

IN THE COURT OF APPEAL OF NEW ZEALAND

I TE KŌTI PĪRA O AOTEAROA

**CA439/2022
[2023] NZCA 335**

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: 8 and 9 February 2023

Court: Miller, Brown and Katz JJ

Counsel: J G Miles KC and A J Pietras for Appellant
A H Brown KC, J Oliver-Hood and J R E Wach for Respondents

Judgment: 31 July 2023 at 10.30 am

JUDGMENT OF THE COURT

- A The appeal is allowed.**
- B The respondents must pay the appellant costs for a standard appeal on a band A basis and usual disbursements. We certify for second counsel.**
-

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REASONS OF THE COURT

(Given by Brown J)

Introduction

[1] One of the exclusive rights conferred by the Copyright Act 1994 (the 1994 Act) on the owner of the copyright in a work is “to issue copies of the work to the public”,¹ an activity defined in s 9(1) of the 1994 Act as “the act of putting into circulation copies not previously put into circulation”.

[2] The first respondent (Mr Burden) contended that the sale and offering for sale in New Zealand by the appellant (ESR) of infringing copies of Mr Burden’s artistic works, which copies had been acquired by ESR in Vietnam, was an infringement of Mr Burden’s right of first circulation of such copies in New Zealand. In the High Court Downs J accepted Mr Burden’s contention, construing s 9(1) in this manner:²

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].

[3] ESR appeals, challenging both the territorial and authorisation qualifications which it submits were erroneously introduced by the Judge’s interpretation of s 9(1).

The key statutory provisions

[4] Section 16 of the 1994 Act provides that the owner of copyright in a work has the exclusive right in New Zealand to do certain specified restricted acts, which include (among other things) to:

- (a) copy the work (s 16(1)(a));
- (b) issue copies of the work to the public, whether by sale or otherwise (s 16(1)(b)); and

¹ Copyright Act 1994, s 16(1)(b).

² *Burden v ESR Group (NZ) Ltd* [2022] NZHC 1818, [2022] 3 NZLR 380 [High Court judgment] at [55].

- (c) authorise another person to do those acts (s 16(1)(i)).

The right to copy the work is often referred to as the reproduction right. The Judge favoured the expression “the right of first circulation” as a convenient shorthand for the s 16(1)(b) exclusive right.³ However, as the Supreme Court noted in *Ortmann v United States of America*, the right to issue to the public is commonly referred to as the “distribution right”.⁴ We will adopt that terminology.

[5] Copyright in a work is infringed by a person who, other than pursuant to a copyright licence, does any restricted act.⁵ The 1994 Act distinguishes between two types of copyright infringement: primary and secondary.⁶ The focus of the present appeal is the species of primary infringement specified in s 31:

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.

[6] The meaning of the phrase “[t]he issue of copies of a work to the public” is explained in s 9(1):⁷

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.

³ At [1].

⁴ *Ortmann v United States of America* [2020] NZSC 120, [2020] 1 NZLR 475 at [244], noting comments in Gillian Davies, Nicholas Caddick and Gwilym Harbottle (eds) *Copinger and Skone James on Copyright* (17th ed, Sweet & Maxell, London, 2016) vol 1 at [7-126].

⁵ Copyright Act 1994, s 29(1).

⁶ Part 2.

⁷ As discussed below at [90], para (d) was not in the original section but was added by the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998.

[7] Acts of secondary infringement include infringement by importation and by possessing or dealing with an infringing copy, as provided for in ss 35 and 36 respectively:

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.

...

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.

[8] The term “infringing copy” is defined in s 12:

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.

...

Factual overview

[9] Between 30 July and 12 September 2014 ESR imported for the purpose of sale in New Zealand furniture manufactured in Vietnam. In a liability judgment dated 7 July 2016 Duffy J ruled that the imported furniture constituted infringing copies of Mr Burden’s artistic works and found ESR liable for secondary infringement under s 35 of the 1994 Act.⁸ Leave was reserved to Mr Burden to return to Court to pursue relief by way of damages or an account of profits.⁹

[10] On appeal this Court ruled that the second and third respondents, but not Mr Burden, were the relevant owners of the copyright works.¹⁰ It further ruled that, while the High Court was correct to find that ESR was liable for secondary infringement in respect of the importation of goods into New Zealand on 28 August and 5 and 12 September 2014, ESR lacked the requisite knowledge of infringement of copyright in respect of the importation of goods on 30 July 2014.¹¹

⁸ *Burden v ESR Group (NZ) Ltd* [2016] NZHC 1542 at [201], [241], [244] and [263].

⁹ At [309].

¹⁰ *ESR Group (NZ) Ltd v Burden* [2017] NZCA 217 at [53]–[55].

¹¹ At [62]–[64].

[11] Having learned via the subsequent discovery process that there had been earlier importations by ESR from May 2013, the first, second and third respondents (the Burden interests) amended their claim to allege secondary infringement since at least 2013. However they also added a claim of primary infringement of s 31 by ESR's offering for sale and selling the imported furniture in New Zealand.¹²

[12] ESR denied primary infringement for all items of furniture in issue. Its fifth amended statement of defence included the following paragraph:

24. Without limiting the generality of its denials, the defendant refers to s 9 of the Copyright Act 1994 and says;
- a) it has not put into circulation any items of the furniture not previously put into circulation;
 - b) while it has sold and offered to sell the furniture, it has not distributed the furniture; and
 - c) it only imported or sold the furniture after the furniture had been put into circulation in at least Vietnam and/or New Zealand by one or more entity, other than the defendant, referred to at paragraph 17 hereof.

[13] While ESR was plainly liable to account as a secondary infringer for the net profit from sales of the furniture imported from 28 August 2014 until the date of the sale of the last item on 22 November 2014 (\$9,316.50), the point of contest was whether ESR was liable to account as a primary infringer for the net profit from sales between March 2013 and 22 November 2014 (\$221,134.50).

The High Court judgment

[14] The Judge commenced by recognising the opposing contentions:¹³

- (a) the Burden interests contended that “putting into circulation copies not previously put into circulation” meant circulation only in New Zealand, and by or with the consent of the copyright owner; and

¹² Leave to file the fourth amended statement of claim was granted by this Court in *Burden v ESR Group (NZ) Ltd* [2020] NZCA 560, (2020) 157 IPR 217 at [50].

¹³ High Court judgment, above n 2, at [3].

- (b) ESR contended that circulation could occur anywhere in the world, and irrespective of whether the copyright owner consented to the distribution.

[15] The Judge embarked on a detailed review of the 1994 Act, the equivalent provisions in the Copyright, Designs and Patents Act 1988 (UK) (the CDPA) on which the 1994 Act was based, and a number of subsequent developments (including the 1998 amendment to permit parallel importing,¹⁴ the World Intellectual Property Organization Copyright Treaty of 1996 (the WCT),¹⁵ and the 2003 amendment to the Trade Marks Act 2002).¹⁶ Having done so, the Judge observed that the correct interpretation of s 9 must be ascertained not merely from text and purpose but from the statute as a whole “informed by recent developments”.¹⁷

[16] He considered that “this broader analysis [was] decisive”,¹⁸ as revealed by nine points which we summarise:

- (a) An elementary feature of copyright is its territorial nature.¹⁹
- (b) The rights of a copyright owner that are codified in s 16 of the 1994 Act are exercisable in New Zealand only.²⁰
- (c) Contravention of the distribution right is primary copyright infringement. It is no answer to an infringer of this right to say a plaintiff may have recourse to secondary copyright infringement. That would invert the statutory purpose.²¹

¹⁴ Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998, ss 4–5, via the addition of s 9(1)(d), the substitution of s 12(3) and the insertion of s 12(5A) in the Copyright Act 1994.

¹⁵ World Intellectual Property Organization Copyright Treaty 2186 UNTS 121 (opened for signature 20 December 1996, entered into force 6 March 2002).

¹⁶ Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act 2003, s 5; and High Court judgment, above n 2, at [12]–[30].

¹⁷ At [45].

¹⁸ At [45].

¹⁹ At [46].

²⁰ At [47].

²¹ At [48].

- (d) If antecedent foreign circulation of infringing copies constitutes first circulation the copyright owner would have no actionable primary infringement.²²
- (e) The Burden interests' construction was consistent with s 9(1)(d) whereas ESR's interpretation presupposed that amendment was a mistake.²³
- (f) ESR's construction cut across the distinction between genuine and infringing copies and was inconsistent with the statutory regime in relation to parallel imports.²⁴
- (g) The Burden interests' contention was consistent with the concept of exhaustion, the approach of the United Kingdom to that concept and the international law obligation in art 6 of the WCT.²⁵
- (h) The Burden interests' construction was consistent with the concept of exhaustion in relation to other forms of intellectual property, such as in s 97A of the Trade Marks Act 2002.²⁶
- (i) The Judge considered²⁷ that the preceding eight points were consistent with observations in a 2019 paper of the Ministry of Business Innovation and Employment (MBIE),²⁸ which we discuss below.²⁹

[17] The Judge was in no doubt that, once the statute's text and purpose were considered "alongside related developments",³⁰ s 9(1) had the meaning earlier noted.³¹ He explained:

²² At [49].

²³ At [50].

²⁴ At [51].

²⁵ At [52].

²⁶ At [53].

²⁷ At [54].

²⁸ 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) [MBIE discussion paper].

²⁹ At [98] below.

³⁰ High Court judgment, above n 2, at [55].

³¹ At [2] above.

[56] This is not adding words to the Act, nor is it recrafting it. Rather, to quote *Burrows and Carter Statute Law in New Zealand*, it is “just drawing out what is already implied in it” by virtue of ss 9, 12, 16, 29 and 31.

(Footnote omitted.)

Issues on appeal

[18] The parties submitted the following agreed statement of issues:

1. Whether the Judge’s construction of the scope of ss 9, 16, 29 and 31 is correct in law.
2. In particular, whether the copyright owners’ exclusive right to issue specific copies of their works to the public in New Zealand pursuant to ss 9, 16, 29 and 31 is “exhausted” by:
 - (a) an act of circulation of those infringing copies which occurs elsewhere in the world (in this case in Vietnam); or
 - (b) an act of circulation of those infringing copies elsewhere in the world which has occurred without the consent or licence of the copyright owners; or
 - (c) an act of exporting or otherwise dispatching infringing copies to New Zealand without the consent or licence of the copyright owners.
3. Whether the acts of circulation relied on by ESR involved any issuing of the infringing copies *to the public* in New Zealand.

[19] We will follow a different sequence. There are two reasons. First, in presenting ESR’s case, Mr Miles KC emphasised the distinction between primary and secondary infringement, submitting:

The High Court held that an innocent third party importer without knowledge of any copyright infringement could be liable for primary infringement under ss 29 and 31 – unprecedented and effectively removed the primary defence for secondary infringers by deleting the knowledge requirement. It effectively subsumes secondary into primary infringement.

[20] Mr Miles structured his argument by reference to “two principled issues”, namely:

- a. Whether an innocent importer and subsequent on-seller can be liable for primary infringement.
- b. If an innocent importer can be sued for primary infringement pursuant to ss 16 and [31] then is it entitled to the [statutory defence in s 9(1)].

[21] Consequently, before proceeding to consider the questions concerning the interpretation of s 9(1), we consider it is appropriate to first address Mr Miles’ point about the legitimate reach of s 31 primary infringement. The second reason is we consider that the consent/authorisation question is logically addressed prior to the territorial issue.

[22] Hence we will discuss the issues by reference to the following headings:

- (a) Can the sale or distribution of an imported product (not previously put into circulation) constitute primary infringement notwithstanding the absence of the knowledge component in ss 35 and 36?
- (b) 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?
- (c) If a copy is first distributed abroad has it been “previously put into circulation”?
- (d) Does the act of exporting or otherwise dispatching infringing copies to New Zealand constitute “previously [putting] into circulation” in New Zealand?

The derivation of the distribution right

[23] As a prelude to our consideration of the issues, it is instructive to briefly traverse the history culminating in the distribution right.

The right to publish a work

[24] As Lord Wilberforce observed in 1981 in *Infabrics Ltd v Jaytex Ltd*, all through the history of copyright, under both the common law and the legislation enacted in the past 280 years, there had been a well-known contrast between unpublished works and published works.³² It was a distinction which he considered lay at the roots of the law.³³ That distinction, manifest in the imperial statutes, was replicated in the New Zealand legislation modelled on them.

[25] Thus the Copyright Act 1913,³⁴ which abolished common law copyright,³⁵ defined copyright to include the right to publish a work which was previously unpublished.³⁶ Publication was defined to mean “the issue of copies of the work to the public”.³⁷ A work was not deemed to be published if publication occurred without the consent or acquiescence of the author or their assigns.³⁸ A work was deemed to be first published in New Zealand, notwithstanding that it had been published simultaneously in some other place, unless the publication in New Zealand was “colourable only and [was] not intended to satisfy the reasonable requirements of the public”.³⁹

[26] Similarly, in the Copyright Act 1962⁴⁰ one of the acts restricted by the copyright was “publishing the work”,⁴¹ although, unlike the 1913 Act, there was no explicit provision to the effect that the work must not have been published previously. It was provided that an artistic work “shall be taken to have been published” if, but only if, reproductions had been issued to the public,⁴² but that concept was not further defined. Furthermore, in determining whether a work had been published, no account

³² *Infabrics Ltd v Jaytex Ltd* [1982] AC 1 (HL) at 16.

³³ At 16.

³⁴ Which has been described as an adaptation of the Copyright Act 1911 (UK) 1 & 2 Geo V c 46 by H Allyn Palmer (ed) *The Public Acts of New Zealand: 1908–1931* (Butterworth & Co, Wellington, 1932) vol 2 at 1.

³⁵ Copyright Act 1913, s 4.

³⁶ Section 3(2).

³⁷ Section 3(3).

³⁸ Section 2(2).

³⁹ Section 2(3). The phrase “colourable only” was defined by reference to the surrounding statutory words and simply referred to a case where there was no intention to satisfy the reasonable requirements of the public: *Francis, Day & Hunter v Feldman & Co* [1914] 2 Ch 728 (CA) at 733.

⁴⁰ Which was adapted from the Copyright Act 1956 (UK) 4 & 5 Eliz II c 74.

⁴¹ Copyright Act 1962, s 7(3)(b) and (4)(b).

⁴² Section 3(2)(a). The position was the same for literary, dramatic and musical works.

was to be taken of any unauthorised publication or the doing of any other unauthorised act.⁴³

[27] Interestingly, the authors of *Laddie, Prescott and Vitoria: The Modern Law of Copyright* suggest that it may have been the intention of the framers of the Copyright Act 1956 (UK) to confer a distribution right for original literary, dramatic, musical and artistic works, but acknowledge that the House of Lords in *Infabrics v Jaytex* was not prepared to accept that.⁴⁴

Infabrics v Jaytex

[28] Jaytex ordered shirts in Hong Kong, which they imported into the United Kingdom, featuring an infringing copy of a design of competing racehorses.⁴⁵ Infabrics, the owner of copyright in the artistic work, could not prove that Jaytex knew that they were importing infringing copies at the relevant dates and hence Jaytex could not be liable as a secondary infringer.⁴⁶ Following the close of Jaytex's case at trial Infabrics contended for the first time that Jaytex was liable for primary infringement on the basis of "publishing" the work.⁴⁷ However no evidence was called (it was apparently not available) that the artistic work was unpublished at the date of the alleged publication by Jaytex.⁴⁸

[29] Whitford J's decision⁴⁹ that there was no act of primary infringement was reversed by the Court of Appeal, which held that the acts of importation and sale constituted infringement by publishing.⁵⁰ As Buckley LJ explained:⁵¹

It seems to me to be beyond dispute that a commercial retailer of an artistic work, or of some article embodying an artistic work, issues reproductions of that work to the public. It may be arguable that retailers are not themselves a class of the public for this purpose and that consequently a wholesaler selling to retailers does not issue reproductions of the work to the public; but infringement comprises not only doing a restricted act but also authorising

⁴³ Section 3(5).

⁴⁴ Adrian Speck and others *Laddie, Prescott and Vitoria: The Modern Law of Copyright* (5th ed, LexisNexis, London, 2018) vol 1 at [15.5].

⁴⁵ The "past the post" design.

⁴⁶ In respect of the first batch of importations.

⁴⁷ *Infabrics Ltd v Jaytex Shirt Co Ltd* [1978] FSR 451 at 463 and 467–468.

⁴⁸ *Infabrics Ltd v Jaytex Ltd* (HL), above n 32, at 14.

⁴⁹ *Infabrics Ltd v Jaytex Shirt Co Ltd*, above n 47.

⁵⁰ *Infabrics Ltd v Jaytex Ltd* [1980] Ch 282 (CA) at 291–292.

⁵¹ At 289–290.

another person to do it (section 1(2)) and it seems to me that a wholesaler who sells to a retailer with a view to retail sales to the public must thereby authorise the distribution of the subject matter.

[30] The House of Lords viewed the matter differently. Three possible meanings of the undefined term “publishing” were considered:⁵²

- (a) the first (the Court of Appeal’s interpretation), that publishing consisted of the issue of reproductions of the work to the public;
- (b) the second (Infabrics’ contention), that publishing is what is done by a publisher; and
- (c) the third (Jaytex’s contention), that publishing meant making public, in the relevant territory, a work which had not previously been made public in that territory.

[31] The House of Lords favoured the third interpretation.⁵³ A defendant could therefore only be liable under this head if copies of the work had never been issued to the public in the United Kingdom. Since Infabrics was unable to prove that, its case based on publishing failed and Jaytex’s appeal was allowed.⁵⁴ The effect of this decision was to significantly confine the application of the publishing right. Indeed *Laddie, Prescott and Vitoria* commented that the provision conferring the publishing right was interpreted almost out of existence so that it became almost, if not quite, a dead letter.⁵⁵ It was against that backdrop that the distribution right emerged.

Copyright, Designs and Patents Act 1988 (UK)

[32] In the CDPA the previous publishing right was replaced with the right to issue copies of a copyright work to the public. Section 16 relevantly provided:

16 The acts restricted by copyright in a work

⁵² *Infabrics Ltd v Jaytex Ltd* (HL), above n 32, at 14–15.

⁵³ At 16–17.

⁵⁴ At 16–17.

⁵⁵ Hugh Laddie, Peter Prescott and Mary Vitoria *Laddie, Prescott and Vitoria: The Modern Law of Copyright and Designs* (2nd ed, Butterworths, London, 1995) vol 1 at [2.123].

- (1) The owner of the copyright in a work has, in accordance with the following provisions of this Chapter, the exclusive right to do the following acts in the United Kingdom—
- (a) to copy the work (see section 17);
 - (b) to issue copies of the work to the public (see section 18);
 - (c) to perform, show or play the work in public (see section 19);
 - (d) to broadcast the work or include it in a cable programme service (see section 20);
 - (e) to make an adaptation of the work or to do any of the above in relation to an adaptation (see section 21);

and those acts are referred to in this Part as the “acts restricted by the copyright”.

- (2) Copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright.
- (3) References in this Part to the doing of an act restricted by the copyright in a work are to the doing of it—
- (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.

...

[33] The infringement provision corresponding to the distribution right was s 18:

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 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, films and computer programs the restricted act of issuing copies to the public includes any rental of copies to the public.

[34] Despite the similarity of terminology with the former publishing right (“issue to the public copies of the work”), the right conferred by s 18(1) was new, with no equivalent concept in the preceding legislation. At this time we simply highlight the key points of difference.

[35] The primary point of difference is that the right was not concerned with the status of the copyright work itself. Instead it focused on individual copies of a copyright work. The restricted act applied in relation to every copy made.

[36] Secondly, the restricted act of issuing could be performed only once in respect of any particular copy. Once the restricted act was done in respect of a particular copy, then (except in rental cases) it was no longer possible to commit the restricted act with respect to that copy. The copyright owner had no further control over the distribution of the particular copy.

[37] Thirdly, the prevailing view was that the distribution right applied whether the copy was made legally or not. As J A L Sterling stated in his informative article:⁵⁶

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’.

Similarly *Copinger and Skone James on Copyright* opined that, as under the 1956 Act, it did not matter whether the copies put into circulation were made with the consent of the copyright owner or were in fact infringing copies.⁵⁷

⁵⁶ J A L Sterling “Copyright, Designs and Patents Act 1988: The New Issuing Right” [1989] 8 EIPR 283 at 286. Sterling considered that the “issuing right” was a more appropriate shorthand because distribution was merely one of several acts listed in s 18(2): at 284.

⁵⁷ E P Skone James and others *Copinger and Skone James on Copyright* (13th ed, Sweet & Maxwell, London, 1991) at [8-94]–[8-95]. See also Laddie, Prescott and Vitoria, above n 55, at [2.125], where this was implicit in the authors’ discussion of old stocks which “[n]eed not be pirate copies” in order to attract liability under s 18.

[38] Fourthly, the CDPA expressly stated that the relevant prior circulation was not to be confined to the United Kingdom. The implications of this change were described in *Laddie, Prescott and Vitoria* in this way:⁵⁸

In other words, it would not be an infringement of the distribution right to buy copies already circulating in the market and put them on sale in this country. So ordinary shopkeepers would not be liable, unless they had the requisite state of mind to be secondary infringers. But it would be an infringement to order their manufacture abroad and then launch them into trade channels in this country, thus reversing the effect of *Infabrics Ltd v Jaytex Ltd*.

[39] The distribution right was aimed at primary dealers at the top of the distribution chain. If they put copies into circulation without due authority, they infringed copyright. However the authors of *Laddie, Prescott and Vitoria* make the point that, while the distribution right as originally enacted in the CDPA was fairly easy to understand, the subsequent history has not been a happy one. Section 18 has become increasingly complex following amendments made via regulations of the Secretary of State for the purpose of implementing various European Directives.⁵⁹ The relevant parts of the text of s 18 (as currently in force) read as follows:

- (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 EEA 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 s 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.

Copyright Act 1994

[40] The Copyright Act 1962 reflected the 1928 Rome Revision of the Berne Convention for the Protection of Literary and Artistic Works.⁶⁰ One of the primary

⁵⁸ Speck and others, above n 44, at [15.5].

⁵⁹ At [15.2] and [15.7].

⁶⁰ Berne Convention 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.

reasons for updating the Copyright Act 1962 was to give effect to the provisions on copyright in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).⁶¹ The TRIPS Agreement required New Zealand copyright law to reflect the 1971 Paris Revision of the Berne Convention.⁶²

[41] As stated in the explanatory note to the Copyright Bill 1994, the 1994 Act is largely derived from the CDPA.⁶³ That explains why the 1994 Act abandoned the publishing right and adopted the new distribution right. The inclusion of the new right was not attributable to the influence of the Berne Convention, which did not in 1994 (and still does not) provide for a distribution right.⁶⁴

[42] The New Zealand provisions as introduced, which are spread across ss 2(1), 9, 16(1)(b) and 31 of the 1994 Act, were essentially similar to their equivalents in the original CDPA, save that the definition of “issue to the public” was not explicit as to the geographical reach of circulation, an omission which gives rise to the third issue on this appeal.

Can the sale or distribution of an imported product (not previously put into circulation) constitute primary infringement notwithstanding the absence of the knowledge component in ss 35 and 36?

ESR's contention

[43] Mr Miles took aim at the Judge's statement that secondary infringement requires proof of knowledge that the copy infringed copyright whereas primary infringement does not.⁶⁵ He described that proposition as highly misleading because, he said, primary infringement inherently involves copying, or participation in copying,

⁶¹ Copyright Bill 1994 (32-1) (explanatory note); and Marrakesh Agreement establishing the World Trade Organization 1869 UNTS 299 (opened for signature 15 April 1994, entered into force 1 January 1995), annex 1C (Agreement on Trade-Related Aspects of Intellectual Property Rights). The TRIPS Agreement was one of several agreements resulting from the Uruguay Round of Multilateral Trade Negotiations.

⁶² 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).

⁶³ Copyright Bill 1994 (32-1) (explanatory note) at i. This was partly as a result of the time pressure to comply with the TRIPS Agreement and partly because of New Zealand's historical reliance on United Kingdom copyright law: *Ortmann v United States of America*, above n 4, at [251].

⁶⁴ See discussion below at [100]–[101].

⁶⁵ High Court judgment, above n 2, at [15].

an object that is protected by copyright.⁶⁶ Knowledge, whether proved or inferred, was necessary for copyright infringement. Because copying inherently requires knowledge that one is copying, s 30 does not need an explicit reference to knowledge.

[44] The point was made that, while s 30 is effective against manufacturers who undertake copying in New Zealand, it is not helpful against manufacturers that do so from a factory in another country. Addressing that difficulty was said to be the rationale of s 31:

However, that is where s 31 comes in. It enables a copyright owner in NZ to sue the offshore manufacturer and those that participate with them when their product is sent to NZ. By causing infringing copies to arrive in NZ the manufacturer is issuing them. It matters not whether the copies are received in NZ by a wholesaler, a retailer or an end user, because the public includes the corporate public; all the companies involved in the chain.

(Footnote omitted.)

[45] ESR's contention is that, similar to s 30, "[k]nowledge is assumed for ss 9 and 31 because the manufacturer, and those that participate with them, know when they have copied something." This Court's decision in *Jeanswest Corp (New Zealand) Ltd v G-Star Raw CV* was explained on that basis, namely that the finding of primary infringement (issuing) was only the result of participation in copying "coupled with" selling.⁶⁷ By contrast, ESR contended it had no involvement in the design or manufacture of the furniture it imported. It was not complicit in the copying activity in any way. Consequently, it could not be an issuer.

[46] ESR's proposition that a s 31 infringement could not be established in isolation from the act of infringement by reproduction was made clear in the following exchange:

⁶⁶ Citing *Fisher & Paykel Financial Services Ltd v Karum Group LLC* [2012] NZHC 3314, [2013] 2 NZLR 266 at [145]–[147].

⁶⁷ *Jeanswest Corp (New Zealand) Ltd v G-Star Raw CV* [2015] NZCA 14 at [100].

THE COURT

Okay. So you say a person who distributes for the first time an infringing copy in New Zealand can only be guilty, only infringe s 31, if they also made the copy or had been party to the making of that copy?

MR MILES KC

Absolutely.

[47] ESR argued that ss 9 and 31 are not a mechanism to hold liable importers and resellers who have dealt with copies without knowing that they were dealing in infringing copies. Liability could only arise under ss 35 and 36. Hence the submission that importing can never be primary infringement but only secondary infringement, and even then, only in cases where the importer knew or should have known that the goods were infringing.

[48] ESR's argument then progressed from importation to sale. It submitted that logically, if a business is entitled to innocently import, then it should be entitled to innocently sell what it has imported. This was said to be consistent with s 36 where selling is permitted in the absence of knowledge that the item is infringing. The High Court judgment was criticised as problematic in removing that right and rendering the lack of knowledge defence redundant, at least for s 36 selling and distributing.⁶⁸ Mr Miles prayed in aid the observation of Lord Wilberforce in *Infabrics v Jaytex*:⁶⁹

... it is implausible that a person who escapes secondary infringement liability 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) notwithstanding that these provisions substantially reproduce the terms of section 2(2) of the Act of 1911 conferring similar protection.

[49] Consequently it was submitted that the High Court judgment left New Zealand importers in an invidious position. They would be strictly liable for infringement even if they had taken all reasonable steps but "just got it wrong through a lack of

⁶⁸ And, in practical reality, for s 35 importing, because an importer will never be able to sell what they had imported.

⁶⁹ *Infabrics Ltd v Jaytex Ltd* (HL), above n 32, at 17.

knowledge with no fault of their own”. It was said that Parliament clearly did not intend such consequences.

The Judge’s analysis

[50] The Judge made a brief acknowledgment of ESR’s argument on what we describe as the liability overlap issue:

[40] Mr Pietras [counsel for ESR] contends the plaintiffs’ construction would “tyrannise” New Zealand businesses importing and selling goods “in good faith”. Relatedly, he argues secondary infringement liability is sufficient protection of the plaintiffs’ intellectual property rights and the rights of others in this situation.

[51] However, his response addressed only infringing copies:

[57] Contrary to Mr Pietras’ submission, this conclusion will not “tyrannise” New Zealand businesses. Only those importing and selling infringing (or pirated) goods will be affected. Moreover, s 121(1) of the Act provides a defendant who did not know or have reason to believe copyright existed in the work is not liable for damages (as against an account of profits). In any event, tyranny is often in the eye of the beholder. It bears repeating that infringing (or pirated) copies can damage sales of the copyright owner’s products and reputation. Therein lies at least part of their harm.

“Mere” importation

[52] The potential for overlap between infringement of the distribution right and secondary infringement has long been recognised. Proceeding on the hypothesis that an unauthorised act of mere importation could infringe s 16(1)(b) of the CDPA, J A L Sterling wrote:⁷⁰

If this reading of section 18(2) is correct as to the effect of importation, there would appear to be some overlap with section 22, which provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner, imports into the UK, otherwise than for his private and domestic use, an article which is, and which he knows or has reason to believe is, an infringing copy of the work. If an infringing copy has not been previously circulated and a person ‘knowingly’ imports the copy into the UK without the copyright owner’s permission and with the intention of selling it, it could be argued that the one act of importation constitutes two infringements of copyright, namely infringement by breaches of section 16(1)(b) and of section 22.

⁷⁰ Sterling, above n 56, at 287.

[53] The respondents did not directly confront ESR’s liability overlap argument. However they substantially blunted ESR’s importer-based submission by their concession that mere importation would not constitute a s 31 infringement. Their submissions stated:

Plainly, the importation of infringing copies into New Zealand does not per se amount to distributing or selling these for the purposes of “issuing to the public”. For example, an importer may in theory import infringing copies but simply keep them in storage. Unless and until the importer sells or distributes the infringing copies there is no issuing to the public.

(Footnote omitted.)

[54] Noting the observation in *Copinger* that it is difficult to see how the mere act of importation could amount to putting copies into circulation,⁷¹ attention was drawn in particular to the footnote which reads:⁷²

While the inclusion of this act in CDPA 1988 s 18(3)(b)⁷³ suggests that there are circumstances where importation could amount to an issue to the public, the better view is that this is also the result of muddled drafting. The intention as expressed in Parliament seems clearly to have been that mere importation could not amount to infringement. See *Hansard*, cols 214, 215 (2 November 1988) (Lord Young).

We discuss Lord Young’s speech below in the course of considering the phrase “subsequent importation”.⁷⁴

[55] We agree with the respondents’ analysis. Importation of a copy, whether genuine or infringing, cannot in isolation constitute the restricted act of issuing a copy to the public. Some additional step in the nature of distribution of the copy to the public would be necessary for liability to arise under s 31.

Discussion

[56] Despite our conclusion above, the anomaly remains in respect of unauthorised distribution within New Zealand. Take for example a person who comes across a box

⁷¹ Gwilym Harbottle, Nicholas Caddick and Uma Suthersanen (eds) *Copinger and Skone James on Copyright* (18th ed, Sweet & Maxwell, London, 2021) vol 1 at [7-147].

⁷² At [7-147], n 708 (footnote added).

⁷³ In the original version of s 18 as enacted, the provision was s 18(2)(b). In the current version of the Copyright, Designs and Patents Act 1988 (UK), s 18(3)(b) (which referred to “subsequent importation”) has been omitted as a result of regulations made in 2018.

⁷⁴ At [117] below.

of books by the side of a New Zealand road and proceeds to sell them on TradeMe. If they are second-hand books, then the person will not contravene s 31. However if those books had not previously been sold into the market, then they will not have been put into circulation and the vendor will have infringed s 31. Similarly, if a person in New Zealand sells infringing copies (whether made in New Zealand or abroad) which, it transpires, have never previously been put into circulation, then while the absence of knowledge will avoid liability under s 36, it can have no bearing on liability under s 31.

[57] Where a vendor (who it transpires is the first distributor) is unaware that the copies they are selling have never previously been put into circulation, we acknowledge that a finding of primary infringement may appear harsh. That outcome is simply a reflection of the fact that ss 31 and 36 concern exclusive rights which are different in nature. In the case of s 36, the vice lies in the infringing nature of the copy. Selling it with knowledge that its making was a breach of the reproduction right is an infringement. By contrast, the restricted act the subject of s 31 is the distribution right. The vice lies in depriving the copyright owner of the right of first distribution of any copy. It applies whether the copy is infringing or genuine.

[58] ESR's proposed solution to the perceived harsh consequences of primary infringement is to read into s 31 a defence of absence of knowledge. It was implicit in ESR's submission that the nature of the "knowledge" component which it envisaged for s 31 would be the equivalent of that expressly provided for in ss 35 and 36. Thus, for example, its submissions stated:

The judgment blurs the distinction [between primary and secondary infringement] by making ESR, as an importer-reseller acting during the relevant period without knowledge that the objects were infringing copies, strictly liable for primary infringement.

[59] However that contention fails to recognise the quite different nature of reproduction and distribution infringement. The issue under s 31 is whether a copy, be it infringing or genuine, has been prior distributed. In the case of an infringing copy the presence or absence of knowledge that the making of the copy infringed the

reproduction right is simply not relevant for s 31. Unlike secondary infringement,⁷⁵ primary infringement does not depend on a primary act of infringement having first taken place. It follows that the nature of the “knowledge” which ESR urged should be read into s 31 would be different from that expressly provided for in ss 35 and 36.

[60] In our view it is not possible to construe s 31 as incorporating a defence to infringement of the distribution right in circumstances where the distributor is unaware that the copy they are selling has never previously been distributed. Parliament saw fit to categorise contravention of the distribution right as primary infringement. It is not the role of the Court to read into s 31 a knowledge component which would transform the scope of the restricted act.

[61] The likelihood of vendors selling copies not previously put into circulation, without having had prior notice of circumstances which call for caution, is a matter for conjecture. However it is possible that the statutory consequences may not be as harsh as assumed. The notion inherent in the distribution right is that the first issued copy will be new. Referring again to our example of the finder of books by the roadside, if the books were new and still wrapped in plastic, then the finder should realise that they had not previously been put into circulation. So when a person, who is not the copyright owner, elects to sell into the market a brand new product, caveat venditor.⁷⁶

[62] We turn to consider the interpretation issues which arise in respect of what ESR described as the statutory defence in s 9(1)(c).

⁷⁵ *Ortmann v United States of America*, above n 4, at [249].

⁷⁶ That is, “let the seller beware”.

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?

The Judge's analysis

[63] Following a discussion of the distinction between “genuine”⁷⁷ and infringing copies,⁷⁸ the Judge noted the evolution of s 18 of the CDPA,⁷⁹ stating:

[23] To recapitulate: in the United Kingdom, 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. Exhaustion does not occur when an infringer puts infringing goods into circulation, irrespective of where that occurs.

[64] The Judge addressed the consent and territoriality issues concurrently, commencing in this way:

[41] I begin in the thick of things with ESR’s central and strongest point — s 9(1)(c). By definition, importation to New Zealand means bringing here from overseas, hence “subsequent importation” suggests circulation outside New Zealand qualifies as first circulation, irrespective of how it came about. And, because paragraphs (a), (b) and (c) of s 9(1) are apparently silent on the question of the copyright owner’s consent, it is arguable these provisions are unconcerned about that. All of which is to say ESR’s construction is plausible, a position reinforced by two leading texts.

(Footnote omitted.)

[65] While the Judge’s subsequent analysis focussed primarily on the territoriality issue, Mr Brown KC, counsel for the respondents, contended that the respondents’ submission on the consent issue was accepted in the Judge’s seventh point:

[52] Seventh, the plaintiffs’ construction is consistent with the concept of exhaustion (discussed earlier), the approach of the United Kingdom in relation to that concept and, importantly, art 6 of [the WCT], an international law obligation. Once the owner (or licensee) of a copyright places a copy in circulation in New Zealand, they may not control subsequent acts of distribution, sale, or importation of those copies. The owner has, by dint of *their* first circulation, exhausted her, his, or its rights.

⁷⁷ The Judge explained that a genuine copy is made by the copyright owner or someone under licence of the copyright owner, the best example of which was said to be parallel imports: High Court judgment, above n 2, at [18].

⁷⁸ At [18]–[19].

⁷⁹ At [20]–[22].

The parties' contentions

[66] ESR contended that the Judge erred in failing to construe s 9 in accordance with its plain meaning. It submitted that the Judge instead relied on a convoluted series of rationalisations based on the later version of the CDPA, misleading analogies with other statutes and vague generalisations from the TRIPS Agreement and other treaties. In consequence the carve-out reflected by s 9(1)(c) had been effectively dismantled.

[67] ESR argued that the correct meaning of s 9 was that adopted in the United Kingdom when the distribution right was first introduced in the CDPA, namely that the unauthorised distribution of a copy (whether genuine or infringing), while an infringement of the distribution right, resulted in that copy being put into circulation.⁸⁰

[68] The respondents' rejoinder stated:

8.4 This submission misunderstands the essence of the concept of exhaustion of the right to distribute articles in which intellectual property rights subsist. That concept is common to copyright, trade marks and patents. The basis for the concept is that the intellectual property rights-holder is entitled to the economic benefit of the first sale of a specific article, but once that sale occurs with the owner's consent in the relevant jurisdiction, subsequent acts of circulation fall outside the control of the rights-holder. This allows for the secondary market for the exchange of goods in which intellectual property rights otherwise subsist.

The respondents' argument invoked s 29(1) of the 1994 Act. They also placed reliance on three subsequent developments.⁸¹

The s 29(1) argument

[69] The respondents' argument⁸² that the prior act of circulation (wherever it occurs) must be an act by or with the consent of the copyright owner was explained as being "based specifically" on s 29(1), which states:⁸³

⁸⁰ Copyright, Designs and Patents Act, ss 16 and 18 (as enacted). See [32]–[33] above.

⁸¹ Copyright (Removal of Prohibition on Parallel Importing) Amendment Act; Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act; and MBIE discussion paper, above n 28.

⁸² Described as "additional" to the territorial argument.

⁸³ Emphasis as in the respondents' submissions.

Copyright in a work is infringed by a person who, *other than pursuant to a copyright licence*, does any restricted act.

[70] That is the equivalent provision to the original s 16(2), of the CDPA which stated:

Copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright.

[71] Section 16 was headed: “The acts restricted by copyright in a work”. Section 16(1) listed rights equivalent to those in s 16(1)(a)–(h) of the 1994 Act and provided a definition of those rights, namely the “acts restricted by the copyright”. For reasons which are not apparent but which presumably reflect a different drafting style, in the 1994 Act the New Zealand parliamentary drafters chose to relocate the equivalent of s 16(2) of the CDPA as s 29(1). A definition of “restricted act” was included in the interpretation section, namely “any of the acts described in section 16”.⁸⁴

[72] The respondents’ argument involved two steps. First, they referred to the current version of s 18 of the CDPA and submitted:

The conduct in question is the plaintiff’s conduct, and the question is whether *the plaintiff* has already put the copies in suit into circulation.

(Emphasis in original.)

That, of course, is an accurate description of the current United Kingdom provision.

The respondents then submitted:

8.9 This position has been expressly recognised in the wording of s 18 of the CDPA(UK) since 1996. Section 18(2) states that it is a restricted act to commit the act of “putting into circulation ... copies not previously put into circulation ... *by or with consent of the copyright owner*”. This is replicated in s 29(1) of the NZ Act.

(Emphasis in original.)

[73] We do not accept the proposition in the final sentence. Section 29(1) simply recognises that only an unauthorised performance of a restricted act is an infringement.

⁸⁴ Copyright Act 1994, s 2(1).

Although unhappily located away from s 16(1), s 29(1) does no more than did the original s 16(2) of the CDPA on which it was based. Contrary to the respondents' submission, s 29(1) neither foresaw nor anticipated the legislative developments in the United Kingdom subsequent to the introduction of the 1994 Act.

[74] It is worth reflecting on the implications of the respondents' proposition for sequential sales of a copy of a work. For simplicity our example assumes unauthorised sales of genuine copies, thereby avoiding the emotions which appear to be stirred by infringing copies. Suppose a music publisher assigns their copyright in a musical work but continues to sell off their existing stock of genuine copies. Absent the distribution right, a claim by the assignee for infringement would be unsuccessful because the printing of the copies was done while the assignor was still the owner of the copyright.⁸⁵

[75] Relying on the distribution right, the assignee is able to sue the assignor under s 31 of the 1994 Act in respect of the sale of the existing stock and obtains an award of compensation for the infringement. As a consequence of the sales the assignor's existing stock is, in ordinary parlance, "released into the market", an expression we adopt deliberately to avoid confusion with the "putting into circulation" concept in s 9(1). The compensation awarded to the assignee would presumably reflect the loss occasioned by that release.

[76] However the implication of the respondents' argument is that, although now in the market, those released copies had not been put "into circulation" because they were distributed without the copyright owner's consent (the very fact that caused their distribution to be an infringement). If they are not in circulation, then the copyright owner's distribution right is not spent. It must follow, therefore, that when those musical scores are subsequently resold (say on TradeMe) the assignee will have a claim for infringement of the distribution right against the new vendor who will be attempting to sell copies which have not previously been put into circulation. Similarly when the scores are sold a third time (say, at a second-hand store).

⁸⁵ These were the facts of *Taylor v Pillow* (1869) 7 LR Eq 418.

[77] This sequence would be perpetuated unless and until the assignee itself acquired ownership of those particular copies and either sold them or authorised their sale. Only at that point, on the respondents' argument, would those copies have been put into circulation, regardless of their extensive history of exchange within the market.

[78] In our view such an outcome is the antithesis of the purpose of the distribution right, both in its original manifestation in the CDPA and in the 1994 Act. We agree with the appellant 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,⁸⁶ 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.

[79] We consider J A L Sterling's interpretation of the CDPA (in its original form) to be correct: the fact that a copy was previously circulated without the copyright owner's consent was irrelevant in determining whether a copy was to be classified as "circulated" for the purposes of the distribution right.⁸⁷ While the copyright owner's exclusive right to issue copies would be thwarted by the unauthorised issue of copies by others, the loss of that right would be reflected in compensation awarded in an action for infringement. In our view the New Zealand distribution right should be interpreted in the same manner.

[80] Exactly the same analysis would apply in respect of infringing copies. Indeed it was common ground before us that, as in the United Kingdom, the distribution right extended to infringing copies.⁸⁸ However the Judge appeared to consider that "[o]nly those importing and selling infringing (or pirated) goods" would be affected

⁸⁶ See [61] above.

⁸⁷ Sterling, above n 56, at 286. See [37] above.

⁸⁸ The respondents' submissions commenced with the statement: "This case is a straightforward example of a trader being liable for distributing infringing copies of the plaintiffs' copyright works to the public in New Zealand".

by his interpretation of the distribution right.⁸⁹ As our music publisher example demonstrates, that is not the case.

The role of downstream developments in statutory interpretation

[81] As earlier noted,⁹⁰ the Judge stated that the correct interpretation of s 9 was to be ascertained, not merely from text and purpose, but from the 1994 Act as a whole “informed by relevant developments”.⁹¹ A footnote to that sentence referenced s 10 of the Legislation Act 2019, which states that the meaning of legislation must be ascertained from its text and in light of its purpose and its context.⁹² The same theme was echoed in the Judge’s conclusion invoking “related developments”.⁹³ We infer that the Judge considered such later developments to be “context” as recognised in s 10.

[82] As *Burrows and Carter Statute Law in New Zealand* observes, by and large courts have been anxious to give statutes an “ambulatory” or “dynamic” interpretation that keeps them up-to-date in the modern world.⁹⁴ It is suggested this is particularly so in respect of new developments and inventions which overtake old statutes⁹⁵ and changes in social attitudes and values.⁹⁶ The author opines that s 11 of the Legislation Act 2019, which provides that legislation applies to circumstances as they arise, supports this ambulatory approach.⁹⁷

[83] *Burrows and Carter* cites several examples where courts have been prepared to accept what Lord Wilberforce described as “mobile” expressions⁹⁸ in statutes as being capable of interpretation in a way which fits with modern attitudes and values.⁹⁹ The author recognises, however, that the distinction between changed meaning and

⁸⁹ High Court judgment, above n 2, at [57].

⁹⁰ At [15] above.

⁹¹ High Court judgment, above n 2, at [45].

⁹² At [45], n 24.

⁹³ At [55]. See [17] above.

⁹⁴ Ross Carter *Burrows and Carter Statute Law in New Zealand* (6th ed, LexisNexis, Wellington, 2021) at 540.

⁹⁵ At 527–532.

⁹⁶ At 533–538.

⁹⁷ At 540.

⁹⁸ *Director of Public Prosecutions v Jordan* [1977] AC 699 (HL) at 719. Examples include “indecent”, “fairly” and “just and reasonable”.

⁹⁹ Carter, above n 94, at 533–538.

changed application is a fine one.¹⁰⁰ He also notes the observation of Chilwell J in *McClenaghan v Bank of New Zealand* that even an ambulatory approach cannot change the law; that would amount to Parliament not just “continually speaking” but “continually thinking”.¹⁰¹ Chilwell J considered that the only way in which the law could be changed was by Parliament rethinking and changing its speech.¹⁰²

[84] Clearly there are limits to the ambulatory approach. Suffice to say, we agree with the observation of Lord Bingham in *R (Quintavalle) v Secretary of State for Health* that there is no inconsistency between the rule that statutory language retains the meaning it had when Parliament used it and the rule that a statute is always speaking.¹⁰³

[85] Subsequent amendments to a statute may be of such a nature as to change the meaning in some of its provisions for the future, albeit such amendments will likely have been made in a different context from that which prevailed when the statute was first passed. However the respondents did not contend, either below or in this Court, that the later statutory provisions which the Judge referred to as “relevant/related developments” caused the meaning of the 1994 Act to change from its meaning as originally passed. Rather their theme was that such later amendments can be informative in determining the meaning of a statutory provision, here s 9 of the 1994 Act, at the time it was enacted.

[86] *Burrows and Carter* addresses such a proposition as a matter of reinterpretation:¹⁰⁴

Sometimes it is argued that a word in an old Act needs to be reinterpreted to align it with other, more recent, legislation. The assertion, in other words, is that Acts must be interpreted in the current legal landscape, and that landscape (or “wider context”) may

¹⁰⁰ At 538.

¹⁰¹ At 536; and *McClenaghan v Bank of New Zealand* [1978] 2 NZLR 528 (SC) at 532–533. The phrase “continually speaking” was a reference to s 5(d) of the Acts Interpretation Act 1924, which provided that “[t]he law shall be considered as always speaking”.

¹⁰² *McClenaghan v Bank of New Zealand*, above n 101, at 533.

¹⁰³ *R (Quintavalle) v Secretary of State for Health* [2003] UKHL 13, [2003] 2 AC 687 at [9]. Lord Bingham reasoned 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 held to apply to animals which were not regarded as dogs when the Act was passed but are so regarded now.

¹⁰⁴ Carter, above n 94, at 539.

require a shift in meaning in the words of an older Act. This is obviously detaching the legislation from what the original Parliament “intended”. In one case Mann LJ regarded such an argument as “a bold submission”.¹⁰⁵ However, it cannot be entirely dismissed.

[87] The author notes that it has been surmised that the longstanding interpretation of old Acts may have to be updated in the light of the New Zealand Bill of Rights Act 1990, observing that Tipping J did not dismiss such an approach in *Quilter v Attorney-General*,¹⁰⁶ where he said:¹⁰⁷

For the purpose of deciding whether, pursuant to s 6 of the Bill of Rights, the Marriage Act can, notwithstanding this background, now be interpreted so as to allow same-sex marriages, it is appropriate to examine relevant legislation enacted since the Bill of Rights came into force. ... if a shift in the meaning of marriage can be discerned from such material, that will support the case for a reinterpretation of the Marriage Act to accord with the shift.

[88] We will consider the statutory developments relied on by the respondents in accordance with that approach.

The particular “related developments”

[89] The respondents relied on three such developments as supporting the Judge’s interpretation.

[90] The first in time was the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998, which was addressed in the Judge’s fifth point.¹⁰⁸ That amendment added s 9(1)(d), which excluded from the scope of “the issue of copies of a work to the public” acts of:

- (d) distribution of imported copies that are not infringing copies within the meaning of section 12 subsequent to their importation into New Zealand.

¹⁰⁵ *Director of Public Prosecutions v Bull* [1995] QB 88 (QB) at 93 per Mann LJ. See also *Holden and Co v Crown Prosecution Service* [1994] 1 AC 22 (HL) at 31–32.

¹⁰⁶ Carter, above n 94, at 539.

¹⁰⁷ *Quilter v Attorney-General* [1998] 1 NZLR 523 (CA) at 579. Further examples include the implications of important changes to the right of trial by jury, a change in costs policy and leave to appeal to this Court under the Commerce Act 1986.

¹⁰⁸ High Court judgment, above n 2, at [50].

[91] The respondents placed particular emphasis on the amended definition of “infringing copy” in s 12(3) and the new s 12(5A), which reads:

- (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; ...

The reason these amendments were said to be highly relevant lay in the proposition that the legislature enacted s 9(1)(d) as a “carve out” from liability under s 16(1)(b). This was said to clearly indicate that otherwise the same conduct would be a restricted act under s 16(1)(b).

[92] Prior to the 1998 amendment, where an authorised copy of a work was made in another jurisdiction (but was not issued to the public in that jurisdiction) and was imported into New Zealand, the sale and distribution of that product would constitute an act of infringement if the act of sale or distribution was done otherwise than by the copyright owner or their licensee. The effect of s 9(1)(d) is that such conduct will no longer be an infringement of s 31.¹⁰⁹

[93] The distinction between (d) and categories (a) to (c) is explored by the authors of *Intellectual Property Law (NZ)*:¹¹⁰

The categories of acts in paras (a)–(c) of s 9(1) are all acts described as being subsequent to the act of putting “those copies” into circulation. “Those copies” are the copies of a work which have been put into circulation, and it follows that the subsequent dealing with those copies, whether by reason of distribution, sale or importation, cannot be infringements of copyright under s 31. However, unlike in paras (a)–(c), there is no reference back to “those copies” in para (d): furthermore, the reference to “subsequent” in para (d) is a reference to the period subsequent to the importation into New Zealand of imported copies that are not infringing copies within the meaning of s 12 (that is, not pirated goods but genuine goods). The reference to “subsequent” in para (d) is not (as in the case of paras (a)–(c)) a reference to an activity which is subsequent to the act of putting the copies into circulation. It is importation subsequent to the copies being put into circulation which para (c) recognises is not included within the definition of the act of issuing copies of a work to the public.

¹⁰⁹ Clive Elliott and others *Intellectual Property Law (NZ)* (online ed, LexisNexis) at [COP9.6].

¹¹⁰ At [COP9.6].

[94] As the Supreme Court observed in *Ortmann*, the rights in s 16 are independent of each other and can be held by separate persons.¹¹¹ Given the independence of the reproduction and distribution rights, we confess to some difficulty in comprehending why the making of a copy overseas (which by virtue of s 12(5A) is not an infringement of the reproduction right) should deprive the New Zealand copyright owner of their separate and distinct distribution right. In a footnote to the penultimate sentence in [41], the Judge stated that because s 9(1)(d) concerns parallel importation of genuine copies, the copyright owner has consented to their first circulation.¹¹² The basis for that conclusion is not readily apparent. By contrast, in the case of a genuine copy made not overseas but in New Zealand the copyright owner's distribution right would not be lost.

[95] Perhaps it was assumed that the parallel import product would have already been put into circulation in the place where it was made and for that reason the right of first distribution would be spent. However such a rationale would undermine the respondents' contention that distribution abroad cannot constitute s 9(1) circulation. The authors of *Intellectual Property Law (NZ)* conclude that the amendment to include s 9(1)(d) was unnecessary and misconceived.¹¹³ We share that view.

[96] The second related development was the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act 2003, which inserted s 97A into the Trade Marks Act 2002 so as to provide for "international exhaustion" of rights conferred by a registered trade mark.¹¹⁴ The respondents submitted that if Parliament had intended that the distribution right in s 16(1)(b) should be limited in the same way, it could and would have done so. They reasoned that the fact the 2003 Amendment Act made only limited changes to the definition of importing under s 35 of the 1994 Act strongly signalled that Parliament did not intend New Zealand copyright owners to lose their rights under s 16(1)(b) "by overseas, unauthorised third party conduct in importing and selling in New Zealand infringing copies".

¹¹¹ *Ortmann v United States of America*, above n 4, at [242].

¹¹² High Court judgment, above n 2, at [41], n 20. See [64] above.

¹¹³ Elliott and others, above n 109, at [COP9.6].

¹¹⁴ Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act, s 5.

[97] In our view that process of reasoning is tenuous to say the least. But in any event the short answer is that, if s 9(1) has the meaning for which ESR contends, then there would be no need for Parliament to make an amendment to the 1994 Act similar in concept to s 97A of the Trade Marks Act.

[98] The third related development was publication of the 2019 MBIE discussion paper, an extract from which was recited in the judgment.¹¹⁵ ESR first submitted, with some justification, that the opinion of an unknown author proffered some 24 years after the enactment of s 9 is irrelevant to the proper construction of the section. ESR then proceeded to argue that, critically assessed, the comments are supportive of ESR's position. The three paragraphs reproduced in the judgment discuss the concept of exhaustion of rights at a high level of generality. We do not consider that they are sufficiently focused to support a conclusion either way.

[99] Before leaving the topic of related developments, it is appropriate to address the proposition in the Judge's seventh point that the respondents' construction is, "importantly", consistent with art 6 of the WCT, which he described as an international law obligation.¹¹⁶

[100] The history of unsuccessful proposals to add a general right of distribution to the Berne Convention is reviewed by the authors of *International Copyright and Neighbouring Rights*, who explain:¹¹⁷

Thus, Berne contains no general recognition of a right of putting into circulation as there is in the case of the basic right of reproduction. (The WCT does, however, include a general right of distribution of copies, discussed further ... below.) Likewise, lending rights and the *droit de suite* are protected only in a relatively small number of states. In consequence, the protection accorded by the Berne Convention in relation to the distribution of works and their copies is patchy, to say the least.

[101] However such a right was adopted in art 6 of the WCT, which the authors describe as "a side agreement to the Berne Convention".¹¹⁸ It provides:

¹¹⁵ High Court judgment, above n 2, at [30] and [54], quoting MBIE discussion paper, above n 28, at [239]–[241].

¹¹⁶ High Court judgment, above n 2, at [52].

¹¹⁷ Sam Ricketson and Jane C Ginsburg *International Copyright and Neighbouring Rights* (3rd ed, Oxford University Press, Oxford, 2022) at [11.46].

¹¹⁸ At [11.55].

Article 6 Right of Distribution

(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.

[102] New Zealand acceded to the WCT in 2018, some 23 years after the introduction of the 1994 Act. The National Interest Analysis dated 25 January 2016 observed that New Zealand already complied with the obligations in the WCT through the 1994 Act.¹¹⁹ It is apparent that the art 6 obligation was perceived to be satisfied by the existing s 16(1)(b) distribution right. In our view New Zealand's accession to the WCT is not informative on the second issue.

Conclusion

[103] We conclude that the Judge erred in accepting the respondents' 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.

If a copy is first distributed abroad has it been "previously put into circulation"?

The notion of extraterritoriality

[104] It is desirable at the outset to address the proposition that acceptance of ESR's interpretation, that the circulation contemplated in s 9 may occur abroad, would amount to giving the 1994 Act extraterritorial effect. The respondents submitted that the Judge was correct to hold that ESR's interpretation would grant the 1994 Act

¹¹⁹ Ministry of Foreign Affairs and Trade *WIPO Copyright Treaty National Interest Analysis* (25 January 2016) at 3.

extraterritorial effect by allowing what they describe as an “extraterritorial exception”. Although the Judge does not expressly state this, it would appear that was his view.

[105] Both his first and second points focus on the issue of territoriality.¹²⁰

[46] First, s 16 identifies an elementary feature of copyright: that it is *territorial*. Section 16 affords the owner of copyright in a work “the exclusive right” to do various things “in New Zealand”. Territoriality was highlighted by Tipping J in relation to the Copyright Act 1962 in *Atkinson Footwear Ltd v Hodgskin International Services Ltd*, and recently reiterated by the Court of Appeal in *Gao v Zespri Group Ltd* in an analogous context (the Plant Variety Rights Act 1987).

[47] Second, 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.

[106] That the Judge considered that s 18(2) of the CDPA (as enacted) was intended to have extraterritorial effect may be inferred from his earlier observation:

[44] ... The common law presumes a statute does not have extra-territorial effect unless it expresses a (sufficiently clear) contrary intention. Careful readers will have noticed that, unlike the version of the United Kingdom Act in force when we enacted our Act, s 9(1)(c) does not say “or elsewhere”; see [20]. This has some significance: the [1994] Act is largely based on the United Kingdom Act, yet we did not copy the phrase “or elsewhere”. ...

(Footnote omitted.)

[107] However, as *Copinger* explains, the phrase “in the United Kingdom or elsewhere” refers back to the expression “copies not previously put into circulation”.¹²¹ The phrase could not refer back to the prior words “the act of putting into circulation” since the exclusive right under s 16 of the CDPA was to do that act only in the United Kingdom.¹²²

[108] So, to the extent that it may be implicit in the judgment that a reading of s 9 to include circulation abroad would be to give extraterritorial effect to the 1994 Act, we disagree. It would be no different from, for example, s 75(1) which refers to an artistic work having been applied industrially “in New Zealand or in any other country”. By contrast, as *Laddie, Prescott and Vitoria* observe, the version of s 18(2)

¹²⁰ High Court judgment, above n 2 (footnotes omitted).

¹²¹ Skone James and others, above n 57, at [8-95].

¹²² At [8-95], n 88.

of the CDPA in force between 1996 and 2018, if read literally, did purport to have extraterritorial effect.¹²³

The text of s 9(1)

[109] The respondents submitted that s 9(1) should be read with the phrase “in New Zealand” inserted in two places. Accepting that submission, the Judge considered that there was no doubt that that is what s 9(1) meant, once the text and purpose of the 1994 Act were considered alongside related developments.¹²⁴ Such an interpretation was said to be just drawing out what was already implied by virtue of ss 9, 12, 16, 29 and 31.¹²⁵

[110] It seems clear that the introduction of the distribution right in the CDPA was, in material part, a response to the less than enthusiastic reaction to the ultimate decision in *Infabrics v Jaytex*. We suspect that accounted for the explicit reference in s 18(2) to “in the United Kingdom or elsewhere”. We are not aware of any suggestion that *Infabrics v Jaytex* was viewed more favourably in New Zealand than in the United Kingdom. If that had been so, such that New Zealand intended to depart from the United Kingdom approach, we would have expected that to be explicit, in particular by the inclusion in s 9(1) of the phrase “in New Zealand” following the phrase “not previously put into circulation”. That did not happen.

[111] Unlike the Judge, we view the absence of any territorial qualification of the word “circulation” as a neutral factor. The New Zealand parliamentary drafters made several changes to the wording of s 18 of the CDPA and to the location of its components within the 1994 Act. One possibility is that they considered that the reference to circulation envisaged the international market and that no specific qualifier was required to give effect to that intention.

¹²³ Speck and others, above n 44, at [15.20]–[15.21]. This version of s 18(2) provided that references to “the issue of copies of a work” were 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 not previously put into circulation in the EEA or elsewhere.

(Emphasis added.)

¹²⁴ High Court judgment, above n 2, at [55].

¹²⁵ At [56].

[112] A more significant interpretative pointer, in our view, is the reference to “subsequent importation” in s 9(1)(c), which echoes s 18(2)(b) of the CDPA (as enacted). However the adoption of that phrase has generated debate on the question whether the adjective “subsequent” serves any purpose.

“Subsequent importation”

[113] Each of the four excluded categories in s 9(1) employs the word “subsequent”, although as earlier noted, not all in the same manner.¹²⁶ The focus here is on the particular use of “subsequent” in s 9(1)(c). ESR submitted that, far from being “a little Delphic”, as the Judge suggested,¹²⁷ the meaning of s 9(1)(c) is clear: the relevant importation of copies into New Zealand must be subsequent to the first issue of those copies in some other country.

[114] The respondents took a different view, observing:

- 6.7 There is a twist. The 13th edition of *Copinger*, dated to 1991, explains that the word “subsequent” in s 18(2)(b) [of the CDPA] (ie “subsequent importation”) was inserted “at a late stage in the passage of the Bill”. The addition of the word “subsequent” appears to have been redundant. The text notes that as the Bill previously stood, *it was clear that no importation of copies of a work could amount to issuing copies to the public in contravention of s 18.*

(Footnote omitted and emphasis in original.)

The respondents then submitted:

- 6.9 The addition of “subsequent in s 18(2)(b) by the House of Lords at a late stage may have been thought necessary as symmetry with the words “subsequent distribution or sale” in s 18(2)(a). It can be seen however, that the term was never necessary because importation per se, let alone subsequent importation, could never amount to distribution or sale.

(Footnote omitted.)

[115] There is merit, we believe, in tracing the evolution of s 18(2) of the CDPA. As originally introduced, cl 18(2) of the Copyright, Designs and Patents Bill 1988 read:

¹²⁶ At [93] above.

¹²⁷ High Court judgment, above n 2, at [55].

(2) References in this Part to the issue to the public of copies of a work are, except as mentioned in subsection (3), to the act of first putting those copies into circulation, and not to—

- (a) any subsequent distribution, sale, hiring or loan of those copies, or
- (b) their importation into the United Kingdom.

[116] The House of Commons proposed an amendment (among others) as follows:

(2) References in this Part to the issue to the public of copies of a work are to the act of first putting those copies into circulation, 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, films and computer programs, the restricted act of issuing copies to the public includes any rental of copies to the public.

(Emphasis added.)

[117] The House of Lords disagreed with the Commons amendments for reasons explained by Lord Young of Graffham:¹²⁸

Clause 18 defines the second of the acts restricted by copyright — the issue of copies to the public. As subsection (2) makes clear, this means the act of first putting the copies in question into circulation. This is obviously something that could take place anywhere in the world, but equally clearly the copyright owner only has a right under our law in respect of copies first put into circulation in the United Kingdom.

Subsection (2) as presently drafted, makes it clear that the restricted act does not relate to distribution after the first issue has taken place but there is some ambiguity in the present drafting in respect of imported copies. Where importation precedes first issue, as where copies are imported in bulk by the publisher, that import should not prevent the first issue being a restricted act. But where copies of a work are first issued abroad and then imported into the United Kingdom there is no infringement under Clause 18. The importation may constitute secondary infringement under Clauses 24 and 27(3) because the copies were made without licence covering the United Kingdom, but that is a different matter. There is no primary infringement under Clause 18. Amendment No. 21A will remove any doubts on that score.

¹²⁸ (2 November 1988) 501 GBPD HL 214.

[118] The House of Lords proposed a new cl 18(2):

(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 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, films and computer programs the restricted act of issuing copies to the public includes any rental of copies to the public.

[119] Thus the introduction of “subsequent” was originally mooted in the Commons’ amendment. The Lords’ amendment, which substituted the phrase “putting into circulation copies not previously put into circulation, in the United Kingdom or elsewhere”, was intended to address a perceived ambiguity concerning two different importation scenarios. It is apparent that “subsequent” was not introduced simply to reflect a desire for symmetry between cl 18(2)(a) and (b).

[120] Given our view that mere importation without more cannot amount to infringement of the distribution right,¹²⁹ the phraseology of s 18(2)(b) was less than ideal. Nevertheless, 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.

[121] That was clearly the intention of s 18(2) of the CDPA. In the absence of any credible alternative, we do not consider that some different meaning should be placed on the near identical wording of s 9(1)(c) of the 1994 Act.

¹²⁹ At [53]–[55] above.

[122] However the respondents suggested another rationale for s 9(1)(c), which seemed to gain the Judge’s endorsement:¹³⁰

[36] Mr Brown says s 9(1)(c) is not an impediment to the plaintiffs’ construction. Its reference to “subsequent importation of those copies into New Zealand” refers to copies put into circulation in New Zealand by the copyright owner (or licensee) which are exported and then subsequently imported, hence its language of subsequent importation.

...

[44] ... Moreover, as Mr Brown observes, sometimes genuine copies of a New Zealand-made product (protected by copyright) are exported, only to later return to our domestic market. It follows s 9(1)(c) could well be directed at importation truly “subsequent” to first circulation of a genuine copy within New Zealand.

[123] The precise ambit of this proposed exception was unclear. In the first passage above, the Judge was referring to copies put into circulation by the copyright owner or licensee, namely non-infringing distribution. However in the second passage the Judge referred to genuine copies, namely copies which did not infringe the reproduction right. The latter scenario would extend beyond authorised distribution and would encompass our example of the unauthorised disposal by a former copyright owner of stock of musical works lawfully made.¹³¹

[124] The alternative interpretation advanced by the respondents in this Court did not incorporate either of the Judge’s qualifications. However their submissions made clear that their alternative interpretation was coextensive with that advanced to and accepted by the Judge.

[125] ESR responded that the Judge overlooked the fact that, in the unusual circumstances of someone putting into circulation in New Zealand genuine copies which were then exported from New Zealand and later reimported, s 9(1)(a) would already provide a complete defence. ESR suggested that the fact that the Judge needed to resort to such a convoluted exception to justify the gloss added by the Judge served to confirm ESR’s argument that s 9(1)(c) is clear in its terms and has a very specific purpose.

¹³⁰ High Court judgment, above n 2.

¹³¹ See [74]–[76] above.

[126] In addition we observe that confining the proposed exception to genuine copies would represent a departure from the way the equivalent CDPA provision was construed. It also would appear to be superfluous given the Judge’s view on the tyranny proposition, being that only those importing and selling infringing (or pirated) goods were affected by his interpretation of s 9(1).¹³² Consequently, for a number of reasons the respondents’ interpretation of s 9(1)(c) does not commend itself as a viable alternative interpretation to the meaning adopted in the United Kingdom.

Conclusion

[127] We conclude that the Judge erred in accepting the respondents’ contention that circulation abroad of a copy of a work cannot qualify as circulation for the purposes of s 9(1).

The consequences of our interpretation

[128] The Judge considered that, whether ESR was liable to account as a primary infringer for the net profit of \$221,134.50 (or only as a secondary infringer for \$9,316.50), turned on “how first circulation operates” under s 9(1).¹³³ He explained:

[11] ... If the provision confines first circulation to New Zealand by or with the consent of the copyright owner, ESR is liable for the obvious reason it put into circulation, here, the furniture in contravention of the plaintiffs’ right. But, if first circulation in s 9(1) extends to anywhere in the world, irrespective of consent, ESR is not liable: the furniture was earlier available for purchase by others in Vietnam, and it is immaterial it was copied without the plaintiffs’ consent.

(Footnote omitted.)

In a footnote the Judge recorded that Mr Brown had accepted as much in response to a question from the Judge at the beginning of the hearing.¹³⁴

[129] Because he accepted the respondents’ contention on that issue, the Judge found ESR liable for primary infringement of s 31.¹³⁵ However we have reached the opposite conclusion on both the issues of consent and territoriality. It follows from the Judge’s

¹³² High Court judgment, above n 2, at [57]. See [51] above.

¹³³ At [11].

¹³⁴ At [11], n 7.

¹³⁵ At [66].

analysis above that the conduct of ESR in selling the furniture which it had imported was not a contravention of s 31.

Does the act of exporting or otherwise dispatching infringing copies to New Zealand constitute “previously [putting] into circulation” in New Zealand?

[130] ESR advanced this as a fall-back proposition in the event that the Court rejected its contention that the relevant first act of putting the furniture into circulation occurred in Vietnam. The principle ESR espoused is that an offshore entity that sends infringing products to another country can be an issuer of copies to the public in that country even if they operated only within an external territory.

[131] Applying that principle to the facts of this case, ESR argued that Morrow Marketing (the Vietnam-based wholesaler from which ESR purchased the furniture) would be the issuer who put the furniture into circulation in New Zealand by reason of its conduct in dispatching the furniture to New Zealand. The respondents’ rejoinder was that ESR’s proposition would involve the Court creating an extraterritorial exception from the restricted act of issuing copies to the public.

[132] The Judge proceeded on the basis that the furniture imported by ESR had earlier been available for purchase by others in Vietnam.¹³⁶ Consequently we view this contention as a hypothetical question and address it only briefly.

[133] In our view the act of exporting product from a country to New Zealand could not of itself amount to issuing the product to the public in New Zealand. For issuing to occur it would be necessary for the product to be received in New Zealand and then to be made available for distribution to the public here. We do not consider that the staged process of export, import and subsequent distribution can be conflated into a single course of conduct so as to treat the exporter as the dealer at the top of the distribution chain¹³⁷ and thereby confer on the exporter the identity of issuer for the purposes of s 31.

[134] Consequently the answer to the fourth issue is in the negative.

¹³⁶ At [2].

¹³⁷ See [39] above.

Result

[135] The appeal is allowed.

[136] The respondents must pay the appellant costs for a standard appeal on a band A basis and usual disbursements. We certify for second counsel.

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