</sup>

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<sup>15</sup> Amendment judgment, above n 9, at [24].

<sup>16</sup> At [32].

<sup>17</sup> At [35].

<sup>18</sup> At [47]–[49].

[21] While noting that the efficient use of judicial resources was at most a neutral factor, the Judge considered that ESR would be unfairly prejudiced in having to face a new cause of action at the inquiry into damages phase of the 2014 proceeding.<sup>19</sup> The Judge also recognised that, while the evidence necessary to prove primary infringement might be limited, issues could arise concerning the meaning of “issue to the public” under s 9 of the Act.<sup>20</sup>

[22] The amendments sought to plead primary infringement and secondary infringement prior to 28 August 2014 were declined. However leave was granted to include at the inquiry a claim for damages for secondary infringement in relation to the additional items of furniture now identified but confined to the period post 28 August 2014.<sup>21</sup>

*The application to strike out the 2018 proceeding*

[23] The claim against ESR for primary infringement was the sole issue, the Judge accepting that other aspects of ESR’s abuse of process challenge were justified.<sup>22</sup> The application to strike out was advanced on the basis of:

- (a) res judicata;
- (b) abuse of process; and
- (c) insufficient particulars to establish a cause of action.

[24] Noting the discussion of the *Henderson v Henderson* principle by Lord Bingham in *Johnson v Gore Wood & Co*,<sup>23</sup> Venning J considered it was too dogmatic an approach to hold that because a matter could have been raised in earlier proceedings it was necessarily abusive to raise it in later proceedings. The Judge stated

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<sup>19</sup> At [51].

<sup>20</sup> At [52].

<sup>21</sup> At [54].

<sup>22</sup> At [57]. These were a Fair Trading Act 1986 cause of action, a further claim for secondary infringement pre-dating 28 August 2014 and a claim against Ms McLennan, a director of ESR who was named as second defendant in the 2018 proceeding.

<sup>23</sup> *Johnson v Gore Wood & Co (a firm)* [2002] 2 AC 1 at 30–31; and *Henderson v Henderson* (1843) 3 Hare 100, 67 ER 313 (Ch).



that a broad merits-based judgement is required, the issue being whether in all the circumstances the claim is an abuse.<sup>24</sup>

[25] Venning J concluded that it would not be an abuse of process to permit the Plantation interests to pursue ESR with a claim for primary infringement:

[71] The issue of primary infringement was not before this Court or the Court of Appeal in the 2014 proceedings. While there may have been information available to the Plantation interests and their advisers which should have put them on notice that such a claim might be available, the focus of the pleading in those 2014 proceedings was on the ownership of the copyright and then on the importation and secondary infringement. ... It would be draconian to prevent the Plantation interests from pursuing a claim for primary infringement merely on the basis that they failed to seek leave to amend their pleadings in the 2014 proceedings to add a claim of primary infringement.

[72] To deny the Plantation interests the right to pursue a claim for primary infringement in the circumstances of this case would be to deny them their right under s 27 New Zealand Bill of Rights Act 1990 to access the Court to have that claim heard.

### **CA577/2019: leave to amend the 2014 proceeding**

#### *Submissions*

[26] Mr Brown QC for the Plantation interests proceeded from the premise it is elementary that an inquiry as to damages or an account of profits in an intellectual property case should correspond to the width of the injunction and declaratory orders granted after the liability trial. He submitted that the amendment sought fell squarely within the declaratory and injunctive orders granted by Duffy J as follows:<sup>25</sup>

- (a) a declaration that infringing items of Roseberry furniture as itemised in the schedule to the third amended statement of claim (hereafter the infringing Roseberry products) reproduce the first plaintiff's copyright works and therefore each is an infringing copy for the purposes of s 12 of the Copyright Act;
- (b) a declaration that the infringing Roseberry products reproduce the first plaintiff's copyright works and therefore each is a pirated copy imported other than for private and domestic use within the meaning of s 141(3) of the Copyright Act;

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<sup>24</sup> Amendment judgment, above n 9, at [67].

<sup>25</sup> Liability judgment, above n 2, at [307].

- (c) an injunction to restrain ESR, its servants, officers, marketers, distributors or agents, from reproducing, importing, distributing, advertising, offering for sale, selling or otherwise dealing with the infringing Roseberry products or otherwise infringing the plaintiffs' copyright or converting the same for its own use;

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[27] In reliance on the number of English authorities<sup>26</sup> and statements in leading intellectual property textbooks<sup>27</sup> Mr Brown then advanced the proposition that the remedies phase of a proceeding will extend to all infringements of the “type” proved at the liability trial and the Court may permit it to extend to “related” infringements which amount to new causes of action if it is fair and convenient to do so. Finally he submitted that such a principle should guide the exercise of the Court’s power to permit an amendment to the statement of claim after the close of pleadings pursuant to r 7.7 of the High Court Rules 2016.

[28] ESR’s analysis of the cited authorities suggested that their effect had been overstated by the Plantation interests and observed that none of them supported the introduction for the first time of a new claim of primary infringement subsequent to a liability hearing. *Warner Music UK Ltd v TuneIn Inc* concerned further internet radio stations additional to the representative sample of less than 40 at the trial.<sup>28</sup> Similarly in *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd*, discussed in *Unilin Beheer BV v Berry Floor NV*, the Court was dealing with tyres with extra tread than those in issue at trial.<sup>29</sup> Mr Miles QC suggested this was analogous to the addition in the present case of the Westbury items, identical in shape to the Roseberry items, as secondary infringements. *AP Racing Ltd v Alcon Components Ltd* was distinguished

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<sup>26</sup> *Unilin Beheer BV v Berry Floor NV* [2007] EWCA Civ 364, [2008] 1 All ER 156; *Fabio Perini SPA v LPC Group Plc* [2012] EWHC 911 (Ch), [2012] RPC 885; *AP Racing Ltd v Alcon Components Ltd* [2016] EWHC 815 (Ch), [2016] FSR 28; and *Warner Music UK Ltd v TuneIn Inc* [2019] EWHC 3374 (Ch).

<sup>27</sup> Gillian Davies, Nicholas Caddick and Gwilym Harbottle *Copinger and Skone James on Copyright* (17th ed, Sweet & Maxwell, London, 2016) vol 1 at [21-280]; Adrian Speck and others *Laddie, Prescott and Vitoria: The Modern Law of Copyright* (5th ed, LexisNexis, London, 2018) vol 1 at [26.28]; Colin Birss and others (eds) *Terrell on the Law of Patents* (18th ed, Sweet & Maxwell, London, 2016) at [21-84]; and Phillip Johnson, Ashley Roughton and Trevor Cook *The Modern Law of Patents* (3rd ed, LexisNexis, London, 2014) at [15.49].

<sup>28</sup> See *Warner Music UK Ltd v TuneIn Inc*, above n 26, at [4]–[5].

<sup>29</sup> *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1975] RPC 203 (CA).

on the basis that, as the defendant refused to consent to the joinder of the new items in the original proceeding, the second proceeding was allowed to run.<sup>30</sup>

[29] Mr Miles emphasised that the ability to claim damages at a remedies hearing should be confined to instances of infringement of the type determined at the liability hearing. He argued that there is a strong public interest in the finality of litigation, that it is much better for a plaintiff to understand that the first litigation is the time and place to present his or her best case and that there is no second chance. He urged caution in the adoption of the practice advocated by Mr Brown and he took strong issue with the proposed test of fairness and convenience.

### *Discussion*

[30] Although the potential difficulties associated with split trials for liability and assessment of monetary relief<sup>31</sup> are well known,<sup>32</sup> separate hearings are commonplace today, particularly in intellectual property cases, because of their potential to achieve significant savings in time and cost.

[31] That objective has long been recognised in the patent jurisdiction where a plaintiff is required to deliver particulars of breaches which provide at least one instance of “each type of infringement”.<sup>33</sup> As the English Court of Appeal explained in *Belegging-en Exploitatiemaatschappij Lavender B V v Witten Industrial Diamonds Ltd*:<sup>34</sup>

The Rules referred to require that the plaintiff shall particularise at least one specific example of each type of infringement alleged. This seems to me to be clearly directed to restricting discovery and trial to the specific instances so particularised. If a plaintiff can establish one such instance, he has established infringement of the kind of which that instance is an example and will be entitled to relief accordingly, which will or can include an enquiry in how many other instances the defendants have been guilty of that kind of infringement. The Rule is directed to avoiding the expense in money and time of preparing to examine and examining at the trial a large number of instances of infringement all of one kind.

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<sup>30</sup> *AP Racing Ltd v Alcon Components Ltd*, above n 26.

<sup>31</sup> Whether an account of profits or an inquiry as to damages.

<sup>32</sup> *Clear Communications Ltd v Telecom Corporation of New Zealand Ltd* (1998) 12 PRNZ 333 (HC) at 335; and *Ashmont Holdings Ltd v Jurox Pty Ltd* (2000) 53 IPR 464 (HC) at [4].

<sup>33</sup> High Court Rules 2016, r 22.22(c).

<sup>34</sup> *Belegging-en Exploitatiemaatschappij Lavender BV v Witten Industrial Diamonds Ltd* [1979] FSR 59 (CA) at 63–64.

That approach is reflected in the three patent cases cited by Mr Brown, in particular *AP Racing Ltd v Alcon Components Ltd*.<sup>35</sup>

[32] However in appropriate cases the Court may permit a new issue of liability to be raised at a quantum hearing. That reality is reflected in the High Court Rules relating to patents which allow for the grant of leave to adduce evidence relating to matters not specified in particulars<sup>36</sup> and to amend particulars of infringement,<sup>37</sup> the latter on terms which the Court considers just.

[33] We recognise the importance of finality in litigation and we are mindful of the caution advocated by Mr Miles to endorsing what he described as the unorthodox approach whereby a plaintiff would have the benefit of what would in effect be a second bite at a liability hearing. However we understood his opposition to be directed primarily to the liberal way in which the threshold for late amendment was expressed rather than to the Court's jurisdiction in an appropriate case to entertain consideration of a new issue of liability.

[34] Convenience is very much in the eye of the beholder. We consider that the proposed "fair and convenient" threshold sets the bar too low for a departure from a split trial direction. The cost and time savings which a split trial affords should not lightly be put at risk, nor the profession's confidence in the integrity of the procedure undermined. Transforming a remedies hearing into a second liability hearing would require a judge to preside (preferably the same judge who sat on the original liability hearing) and preclude the appointment of an account-taker.<sup>38</sup>

[35] We conclude that liability issues should only be permitted to be revisited at a remedies hearing if the Court can be satisfied that the interests of justice so require.<sup>39</sup> That accords with the standard which the High Court Rules prescribe for an amendment of particulars in a patent infringement claim. We record that it is

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<sup>35</sup> *AP Racing Ltd v Alcon Components Ltd*, above n 26, at [24].

<sup>36</sup> High Court Rules, r 22.24(2).

<sup>37</sup> Rule 22.25(1). This rule has effect despite r 7.77: r 22.25(3).

<sup>38</sup> See High Court Rules, r 16.6; and *Nicholls v Nicholls* [2020] NZCA 346 at [77].

<sup>39</sup> This is a requirement generally for amending a statement of claim under r 7.7 of the High Court Rules: *Elders Pastoral Ltd v Marr* (1987) 2 PRNZ 383 (CA) at 385.

unnecessary for this decision to engage with the suggested distinction between “types” of infringement and “related” infringements.

*The present case*

[36] There are several factors in the present case which bear on the issue whether justice requires the proposed amendment to the 2014 proceeding to be permitted.

[37] First, notwithstanding the perception of both counsel and Venning J that the pleading was confined to secondary infringement, we consider that paragraph 25.3 of the pleading is fairly and properly construed as asserting a s 31 infringement. That paragraph reads:

25. [ESR] has infringed the Plaintiffs’ copyright in the Plaintiffs’ Copyright Works by:

...

[25.3] Issuing or intending to issue an object infringing the Plaintiffs’ Copyright Works to the public in New Zealand, knowing or having reason to believe that the object was an infringing copy.

[38] The restricted act of issuing copies of work to the public, as defined in s 9 of the Act, is not an act of infringement referred to in the secondary infringement provisions. The wording of paragraph 25.3 prior to the point of reference to knowledge could only be to the restricted act referred to in s 31. As Mr Miles remarked, that aspect of the allegation was “classic” primary infringement. In that respect, the pleading is more explicit than in *Jeanswest Corporation (New Zealand) Ltd v G-Star Raw CV*.<sup>40</sup>

[39] The words which follow the description of that restricted act echo the knowledge requirement which is a component of the several secondary infringement provisions. In our view those additional words are otiose or, to adopt Mr Miles’ epithet, irrelevant to the formulation of a s 31 infringement. Consequently we consider that paragraph 25.3 should be read as an allegation of primary infringement.

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<sup>40</sup> *Jeanswest Corporation (New Zealand) Ltd v G-Star Raw CV* [2015] NZCA 14, 13 TCLR 787 at [83]–[84].

[40] Secondly, and consistent with primary infringement being in issue, Mr Hazel cross-examined Ms McLennan on the subject of the date of first sale of the furniture items in New Zealand. Mr Miles fairly accepted that such cross-examination comprised the sort of questions which one would expect to be posed in the course of proof of a s 31 infringement allegation.

[41] Thirdly, ESR filed an addendum to its closing submissions in which, under the heading “Failure to cross examine on infringement”, it engaged with the s 31 allegation of primary infringement, making the point that the proposition that ESR had issued copies to the public had never been expressly put to the ESR witness. Consequently it is apparent from ESR’s written submissions that the topic of s 31 infringement was in play.

[42] Fourthly, it seems to be implicit in the order for discovery which the Judge made in relation to ESR<sup>41</sup> that supply of the furniture in New Zealand by ESR was in contemplation. Again Mr Miles fairly acknowledged that point, recognising that it was difficult to see why the order should so provide unless it was in issue before the Court.

[43] Notwithstanding the references in the liability judgment to secondary infringement, we consider that the issue of s 31 primary infringement was live on the pleadings, visited in the evidence, addressed in submissions and, by implication at least, included in the discovery order which was part of the relief granted. The combination of circumstances is such that, subject to the consideration of possible prejudice to ESR, we consider the interests of justice would require that the monetary relief hearing should extend to include the s 31 infringement allegation.

[44] We do not identify any significant prejudice arising for ESR from this outcome for two reasons. First, in an amended statement of defence ESR admitted not only to having imported the relevant furniture into New Zealand but to having kept it for sale, offered it for sale and sold it in New Zealand. Liability for primary infringement turns on whether such sales involved putting the items into circulation for the first time.

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<sup>41</sup> At [12] above.

[45] A potential area of prejudice recognised by Venning J was the fact that a fresh cause of action may require the proof of different elements. In particular he referred to an anticipated argument of ESR that the furniture items had previously been put into circulation in Vietnam and hence ESR was not the first entity to do so when it sold those items in New Zealand.<sup>42</sup>

[46] Mr Brown submitted that this concern could be neutralised by additions to the proposed amended statement of claim. He advised that the Plantation interests would undertake to amend paragraphs 32 to 37 of the proposed fourth amended statement of claim to read as follows (the italicised words being new):

32. Since at least 15 May 2013, the First Defendant distributed, sold and offered for sale, furniture under and by reference to the names Roseberry and Westbury (the Roseberry and Westbury Collections) in New Zealand.
33. *Each item of the Roseberry and Westbury Collections was manufactured in Vietnam by Galaxy Home (Vietnam) Co Ltd for Morrow Marketing Management Ltd.*
34. *Each item of the Roseberry and Westbury Collections was the subject of a transaction in Vietnam between Morrow Marketing Management Ltd or Galaxy Home Vietnam Ltd and the First Defendant.*
35. *The title to each item of the Roseberry and Westbury Collections passed from Morrow Marketing Management Ltd to the First Defendant either in Vietnam or while the goods were in transit to New Zealand.*
36. The items of the Roseberry and Westbury Collections set out in Schedule 2:
  - (a) Reproduce all or a substantial part of each of the relevant Copyright Work; and
  - (b) Are objectively similar to each of the relevant Copyright Works.
37. Each item of the Roseberry and Westbury Collections set out in Schedule 2 constitutes an infringing copy of one or more of the Copyright Works.

[47] Mr Brown submitted that those amendments would obviate the need for ESR to prove the fact of earlier transactions involving the infringing furniture being manufactured and sold in Vietnam prior to the infringing items of furniture coming

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<sup>42</sup> Amendment judgment, above n 9, at [37].

into the hands of ESR and being distributed by it in New Zealand. Consequently the issue which would remain for determination on the primary infringement allegation would be what was described by Mr Brown as the narrow legal and factual dispute as to whether in those circumstances the actions of ESR amounted to issuing to the public in New Zealand.

[48] The circumstances of this case are unusual. Viewed with the benefit of hindsight there appears to have been a misapprehension as to the nature of the pleaded case both on the part of counsel and the trial judge. For the several reasons discussed above and on the basis of the undertaking to amend as tendered by Mr Brown, we are satisfied that this case is one where justice does require that an amendment be made to permit consideration at the monetary hearing of the claim for primary infringement based on s 31.

[49] Accordingly, subject to our observations below on the terms of the amended pleading, the appeal is allowed.

[50] Leave is granted to file an amended statement of claim in the form annexed to the interlocutory application to amend, subject to the following additional amendments:

- (a) The heading is amended to remove reference to the Fair Trading Act 1986 as there is no cause of action under that Act in the proposed pleading.
- (b) Paragraph 23.3 in the secondary infringement cause of action (in the proposed fourth amended statement of claim this paragraph is the second paragraph numbered 23.2) is deleted as it is replaced by the new primary infringement cause of action.
- (c) The “reason to believe” date as held in this Court’s earlier judgment is recognised.<sup>43</sup>

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<sup>43</sup> Consistent with the ruling of Venning J in respect of the 2018 proceeding which was not challenged: Amendment judgment, above n 9, at [24].



- (d) References to secondary infringement sections of the Act in the prayer for relief in the new primary infringement cause of action are deleted.

**CA594/2019: strike out of the 2018 proceeding**

[51] The consequence of allowing the appeal in CA577/2019 is that the appeal against the refusal to strike out the 2018 proceeding can be disposed of in short order.

[52] The amendment which we have permitted to the 2014 proceeding renders the 2018 proceeding unnecessary. It would be an abuse of process to allow a second proceeding to continue which advanced the same causes of action as an existing claim.

[53] Consequently the appeal in CA594/2019 is also allowed.

**Result**

[54] The appeal in CA577/2019 is allowed conditional upon the amendments specified in [50].

[55] The appeal in CA594/2019 is allowed.

[56] The appellants would be entitled to costs on their respective appeals but the outcome is cost neutral. Hence costs lie where they fall.

Solicitors:

James & Wells, Auckland for Appellants in CA577/2019 and Respondents in CA594/2019

AJ Pietras & Co, Lower Hutt for Respondent in CA577/2019 and Appellant in CA594/2019