

Massive NV v Lighting Plus Ltd

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High Court Auckland
11, 12, 20 September 2002
Harrison J

CP 286-SW02 10

Copyright – Infringement – Parallel import – Whether goods illegally manufactured in foreign country – When copyright owner must take additional steps to protect intellectual property – Copyright Act 1994, s 12(5A). 15

Massive NV (Massive) was a Belgian company which manufactured and exported light fittings including a light fitting known as the Oslo. Lighting Plus Ltd (LPL) was an importer and retailer of light fittings. LPL imported a light fitting manufactured in China known as the Cheeta. That light fitting was essentially identical to the Oslo light fitting designed and manufactured by Massive. 20

Massive sought a permanent injunction and damages. LPL argued that under s 12(5A) of the Copyright Act 1994 there was no breach of copyright because, inter alia: (i) the light fittings were lawfully manufactured in China; and (ii) Massive had not taken all steps to protect its rights in China. The Court found as a matter of fact that under Chinese law, namely the Copyright Law of the People's Republic of China (the Copyright Law 2001), Massive's rights in the design of the Oslo fitting were protected. 25

Held: 1 In determining whether the defence provided by s 12(5A) applied, the issues to be decided were: (i) whether manufacture in New Zealand would be a breach of copyright; (ii) if so, whether the plaintiff owned the copyright in the country of origin; and (iii) if the copyright were not owned by the plaintiff in the country of origin, whether all steps legally available to it to secure the copyright there had been taken (see para [22]). 30 35

2 Had the Cheeta light fittings been manufactured in New Zealand they would have been in breach of the copyright of Massive. It was uncontested that there was a work in which copyright could subsist, or that copyright did subsist in the work, sufficient time, labour and skill having been expended in producing the work, or that Massive owned the copyright. The copyright had been infringed due to the substantial identity of the Cheeta light fitting with the design of the Oslo light fitting. It was not material that the fitting was three-dimensional while Massive's drawings had been two-dimensional (see paras [25], [28], [30]). 40

P S Johnson & Associates Ltd v Bucko Enterprises Ltd [1975] 1 NZLR 311 applied. 45

AHI Operations Ltd v New Lynn Metalcraft Ltd (No 1) (1982) NZIPR 381 applied.

Wham-O MFG Co v Lincoln Industries [1984] 1 NZLR 641 (CA) applied.

3 Under the Chinese Copyright Law 2001 Massive was the owner of the copyright in China. It was therefore not necessary to determine whether Massive had failed to take any steps legally available to them under s 12(5A)(b)(ii) of the Copyright Act 1994 (see paras [39], [48]).

5 **Result:** Declaration of breach of copyright in favour of the plaintiff.

Other cases mentioned in judgment

Humphrey v Fairweather [1993] 3 NZLR 91.

Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd (1985) 5 IPR 213; 84 FLR 101.

10 *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd* [1985] 2 NZLR 129 (CA).

Mt Cook (Northland) Ltd v Swedish Motors Ltd [1986] 1 NZLR 720.

New Zealand Air Line Pilots' Association Inc v Attorney-General [1997] 3 NZLR 269 (CA).

15 **Application**

This was an application by Massive NV, a Belgian company, the first plaintiff, and Lighting Direct Ltd, the second plaintiff, for an injunction and damages for a breach of copyright alleged to have been committed by Lighting Plus Ltd, the first defendant, and LFA (NZ) Ltd, the second defendant.

20 *C Elliott and K A Muir* for Massive and Lighting Direct.
B P Henry and D A Watson for LPL and LFA.

Cur adv vult

HARRISON J. [1] Claims for breach of copyright are traditionally complex. This case is an exception. In factual terms it is remarkably simple.
25 But it raises novel issues about the effect of the Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998.

[2] A Belgian company, Massive NV (Massive), owns the worldwide copyright in the design of an outdoor light fixture known as 1728 Oslo (the Oslo). It sells the Oslo in New Zealand through a local retailer. Lighting
30 Plus Ltd (LPL) imported and sold a near identical product in New Zealand until restrained by an interim injunction issued recently in this Court. It is known as the Cheeta, and is manufactured in China.

[3] Massive alleges that LPL has breached its copyright in the Oslo design. It seeks permanent injunctive relief together with damages and costs. LPL
35 denies liability in reliance on the parallel importing provisions in s 12(5A) of the Copyright Act 1994 (all future statutory references will be to that Act) introduced by the 1998 amending Act. At issue is whether or not s 12(5A) allows a defence to what is otherwise a clear breach of copyright.

Background

40 [4] The relevant facts fall within a narrow compass. Massive manufactures and exports lights, fixtures and fittings worldwide. On 15 January 2000 it entered into what is described as a copyright assignment agreement on an exclusive basis with Mr Dirk Verelst. He was then and remains a Massive
45 employee. He had designed the Oslo. Mr Verelst assigned to Massive his rights of reproduction, distribution and sale of the lamp design. He warranted the originality and the worldwide territorial scope of his work.

[5] Mr Verelst is the head of Massive's design department, comprising seven designers and 11 model makers. He gave evidence at trial by video link from Belgium that the Oslo was designed according to this process:

"I am usually responsible for initial concept designs and drawings. I often personally prepare the initial designs and drawings to the point where they are ready to go to our model makers who prepare a model of the proposed light fitting. Once the product is approved for production, our engineering department will take my design drawings and, using amongst other things, computer assisted design (CAD) programmes, prepare drawings with detailed measurements and specifications for production purposes.

Sketches represent the general design. These are translated into more specific and detailed drawings. One or more models are then made, once again based on those earlier sketches and drawings. Production drawings are then done, once again based on the earlier drawings and models. Prototypes may then be made. Finally, the finished product is made in commercial quantities.

In this process, each stage is based on and builds on the earlier stage and represents a direct evolution of the same design from basic idea to final form. It also means that the three-dimensional finished product is, in effect, a reproduction of the design shown in the drawings."

[6] Mr Verelst described the characteristics of the Oslo as:

". . . an outdoor aluminium light which is available both as a bollard or freestanding light and as a wall mounted fixture It is available in a range of colours and the freestanding light is available in a range of heights. It is constructed of aluminium with a polycarbonate lens. Its distinctive features include a curved shape to the front and rear, the five slats to the polycarbonate lens, the shape and style of the base or mounting plate and the decorate [sic] groove of approximately 13 mms wide which runs up each edge of each bollard light. It features a slimline design and radiates light from both sides giving an almost 360° coverage."

[7] Mr Verelst explained how he developed the concept for the lamp in late 1998, initially from sketch drawings. At a meeting in December 1998 Massive made an executive decision to proceed with the Oslo's production. The company's engineering department then prepared detailed drawings for production purposes. It set up a production facility and prepared special tools to mould, press, shape and generally produce the design. This process was necessary to ensure that the finished product was an exact replica of the engineering drawings. Production commenced in late 1999; on 19 January 2000 Massive made its first commercial sales of the Oslo in Holland. Subsequently it has manufactured, marketed, promoted, sold and distributed the product worldwide.

[8] Mr Jean-Pol Van De Velde also gave evidence by video link from Belgium. He is Massive's finance and legal manager. He is a qualified lawyer. He said that Massive's standard practice is to obtain an assignment of copyright in designs produced by its employed designers, even though under Belgian law (as in New Zealand) it owns the copyright in designs produced by its employed designers. He has been aware for some time that Massive's products have been copied and manufactured in overseas countries, particularly in Asia; that it is increasingly common for original lighting products to be copied within weeks

or months of release in Europe; and that Massive has taken steps to restrain copying its product in China but few effective remedies are available there. In cross-examination Mr Van De Velde confirmed that Massive had not registered its Oslo design in China; it only registers designs in countries where it is selling products.

5 [9] Mr Barry Mellor is LPL's managing director. In October 2001 he visited the Donggang factory at Ningbo, China with an Australian colleague. There they saw the Cheeta lamp on display. Mr Mellor decided to purchase and then import some of the lamps.

10 [10] Mr Verelst gave evidence about the similarities between the Oslo and the Cheeta. To his educated if partisan eye, based on a photographic comparison:

“... the Cheeta is an almost exact copy of the Oslo. It has a number of features which are so similar to the Oslo that they cannot be coincidental. I have never seen another light which closely resembles the Oslo. The only differences that are apparent from the photograph are the rounded top to the Cheeta and the gloss paint finish.

I certainly have not provided any designs to the Defendant or any other person. I have not assigned copyright in the Oslo design to any other person. The Cheeta is not being produced with my consent.”

20 [11] On 19 June 2002 Massive gave LPL written notice that its conduct in retailing the Cheeta in New Zealand was in breach of copyright. On 23 July 2002 the company applied for an interim injunction prohibiting LPL from manufacturing, importing, distributing or selling infringing copies of Cheeta. Its statement of claim pleaded a number of causes of action including the standard array of breach of copyright, unlawful interference with economic interests, passing off and breach of the Fair Trading Act 1986.

25 [12] On 29 July 2002 Morris J issued an interim injunction in Massive's favour (High Court, Auckland, CP 286-SW02). His order remains in force. Three elements of his judgment are notable for present purposes:

30 (a) First, the Judge accepted that the evidence then adduced showed a clear breach of copyright (para [8]). He was satisfied that the products were in effect identical in dimension, style, look and design. In particular Morris J noted:

35 “The bases are identical, the width of the products is identical, the curved design is identical. Each has a decorative slat, the measurement is identical. The perspex through which the light shines is identical. There are the same number of perspex slats, the width and the height of these slats is identical. The dimension of the base and the side stripe are identical in width and length”;

40 (b) Secondly, when considering the balance of convenience, Morris J took into account the relative strength of the competing cases. He was entitled to follow this course (*Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd* [1985] 2 NZLR 129 (CA) per Cooke J at p 142). He described Massive's claim for breach of copyright, on the material then available, as “very strong and indeed almost insurmountable” (para [17]); and

45 (c) Thirdly, LPL did not apparently raise before Morris J an affirmative defence based on s 12(5A).

[13] On 3 September 2002 Massive filed an amended statement of claim, restricted to an action for breach of copyright. On 6 September 2002 LPL responded with its statement of defence and amended counterclaim, admitting that the designs of the two lamps are, for the purposes of the Copyright Act, “in substance . . . identical the only variation being height and the shape of the top cap”. This admission was an inevitable consequence of Morris J’s conclusion about the prima facie strength of Massive’s claim. 5

[14] It is common ground that by 29 July 2002 LPL had sold 108 Cheetas in New Zealand. The modesty of its scale of sales is reflected by Massive’s limitation of its claim for loss of profits to \$5000. Additionally it seeks a permanent injunction, in terms both prohibitory and mandatory, together with costs on a solicitor and client basis. Massive has abandoned its claim for an award of exemplary damages of \$35,000. 10

[15] LPL raises an affirmative defence to what appears to be a clear case of breach of copyright in these terms: 15

- (a) The Cheeta light is manufactured lawfully in China, and accordingly has been industrially supplied in accordance with s 12(5A)(b)(ii) of the Copyright Act 1994 in China;
- (b) Massive does not assert copyright in the three-dimensional reproduction of the Oslo lamp in accordance with the international treaty conventions, in that it does not denote its claim to copyright on the product or packaging of the Oslo lamp; 20
- (c) Massive has not taken steps available to it pursuant to China’s equivalent intellectual property laws to secure protection of the alleged copyright works against three-dimensional infringements, such steps being required by s 12(5A) in order to secure such protection in New Zealand; and 25
- (d) Accordingly, LPL may import and sell the Cheeta lamp without infringing Massive’s copyright if any in the alleged copyright work.

Berne convention 30

[16] On 5 December 1887 Belgium became a party to what is known as the Berne Convention for the Protection of Literary and Artistic Works (the convention). On 24 April 1928 New Zealand subscribed to the convention. On 15 October 1992 China signed as well. It has been described as “the most venerable and enduring of the multilateral copyright conventions” (Ricketson, *Law of Intellectual Property: Copyright, Designs and Confidential Information* (2nd ed, 2001) at para 16.15). As the same author observes (para 16.0): 35

“It is a truism that material protected by copyright, unlike tangible forms of property, is peculiarly susceptible to appropriations by other parties. This is particularly so in the international context. While a territorially based municipal law may suffice to protect fixed and tangible objects of property, words, pictures, musical notes and other intellectual creations travel over frontiers with ease, particularly in the era of the network environment which operates with scant regard for national boundaries. For this reason, there has been a steady movement over the past 130 years towards the establishment of an international system of copyright protection under which authors and copyright owners from one country can readily receive protection for their productions in another country.” 45

[17] Article 1 of the convention states:

The countries to which this Convention applies constitute a Union for the protection of the rights of authors in their literary and artistic works.

[18] Article 2(1) defines “artistic works” as including:

5 . . . every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as . . . works of drawing . . . architecture . . . works of applied art . . .

Article 2(6) expressly provides that the works shall enjoy protection in all countries of the union. By art 2(7):

10 . . . it shall be a matter for legislation in the countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected. Works protected in the country of origin solely as designs and models shall be entitled in another
15 country of the Union only to such special protection as is granted in that country to designs and models; however, if no such special protection is granted in that country, such works shall be protected as artistic works.

[19] Article 5 provides:

20 (1) Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.

25 (2) The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where
30 protection is claimed.

[20] Article 9 provides:

(1) Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.

35 [21] Finally, art 7(1) provides that the term of protection granted by the convention “shall be the life of the author and fifty years after his death”.

Issues

[22] The ultimate issue is whether the Cheeta is an infringing copy of the Oslo design within the meaning of s 12. If I decide this issue in the affirmative,
40 and LPL imports further orders of the Cheeta into New Zealand, its conduct will amount to a secondary infringement of Massive’s copyright in terms of s 35. The issue will be determined by the answers to the first two if not all three subsidiary questions which I have formulated as follows: (1) first, whether LPL would have infringed Massive’s copyright in the Oslo design in New Zealand
45 if LPL had made the Cheeta here; (2) secondly, if so, whether Massive owned

the copyright in the Oslo design in China; and (3) thirdly, if not, whether Massive, assuming it would otherwise have been entitled to own the copyright in China, has failed to take some step legally available to it to secure the copyright there.

[23] Before considering these issues, I should note something. As I shall discuss, LPL's defence was apparently centred on the existence of a statutory provision which it understood was in force in China. Massive led evidence that the provision was repealed in 2001. At the time Mr Henry observed that this evidence, if correct (as he later accepted it was), seemed to sound the death knell to LPL's defence. Without meaning any disrespect, I had the impression that his arguments thereafter bore the hallmarks of improvisation.

(1) Infringement in New Zealand

[24] The first issue is hypothetical. As Mr Elliott submitted, s 12(3)(b) creates a fiction. I must inquire whether LPL would have infringed Massive's copyright in the Oslo design in New Zealand if LPL had made the Cheeta here instead of importing it from China. This question falls for determination solely according to New Zealand law, which is codified by the comprehensive terms of the Copyright Act 1994.

[25] In order to succeed on a claim for breach of copyright against LPL, Massive must satisfy these criteria (*P S Johnson & Associates Ltd v Bucko Enterprises Ltd* [1975] 1 NZLR 311 at p 315 per Chilwell J):

- (a) First, there is a work in which copyright can subsist. Section 14(1)(a) provides that copyright is a property right that exists in original artistic works. They are defined in s 2(1) as including "a graphic work . . . sculpture . . . or model . . . or . . . a work of artistic craftsmanship";
- (b) Secondly, copyright does subsist in the work. Section 14(1) requires that the work be original. The determining factor is whether sufficient time, skill, labour and judgment is expended in producing the work (*AHI Operations Ltd v New Lynn Metalcraft Ltd (No 1)* (1982) NZIPR 381 at p 386 per Thorp J);
- (c) Thirdly, Massive owns the copyright; and
- (d) Fourthly, LPL has infringed its copyright.

[26] Mr Henry did not concede the existence of these four elements. Nor did he dispute Massive's evidence in proof of the first three. Clearly Massive's drawings, sketches, moulds, tools and prototypes are artistic works as defined in s 2(1). In closing Mr Henry identified one feature in common between the Oslo and an earlier lamp manufactured by Massive. But he did not deny either that the design is a work in which copyright can subsist or that it does subsist. Mr Verelst's unchallenged evidence was that the sketches, drawings and models were the products of the labour, skill and judgment of Massive's design team, expended in stages over a prolonged period.

[27] By virtue of s 230, the Act applies to citizens or subjects of Berne convention countries such as Belgium, just as it applies to New Zealand citizens. By virtue of s 230(3)(c) the Act applies to these works because they were first published in Holland, a convention country. As noted, Mr Van De Velde's evidence is that under Belgian law Massive owns the copyright in the Oslo design. As Belgium is a "prescribed foreign country" within the meaning

of s 18(2)(a), the work qualifies for copyright in New Zealand. By virtue of s 75 copyright still subsists in the work. It remains enforceable until 2014. It was first produced in 1998 and “industrially applied”.

5 [28] Mr Henry did not concede that the Cheeta was a copy of the Oslo design. In closing he employed a dimensional comparison to argue that the Cheeta was not a copy. He relied on the Cheeta’s three-dimensional structure; by contrast Massive’s design, sketches, drawings and models and lamp are two-dimensional. However, this factor is not decisive, even material, in this context (*Wham-O MFG Co v Lincoln Industries* [1984] 1 NZLR 641 (CA) at
10 pp 668 – 669). What is relevant is the degree of commonality. Moreover, the definition of “copy” in s 2 expressly includes making a copy in three dimensions of a two-dimensional work.

[29] LPL’s statement of defence expressly acknowledged that for the purposes of the Copyright Act the Oslo and the Cheeta were “in substance
15 identical, the only variation being height and the shape of the top cap”. Mr Henry did not challenge Mr Verelst’s evidence that the Cheeta is a copy of the Oslo design; the similarities were too close to be coincidental. Morris J was of the same view at an interlocutory stage. I respectfully adopt his succinctly expressed reasons and agree with him. Based on a comparative observation, I
20 have no doubt whatsoever that the Cheeta reproduces Massive’s design in a material form. Thus it is a copy within the meaning of s 2.

[30] For these brief reasons, I am satisfied in terms of s 12(3)(b) that LPL would have infringed Massive’s copyright in the Oslo design in New Zealand if LPL had made the Cheeta here. However, this answer is insufficient to
25 dispose of Massive’s claim.

(2) *Massive’s ownership in China*

[31] In view of LPL’s reliance on the affirmative defence now available according to s 12(3)(b), it is necessary to consider the second issue: did Massive own the copyright in the Oslo design in China? This question, in
30 contrast to the first, must be determined according to Chinese law. I must also move from the fictional to the factual.

[32] The Copyright (Removal of Prohibition on Parallel Importing) Amendment Act 1998 is an important piece of legislation. Its purpose, as
35 apparent from its title and preamble, was to remove the existing prohibition on parallel importing. The explanatory note to the Act, when in Bill form, recorded:

“This Bill removes the current prohibition on parallel importing of copyright goods

40 Parallel importing occurs where a person imports goods that were lawfully made, into New Zealand, without obtaining the permission of the holder of the copyright of those goods in New Zealand. It can be distinguished from the importing of goods which were not lawfully made (known as pirated goods). Importing of pirated goods occurs when goods
45 that were made without the permission of the copyright holder in the country in which they were made are imported into New Zealand. Importing of such goods will continue to be prohibited.”

[33] As a consequence of this amendment, s 12(3) now provides:

(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. 5

[34] The amending Act introduced a new s 12(5A) in these terms:

(5A) An object that a person imports or proposes to import into New Zealand is not an infringing copy under subsection (3)(b) if – 10

- ...
 - (b) Where no person owned the copyright, or other equivalent intellectual property right, in the work in question in the country in which the object was made, any of the following applies:
 - (i) The copyright protection (or other equivalent intellectual property right protection) formerly afforded to the work in question in that country has expired: 15
 - (ii) The person otherwise entitled to be the owner of the copyright (or other equivalent intellectual property right) in the work in question in that country has failed to take some step legally available to them to secure the copyright (or other equivalent intellectual property right) in the work in that country: 20
 - (iii) The object is a copy in 3 dimensions of an artistic work that has been industrially applied in that country in the manner specified in section 75(4): 25
 - (iv) The object was made in that country by or with the consent of the owner of the copyright in the work in New Zealand.

[35] Both parties led evidence about copyright law and practice in China. The essence of LPL’s case was captured by Mr James Piper, an Auckland patent attorney. The thrust of his evidence was that Massive could and should have registered its design in China if it wanted to obtain protection for its copyright in Oslo design. This evidence, and Mr Henry’s submissions based upon it, were directed expressly towards s 12(5A)(b)(ii). 30

[36] However, with respect, Mr Henry’s argument and LPL’s evidence placed the cart squarely before the horse. He was anxious to bypass what I identified for him as the threshold inquiry under s 12(5A)(b); namely, whether or not a “person owned the copyright” in China. On my interpretation, it is only necessary to consider the applicability of s 12(5A)(b)(ii) “if” this question is answered in the negative. I must first be satisfied that neither Massive nor any other party owned the copyright in the Oslo design in China. 40

[37] Massive led evidence from Ms Lu Quing. She has practised intellectual property law in both China and New Zealand for the past 12 years. She gave evidence, accepted by Mr Henry, that on 27 October 2001 China passed a revised Copyright Law of the People’s Republic of China (the Copyright Law 2001). She produced that statute together with regulations for its implementation. Both were translated into English. 45

[38] Relevant provisions of the Copyright Law 2001 are as follows:

- (a) Article 1 confirms that the law was enacted for the purpose of protecting copyright of “authors in their literary, artistic and scientific works and . . . copyright-related rights and interests”;
- 5 (b) By art 2, the work of a foreigner which is eligible for copyright under an international treaty to which both countries (ie China and Belgium) are parties, such as the Berne convention, shall be protected in accordance with the Copyright Law 2001;
- (c) Article 3(7) extends the definition of “works” to:
10 “(7) drawings of engineering designs, and product designs; maps, sketches and other graphic works and model works.”
- (d) Article 9 includes within the definition of “copyright owners” all “authors . . . legal entities and other organizations enjoying copyright in accordance with” art 2; and
- 15 (e) Article 11 states:
“Except where otherwise provided in this Law, the copyright in a work shall belong to its author.”

20 [39] I have already found that Massive owned copyright in the subject works in Belgium. The Berne convention extended that right of ownership to China. The right is further reinforced by arts 1, 2, 3, 9 and 11 of the Copyright Law 2001. Thus, this was not a case where in terms of s 12(5A)(b) “no person owned the copyright . . . in the work . . . in [China]”. Massive owned the copyright there in the Oslo design.

25 [40] It is no disrespect to note that the ground for Mr Henry’s argument to the contrary underwent a metamorphosis during closing. Its final form was that, while it may have owned a range of rights in China, Massive did not own “the” copyright in terms of s 12(5A)(b). Its rationale was that the section does not refer to “a” copyright; the term “copyright” provides a range of rights relating to the work – any one of them is what is selected by the words “the” copyright; and, accordingly, in this context “the” copyright must mean the right to restrain
30 three-dimensional reproduction, namely of an “object” within the meaning of s 12(5A)(b).

35 [41] This argument is doomed on a number of grounds. It is sufficient for these purposes to observe that Mr Henry did not advance a logical basis for it or attempt to justify it by reference to the provisions of the Copyright Law 2001. Indeed, art 10 provides an absolute answer. It includes 16 personal and property rights within the term “copyright” (the seventeenth is the omnibus “any other rights a copyright owner is entitled to enjoy”). The fifth is the right of reproduction, namely “the right to produce one or more copies of a work by printing . . . or by any other means”. It could not be a clearer reservation of
40 Massive’s absolute right to restrict reproduction of the Oslo design in China whether by three-dimensional copying or otherwise.

45 [42] As noted earlier, LPL’s primary line of defence was apparently based upon its understanding that the Copyright Law of the People’s Republic of China, which came into effect on 7 September 1990 (the Copyright Law 1990), was still in force. Article 52 of the Copyright Law 1990 defined reproduction in the same terms as are set out in art 10 of the Copyright Law 2001. However, it contained this exception:

“The term ‘reproduction’ as used in this Law shall not cover the construction or the manufacture of industrial products on the basis of drawings of engineering designs and product designs, and descriptions thereof.”

[43] Mr Henry expressly accepted Ms Quing’s evidence that the law was substantially amended by the Copyright Law 2001. She advised that the changes were designed to ensure China’s compliance with its international treaty obligations including the Berne convention. Among those important changes was a repeal of the exception for reproduction provided by art 52. 5

[44] Mr Henry advanced a brief alternative argument. He submitted that it was not necessary for me to determine whether “no person owned the copyright” as a threshold issue. He submitted, in a global fashion, that the subsection must be read as a whole. In particular he submitted that I must construe the phrase “where no person owned the copyright” by direct reference to s 12(5A)(b)(ii). 10 15

[45] I accept that the relevant subsection must be read as a whole. If it is, my conclusion remains unaffected.

[46] Accordingly, I find that the Cheeta is an “infringing copy” of the Oslo design in terms of s 12(3)(b). In my judgment this conclusion is irresistibly based on Ms Quing’s evidence. However, I agree with Mr Elliott that the use of the word “unless” in s 12(3)(b) casts an evidential onus on LPL to prove that it is entitled to the benefit of s 12(5A). The amending proviso introduced in 1998 is an exception providing an affirmative defence to a deeming provision. 20

[47] I agree also with Mr Elliott that the defence established by the new provision requires proof of foreign law. Its purpose is to enable a party to establish affirmatively that a product in question was lawfully made in an overseas country. This is a question of fact (*Cross on Evidence NZ looseleaf edn* (D L Mathieson ed) para 3.6). In these circumstances the importer carries the burden of establishing, first, that no person owned the copyright in the subject country and, secondly, if not, one of the four nominated circumstances applies. I read the word “unless” as synonymous with “except if” (*New Shorter Oxford English Dictionary*). Its existence is consistent with the principle that a party pleading an affirmative and potentially complete defence should carry the burden of proof (*Humphrey v Fairweather* [1993] 3 NZLR 91 per Tipping J at pp 99 – 101). Section 12(3)(b) creates a statutory exception, and the party seeking its benefit must establish the requisite preconditions. LPL did not lead any evidence about ownership of copyright under Chinese law; it did not attempt to discharge its burden of proof. 25 30 35

(3) Failure to protect copyright

[48] In view of my conclusion that Massive owns the copyright in the Oslo design in China, it is unnecessary to determine the third issue; namely, did Massive fail to take some step legally available to it to secure the copyright in its work in China? 40

[49] However, I should add that, even if I was wrong in concluding that Massive owns the copyright in the Oslo design in China, I would have rejected LPL’s argument based on s 12(5A)(b)(ii). LPL has not proven on the balance of probabilities that Massive failed to take some step legally available to it to secure the copyright in its work in China. The most obvious step was to ensure ownership in Belgium. Once this step was taken, Massive’s rights of ownership were automatically recognised in China by virtue of the Berne convention. 45 50

[50] Mr Piper gave this evidence for LPL:

“Copyright law was introduced in China on 1 June 1991. I am familiar with this law but for the purposes of this issue as I understand the factual ambit it is sufficient for the Court to understand that China’s copyright law does not protect the reproduction of copyright works in three dimensional objects, accordingly an object can be lawfully made in China under the copyright law currently in force in China. The only way to protect copyright in respect of three dimensional objects is to seek registration under the design registration system which requires an application to be filed with the appropriate government agency. China accords priority to objects such as the light in question here under the Paris Convention, this enables the owner of the copyright to file the necessary application within six months of the first filing in Europe.”

[51] Later Mr Piper said this:

“[Massive] could have protected three dimensional reproductions of the copyright by a design registration in China In my opinion no-one can own the copyright in China in a three dimensional industrially made object like the Massive light. The copying of a three dimensional light is lawful in that jurisdiction . . .”.

[52] In my judgment Mr Piper’s evidence falls well short of establishing that Massive “has failed to take some step legally available to [it] to secure the copyright” in the work in China. This conclusion is based on two grounds. First, contrary to Mr Piper’s assertion, art 10 of the Copyright Law 2001 is unequivocal evidence that Chinese copyright law does protect reproduction of copyright works, regardless of their dimensions; I cannot follow the legal basis for a ritualistic assertion of an exception for three-dimensional objects. Secondly, or alternatively, Mr Piper’s statements of understanding or opinion about what the law of China requires under a design registration system are not admissible as satisfactory or reliable evidence about the content of Chinese law; LPL should have led evidence of the relevant statutory provisions (*Mt Cook (Northland) Ltd v Swedish Motors Ltd* [1986] 1 NZLR 720 per Tompkins J at p 727). In any event, as noted, art 10 of the Copyright Law 2001 is directly to the contrary – namely, that copyright in Massive’s design, whether reproduced in two- or three-dimensional form, is protected.

[53] It follows that I accept Ms Quing’s evidence that:

“I confirm that in order to obtain design or trademark protection, it is necessary to obtain registration. However, it is different for copyright protection, except for computer software, no registration is required. Ownership of copyright can be protected in a work where the design has not been registered.”

[54] In conclusion, I am satisfied that this interpretation of s 12(5A) complies entirely with the purpose and spirit of the 1998 amendment. I accept Mr Elliott’s submission that any other construction would have an absurd effect. I accept also that as far as possible New Zealand legislation should be read consistently with its international obligations (*New Zealand Air Line Pilots’ Association Inc v Attorney-General* [1997] 3 NZLR 269 (CA) at p 289). Contrary to the intention of the amendment, acceptance of Mr Henry’s argument would allow a New Zealand retailer to import pirated goods – that is,

goods manufactured illegally in China in breach of the copyright owned by a Belgian company – lawfully into this country. Such a result would be inconsistent with New Zealand’s obligations under the Berne convention.

Remedy

[55] Mr Henry acknowledged that an injunction should issue if I found that the Cheeta was an “infringing copy” in terms of s 12(5A). However, he observed, and I accept, that LPL would not attempt to resume selling the Cheeta in that event. Mr Elliott responded that Massive would be content with a declaration. I would, of course, reserve leave to it to apply for injunctive relief if LPL continued its breach. 5 10

[56] Additionally, Massive claims damages of \$5000 being the agreed amount of LPL’s profits on sale of Cheetas to date. To succeed, in accordance with s 35, it must establish that when LPL imported the Cheeta into New Zealand it knew or had reason to believe that it was an infringing copy. LPL’s knowledge would have to be attributed to the company through Mr Mellor. 15

[57] Mr Elliott did not attempt to show that Mr Mellor had actual knowledge of the infringement. He pitched his argument at the level of constructive knowledge. He submitted that LPL bore the burden of proving that it had no reason to believe that the Cheeta was an infringing copy; and that in the absence of adequate inquiries or investigations it is difficult for LPL to contend that it had no grounds for supposing Cheeta was an infringing article (*Wham-O* at p 679, lines 40 – 51). Mr Elliott further submitted that: 20

- (a) Having travelled to China, Mr Mellor must have been aware that copying is a national pastime in that country. Accordingly, it was incumbent on him to inquire whether the product was original or was copied; 25
- (b) Even to the unsophisticated eye, the Cheeta is a very obvious replica of the Oslo. Mr Mellor’s evidence about ignorance of current events in the marketplace should be treated with caution. He turned a “Nelson’s eye” to reality; and 30
- (c) In any event, lack of knowledge is only a defence to a claim for damages but not to an account for profits (*Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd* (1985) 5 IPR 213). 35

[58] I accept that LPL carries the burden of proving that it had no reason to believe the Cheeta was an infringing copy. Mr Mellor’s evidence was that he first saw the Cheeta while on a buying trip to China in October 2001. He says that it was not until 19 June 2002, on receipt of a letter from Massive’s solicitors, that he was aware that the Cheeta may be an infringing copy of the Oslo design. He was previously unaware that Massive’s distributor was selling the Oslo in New Zealand. 40

[59] Mr Elliott subjected Mr Mellor to intensive cross-examination on this point. He admitted that he made no inquiries, whether in China or elsewhere, about whether the local manufacturer owned copyright in the Cheeta. It was not practical for him to investigate ownership of copyright of every one of the 400-odd samples which he viewed in China while on a buying trip. He had no way of knowing that the Oslo design was protected by copyright in New Zealand because it was not registered here. 45

[60] The ultimate question is whether, prior to 19 June 2002, Mr Mellor had reason to believe that the Cheeta was an infringing copy of the Oslo. The

inquiry must be limited to those two objects. While I have reservations about the nature and extent of Mr Mellor's investigations, I am not satisfied that even if he had made inquiries, whether in China or elsewhere, he would have learned that the Cheeta was an infringing copy of the Oslo design. Accordingly, I

5 I dismiss Massive's claim for damages.

[61] In view of Mr Elliott's realistic acknowledgment that an injunction is unnecessary at this stage, I simply declare that in terms of s 12 the Cheeta lamp imported into New Zealand by LPL from a Chinese manufacturer is an infringing copy of Massive's Oslo design. I discharge the interim injunction granted by Morris J on 29 July 2002 on the terms set out in his order. I reserve

10 leave to Massive to apply for further relief if and when necessary in the event that, contrary to Mr Henry's assurance, LPL imports or sells further Cheeta lamps into New Zealand.

[62] Massive is entitled to an award of costs. In the event that the parties are

15 unable to agree, Massive is to file a memorandum on or before 4 October 2002 and LPL is to file its memorandum in answer by 18 October 2002.

Declaration of breach of copyright in favour of the plaintiff.

Solicitors for Massive and Lighting Direct: *Morgan Coakle* (Auckland).

Solicitors for LPL and LFA: *Kathryn Webber* (Auckland).

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Reported by: Duncan Webb, Barrister