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No: A.444/84

IN THE HIGH COURT OF NEW ZEALAND  
AUCKLAND REGISTRY.

BETWEEN

BARSON COMPUTERS (NZ)  
LIMITED

A duly incorporated company  
having its registered  
office at Auckland and  
carrying on business as  
importers distributors and  
dealers in computer  
technology

First Plaintiff

ACORN COMPUTERS LIMITED

A duly incorporated company  
having its registered  
office at Cherry Hinton,  
Cambridge, United Kingdom  
and carrying on business  
as manufacturers distributors  
exporters and dealers in  
computers and computer  
technology

Second Plaintiff

A N D

BARSON COMPUTERS PROP. LTD

A duly incorporated company  
having its registered  
office at 335 Johnston  
Street, Abbotsford,  
Australia, a duly  
incorporated company  
carrying on business as  
importers, distributors and  
dealers in computer  
technology

Third Plaintiff

A N D

ACORN COMPUTERS (NZ) LTD

A duly incorporated company  
having its registered  
office at Auckland and  
carrying on business as  
providing services knowhow  
management advice and

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A N D

on business as  
providing services  
knowhow management  
advice and information  
generally in the field  
of data processing

Fourth Plaintiff

AND

JOHN GILBERT & COMPANY  
LTD

a duly incorporated  
company; having its  
registered office at  
Gittos St, Parnell  
Rise, Auckland, and  
carrying on the  
business of general  
merchants importers  
and commission agents.

Defendant

Hearing: 22 May 1984

Counsel: M.P. Crew for Plaintiffs  
R.L. Fisher for Defendant.

Judgment: 28 June 1984

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JUDGMENT OF PRICHARD, J.

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Acorn Computers Limited is an English company which manufactures and distributes computers and their associated technology. Barson Computers (NZ) Limited is a New Zealand company which markets the products of Acorn Computers Limited in New Zealand under a contract purporting to confer exclusive distributorship rights throughout New Zealand.

Currently Acorn Computers Limited is manufacturing two personal computers known as the "BBC" and the "Acorn". The Defendant, John Gilbert & Company Limited is a New Zealand company which, the Plaintiffs allege, is also marketing the BBC and Acorn computers in New Zealand without the sanction of either the manufacturer or its authorised distributor.

The Australian company, Barson Computers Proprietary Limited is joined in as Third Plaintiff because the distributorship held by Barson Computers (NZ) Limited was originally granted through the agency of the Australian company and because the Australian company claims to have contributed to the goodwill of the Acorn products in New Zealand and has an interest in protecting that goodwill. The Fourth Plaintiff, Acorn Computers (NZ) Limited is associated with Barson Computers (NZ) Limited. Its function is to provide services, advice and information to purchasers of Acorn products.

The Plaintiffs claim that the actions of the Defendant company in marketing the Acorn products in New Zealand infringe copyright owned by Acorn Computers Limited in the drawings and prototypes of the components of its products and in the working programmes, manuals and brochures of which it is the author. The Plaintiffs

also claim that the Defendant is passing off the products it sells as Acorn products sold by authorised distributors and so having the full support and backup which is in fact available only to purchasers from authorised dealers. The Plaintiffs seek an injunction restraining the Defendant from marketing the products of Acorn Computers Limited and damages.

The Plaintiffs now move for an interim injunction restraining the Defendant from importing or selling the BBC micro-computer and the Acorn Electron micro-computer. The Defendant has responded to the Plaintiffs' motion by giving an undertaking, effective until the substantive trial of the action, in respect of all the matters pleaded by the Plaintiffs except the allegation that the importation by the Defendant of the Acorn products constitutes an infringement of the copyright owned by Acorn Computers Limited. So the Court is now concerned only with the question whether the importation, per se, infringes the copyright claimed by Acorn Computers Limited. As to that issue, the parties have agreed to a statement of facts on the basis of which they seek a determination of the question of law, whether (if the facts are as stated) the Defendant's actions would constitute an infringement of the Second Plaintiff's copyright. The Defendant concedes that if, on the stated facts, there would be an

infringement by importation, an interim injunction should be granted. It is further agreed that the Court's finding on the question of law is to be treated as a decision under R.154, to be binding on all parties as if decided at the trial of this action - but with the reservation that the agreement that certain facts are to be assumed for the purposes of the present exercise is not to preclude the Defendant from contesting those particular facts at the trial. The questions of fact so reserved are essentially as to the subsistence and ownership of the copyright claimed by Acorn Computers Limited as to whether the Defendant is licensed by Acorn Computers Limited to market its products in New Zealand.

The parties are to be commended for coming to a sensible arrangement which enables a crucial question of law to be resolved at this stage.

The agreed statement of facts incorporates by reference some of the paragraphs of the Statement of Claim. With those paragraphs incorporated into the text of the statement, it reads as follows:-

1. The First Plaintiff is a duly incorporated company having its registered office at Auckland carrying on the business of importers and distributors and dealers in computer technology.
2. The Second Plaintiff is a duly incorporated company having its registered office at

Cherry Hinton, Cambridge, United Kingdom, carrying on business as manufacturers, distributors, exporters and dealers in computer technology.

3. The Third Plaintiff is a duly incorporated company having its registered office at 335 Johnston Street, Abbotsford, in the State of Victoria, Australia, carrying on business as importers, distributors, and dealers in computer technology.
4. The Fourth Plaintiff is a duly incorporated company having its registered office at Auckland but has not carried on business in its own name in New Zealand.
5. The Defendant is a duly incorporated company having its registered office at Auckland carrying on the business of importers, exporters, manufacturers and merchants principally in the fields of electronic parts and equipment and computers.
6. At a time or times unknown to the Plaintiffs, but believed to be since late 1983, the Defendant has imported into New Zealand, sold, by way of trade offered and exposed for sale and exhibited in public by way of trade a large number of both the BBC and the Electron, their working programmes including software and firmware, their operation and instruction manuals and general information brochures relating to them. The Defendant is continuing the acts referred to in this paragraph as at the date of issue of these proceedings.
7. The products referred to in paragraph 6 hereof were all lawfully purchased by the Defendant in the United Kingdom.
8. At the time that the Defendant did the acts referred to in paragraph 7 hereof, the Defendant knew that for the Defendant to make the said products in New Zealand would have constituted an infringement of the copyright owned by the Second Plaintiff in the works in question.
9. It is to be assumed for present purposes (but not so as to preclude these matters being disputed at the trial):-

- (a) That copyright subsisted in the works in question;
- (b) That the Second Plaintiff owned such copyright;
- (c) That the Defendant has done the acts referred to in paragraph 6 hereof without the licence of the Second Plaintiff;
- (d) That the products in question were all made by the Second Plaintiff.

The question of law is whether, on the basis of the agreed facts (and assuming the facts stated in paragraph 9 above to be established at the trial of the action) would the Defendant have infringed the copyright of any of the Plaintiffs?

It is generally true that a purchaser of articles made under copyright by or with the licence of the owner of the copyright, can make any use he likes of his purchases and will not thereby infringe copyright. But it is otherwise when copies are taken across an international frontier for purposes of trade without the consent of the person who owns the copyright in the country of importation. This principle has international recognition. It is implemented by a system whereby each nation provides in its own legislation that such importation is a separate species of secondary infringement.

The object is to protect the interests of persons who own copyright in the country of importation. If, for

example, a copyright owner licenses the making of copies of the original work in a foreign country and has no protection against importation of those copies into other countries where he owns the copyright the value of his copyright in the country of importation will be diminished. Foreign made copies could then be imported into the country where the copyright owner is domiciled and where he owns the copyright - possibly flooding the market with copies manufactured abroad far more cheaply than they can be made in the "home" country. Or the foreign made copies might be imported into another overseas country to the detriment of an exclusive distributor or licensee appointed in that country by the copyright owner - and the ultimate detriment of the copyright owner.

Similarly, the unauthorised importation for resale of copies made, not by a licensee, but by the person who owns the copyright in the country of importation will have an adverse effect on the business of any exclusive licensee or distributor in the country into which the copies are imported - and so deplete the royalties or other payments which the owner of the copyright can expect to receive. That is exactly what the Plaintiff alleges in the present case. The question is whether the legislation now in place in New Zealand affords protection to the owner of the copyright in New Zealand when he is, himself, the manufacturer of the imported goods.



Infringement of copyright by unauthorised importation was recognised early in the development of copyright law. An early judgment is Pitt Pitts v. George & Co. (1896) 2 Ch. 866. This case is not directly in point but serves to illustrate in a general way the concept of infringement by importation. It concerned a musical composition entitled "La Fileuse" composed in Germany by Joachim Raff. A German, F. Ries, acquired the copyright from the composer. F. Ries assigned to an English firm, Patey & Willis, the right to publish and perform "La Fileuse" in England. (The Plaintiff, Pitt Pitts, owned Patey & Willis). F. Ries also assigned the German rights to a publisher in Germany. The Defendant, George & Co., purchased from the German publisher (who owned the German copyright) copies of "La Fileuse" printed in Germany, imported them into England and sold them in competition with Patey & Willis. Despite a difficulty created by the legislation then in force in England, the Court of Appeal (Lindley and Rigby L.JJ., dissentiente Lopes, L.J.) held that the Plaintiff, having been granted publishing rights in England was entitled to copyright protection against the importation of the German copies notwithstanding that the importer had legitimately purchased lawfully made copies from the person owning the copyright in the place where the copies were made. Lindley, L.J. said at p.876:-

"If the defendant's contention were correct, it would follow that a foreign author could assign his English copyright and import and sell copies

of his work here in competition with his own assignee unless prevented from so doing by express agreement. Such a state of our law would not be very creditable, and I am glad to find that the Court is not driven to hold the law to be so unsatisfactory, nor to hold that, owing to a blunder in drafting, the Legislature has conspicuously failed to attain its declared and manifest object.

One other point was urged which requires notice. The Defendant is the purchaser of the books he has imported, and it is contended that he has a right to dispose of those books as he likes without any interference from the owner of the foreign copyright or from the plaintiff, who claims under him. The right, however, of the defendant to use in this country the books which he bought abroad depends on the law of this country and not on the law of the place of sale. The copyright in this country confers upon the plaintiff rights here which no contract of sale abroad by other persons can deprive him of. Even if the defendant had bought his copies direct from the proprietor of the foreign copyright, the defendant would be in no better position as against the plaintiff than such proprietor himself; and for reasons already given he could not justify what the defendant claims the right to do."

Pitt Pitts v. George & Co. recognised that when infringement by importation is in issue, the law of the place of importation is decisive. The factual difference between the present case and Pitt Pitts is that in the present case the manufacturer is the owner of the copyright in the country of importation (as well as the country of manufacture) whereas in Pitt Pitts the German copyright owner did not have publishing rights in England.

The present case exemplifies the fact that the importation by others of copies manufactured by the person who is the owner of the copyright in the country of importation will adversely affect the interests of that copyright owner. If that were not so this action would never have been commenced. The detriment to the owner of the copyright is obvious: the question is whether existing legislation enables the copyright owner to assert copyright against the unauthorised importer in such circumstances - i.e. when the importer has purchased articles made by the person who owns the copyright in the country of importation. Pitt Pitts did not address this particular circumstance and, of course, was decided in the context of legislation very different from that now in force in New Zealand.

Before turning to the legislation, I think I should refer to a threshold question which can lead to some confusion of thought on this topic.

At first sight the proposition that a person who has obtained a clear title to an article by purchase, without any restrictions imposed in the contract of sale, can afterwards be restrained by the vendor from importing that article into another country seems to run counter to the concept that, in the absence of express conditions imposed

at time of sale, the purchaser's title enables him to do what he likes with the purchased goods. This apparent conflict is examined in the judgment of Gibbs and Stephen, JJ. in Time Life International (Nederlands) B.V. v. Interstate Parcel Express Co. Pty Ltd (1978) F.S.R. 251, a decision of the High Court of Australia. Stephen, J. distinguished between patented articles and articles which are copies of an original work in which copyright subsists. He went on to say at p.278:-

"The buyer of monopoly-free goods, goods not the subject of patent rights, obtains by his purchase title to and possession of the goods and with it, of course, goes the ability, subject to the relevant laws of the jurisdiction in question, to use and deal with the goods as he sees fit. But this is only the consequence of chattel ownership and nothing in the nature of a licence is involved. The buyer of a book in which copyright exists is just such a buyer; the book, once bought by him, is not thereafter subject to any monopoly rights of the copyright owner but may be dealt with by the buyer entirely as he chooses. The copyright in the literary work of course remains with the copyright owner, the buyer has bought no part of it and remains as he was before his purchase, unable lawfully to enjoy any of those exclusive rights, reproduction, adaptation or the like, which ownership of the copyright preserves exclusively for the copyright owner."

Stephen, J. at p.282 concluded his judgment as follows:-

"There is, then, no novelty in the view that indirect infringement of copyright may result from the importation of material which until imported infringed no copyright - and see Albert v. S. Hoffnung & Co. Ltd (1921) 22 S.R.(N.S.W.) 75 - and may indeed have originated with the plaintiff copyright owner".  
(The emphasis is mine).

The Time-Life judgment was the unanimous decision of Sir Garfield Barwick, C.J., Gibbs, Stephen, Jacobs and Murphy, J.J. There is a difference between the statutory provisions in New Zealand and Australia - I will refer to this later; but the judgment is of value in that it elucidates the point that the title acquired by the purchaser of a chattel, while entitling him to make such use of the chattel as he thinks fit, does not enable him to use the chattel in a way which infringes any copyright owned by the vendor. That is because although transferring full and unrestricted rights of chattel ownership to the purchaser, the vendor still retains his copyright.

Section 10(2) of the Copyright Act, 1962 reads:-

"S.10(2). The copyright in a literary, dramatic, musical, or artistic work is infringed by any person who, without the licence of the owner of the copyright, imports an article (otherwise than for his private and domestic use) into New Zealand if to his knowledge the making of that article constituted an infringement of that copyright, or would have constituted such an infringement if the article had been made in the place into which it is so imported."

This case is not concerned with articles the making of which constituted an infringement of copyright. The crucial question in this case is whether the second limb of s.10(2) (which I have underlined) applies if the

imported copies are manufactured by and legitimately purchased from the person who owns the copyright in the country of importation.

The provision is not new. It is copied almost word for word from s.16(2) of the Copyright Act, 1956 (U.K.) which in turn traces back to s.2(2) of the repealed Copyright Act, 1911 (U.K.). Section 2(2) of the Act of 1911 was couched in somewhat different terms from the current legislation but it was to the same effect and it invoked the same criterion of notional manufacture in the place of importation.

I was referred by counsel to four judgments in which the corresponding provisions of the United Kingdom legislation and its Australian and Canadian counterparts have been considered. These are:-

Albert v. Hoffnug & Co. Ltd (1921) 22  
S.R.(N.S.W.) 75;  
Clark Irwin & Co. v. Cole (1960) D.L.R. (2d.) 183;  
Godfrey MacSkimming and Bacque Ltd v. Coles Books  
Ltd (1973) D.L.R. (3d) 346;  
Time Life International (Nederlands) B.V. v.  
Interstate Parcel Express Co. Pty Ltd (1978)  
F.S.R. 251.

In all these cases - except Godfrey MacSkimming and Bacque Ltd v. Coles - the circumstances were that the defendant had purchased goods manufactured by a licensee or an assignee of copyright in the country of purchase.

Godfrey MacSkimming and Bacque Ltd v. Coles was a case in which the imported books had in fact been printed by a printer employed by the owner of copyright in the country of importation. The importation was held to be an infringement but the brief judgment of Callon, J. does not really confront the question now raised. It seems to have been assumed, without argument, that the owner of copyright in the country of importation has protection against the unauthorised importation of copyright goods which he has manufactured himself.

In recent years, several judicial pronouncements have discerned a cryptic quality in the second limb of s.10(2) and have undertaken an enquiry as to the incidents (other than geographical situation) to be hypothetically attached to the notional making contemplated by the second limb of s.10(2). The provision has been described as "ambiguous" and "puzzling". One eminent Judge has said that the interpretation of the provision "does not involve a difficult question of law" - and then reached a conclusion with which, I regret to say, I am unable to agree. The judgments are conflicting.

The question is significant in the context of the present case because one school of thought maintains that the hypothetical maker must be the actual maker: i.e. that the hypothesis is that the copies are made in the country

of importation by the person who actually made them somewhere else. If the "actual maker" theory is the right view, then in the present case the hypothesis would be that the computers were made in New Zealand by Acorn Computers Limited, the owner of the New Zealand copyright - and that, of course, would not be an infringement. The other view is that it is of no consequence who actually made the imported article - it is just a question of whether to make that article in the country of importation would infringe the copyright - irrespective of the identity of the notional maker.

If the provision has an enigmatic quality, this is due to the fact that, in postulating a hypothetical making, the subsection does not prescribe any of the circumstances of that hypothetical making except that it occurs in the place into which the article is imported. The statute does not say whether and, if so, to what extent the hypothetical making is to have the same incidents as the actual making. In particular, it does not specify the identity of the person who, hypothetically, makes the article in the place into which it is imported.

It seems to me that one "making" cannot be wholly isolated from the other because, if the article is to be an infringement, not only must it reproduce the original work or a substantial part of it, it must also be derived from



that original work by process of copying. Copying, if it does occur, can only be perpetrated by the actual maker. Moreover, the purpose of the actual maker is relevant to the question of infringement or no infringement under the "fair dealing" provisions of ss.19 & 20. These considerations point towards acceptance of the view that the second limb of s.10(2) envisages the person who actually made the copies being hypothetically transferred into the country of importation. This, however, is not a conclusive argument because if it be supposed that the hypothetical maker in the country of importation is, for the purposes of s.10(2), someone other than the person who actually made the article, that supposition does not by any means preclude an enquiry into whether the article was copied from the original or whether it is an example of "fair dealing".

On the other hand, given the fact that the interests of the copyright owner can be damaged by unauthorised importation of copies of his work irrespective of whether he made those copies himself or whether they were made by his licensee, it seems anomalous to restrict the protection of the copyright to one case and not the other. If the intention was to limit the protection in this way one might well ask why the legislature did not say so. It would have been a simple matter to have enacted the second limb of s.10(2) to read:-

"... if the article had been made in the place into which it is so imported by the person who in fact made it."

It is interesting to note that our nearest neighbours have adopted a similar formula to resolve any ambiguity: but they have resolved it to a different effect. The corresponding provision of s.37 of the Australian Copyright Act 1968 concludes:

"... where, to his knowledge, the making of the article would, if the article had been made in Australia by the importer, have constituted an infringement of the copyright."

So one consequence of construing s.10(2) of the Copyright Act 1962 to accord with the "actual maker" theory will be that the law of Australia will be inconsistent with that in New Zealand. It is because of that difference in the Australian legislation that Time-Life International (Nederlands) B.V. v. Interstate Parcel Express Co. Pty Ltd (supra) is of no direct assistance in construing s.10(2) of the Copyright Act, 1962 (NZ).

The first reported case in which a latent ambiguity in s.10(2) was perceived and examined in detail was J. Albert & Sons Pty Ltd v. Fletcher Construction Limited (1974) 2 N.Z.L.R. 107. This is the only relevant judgment of the New Zealand Court and it is a case on which the plaintiffs place much reliance because it does not support the

"actual maker" theory. Fletcher Construction Ltd held the New Zealand franchise for "Musak". Musak is an American system of distributing "background" music from a central station throughout a large building to speakers installed in the premises of subscribers to the service. For this purpose Fletcher Construction imported a tape on which were recorded appropriate pieces of music. These included some works which were subject to copyright held by overseas owners. The tape was in fact made by the American "Musak" Corporation and, it may be assumed, was made legitimately with the sanction of the owners of the American copyright. The right to transmit the copyright works to subscribers to a diffusion service had been assigned to the Australasian Performing Rights Association Limited. Fletcher Construction had obtained the authority of the Australasian Performing Rights Association to use the tapes in its "Musak" system. But the Plaintiff, J. Albert & Sons Pty Limited were, by assignment, the owners in New Zealand of the right to reproduce the works in question on tape. J. Albert & Sons Pty Ltd contended that the importation of the tape was an infringement of copyright.

Quilliam, J. held that there was an infringement by importation. The judgment did not refer to any of the decided cases but was based entirely on a close analysis of the Copyright Act, 1962. Quilliam, J. concluded that

the Act "establishes a separation of rights at every level from the moment of composition of a work". The reproduction of a work in a material form and its importation are thus entirely separate matters and may be the subject of separate transactions, each capable of being separately dealt with and each being afforded separate protection. Quilliam, J. went on to observe that s.10(2) cannot be read in such a way that a licence to "make" automatically confers a licence to "import". Accordingly, he concluded at p.114:-

"The proper construction in my view, is ... that it is an infringement to import a record if the making of that record in New Zealand would, in general terms, constitute an infringement, that is by anyone who did not have specific authority to make it."

So Quilliam, J. took the position to be that infringement by importation occurs whenever articles are brought into New Zealand for purposes other than private and domestic use, without the consent of the person holding the exclusive right to manufacture those articles in this country if the articles in question are such that anyone who did manufacture them here would infringe copyright (unless, of course, he first obtained consent to manufacture in New Zealand from the person holding the exclusive manufacturing rights in this country). Or to put it another way, if an article is such that nobody could legitimately manufacture it in New Zealand without

the consent of the person owning the exclusive manufacturing rights, then its importation without that consent is a secondary infringement of copyright. Quilliam, J. was at pains to make it clear that the person whose consent is required to importation - and whose consent would be required if the articles were made in New Zealand - is the person who holds that particular facet of the copyright which relates to manufacture in New Zealand, whether that facet is retained as an incident of the original copyright or was acquired by virtue of assignment. When the rule is enunciated in that way, it is clear that it is entirely unnecessary to fix the person who is the hypothetical maker with any particular identity. His identity is irrelevant. The question is simply whether anybody could legitimately manufacture the imported article in New Zealand without the consent of the person owning, by virtue of copyright, the sole manufacturing rights in New Zealand.

Accordingly, on this construction of the provision there is no occasion to embark on the enterprise of investing the notional maker with a particular identity. The question is not whether any particular person could make the article in New Zealand: it is whether anybody at all could do it without the consent of the copyright owner.

All this was enunciated in a succinct way by Quilliam, J. when he said that it is an infringement to import an article if the making of that article in New Zealand would in general terms constitute an infringement. I have taken the liberty of expanding the learned Judge's compendious formulation because of what is to follow.

The effect of J. Albert & Sons Pty Ltd v. Fletcher Construction Ltd is that the decisive question is not to be answered by reference to the identity of the person who actually made the imported copy overseas. The question is whether the making of that article in New Zealand, irrespective of who makes it, would be an infringement: if so, then in terms of the statute the unauthorised importation of the copy is a secondary infringement unless the importation is for private and domestic use.

Quilliam, J. was not dealing with a case where the imported copy had actually been made by the owner of the copyright, but because of the approach he adopted his conclusion that the identity of the actual maker is immaterial seems to be of general application - as applicable to a case where the actual maker is the owner of the copyright as to any other case.

The judgment in J. Albert & Sons Pty Ltd v. Fletcher Construction Limited came under fire in the judgment of

Browne-Wilkinson, J. in C.B.S. United Kingdom Limited v. Charmdale Record Distributors Ltd (1980) F.S.R. 289 (1980) 2All.E.R. 807. Browne-Wilkinson, J., who confessed that he was not sure that he fully understood how Quilliam, J. did construe the section, held that the statute implicitly requires it to be assumed that the hypothetical maker is the person who actually made the article abroad. This, of course, is a judgment on which the defendant places much reliance. It is a case in which some of the articles in question (records and tapes) were made by an American Corporation which was the owner of the copyright in the United Kingdom. The defendant had lawfully purchased in the U.S.A. recordings made by the American Corporation and had imported them and sold them in the United Kingdom. So, factually, it is a case in point; and the relevant statutory provision, s.16(2) of the Copyright Act, 1956 (U.K.) is, for practical purposes, indistinguishable from s.10(2) of the Copyright Act, 1962 (N.Z.).

Because the Charmdale recordings were made by the owner of the English copyright, Browne-Wilkinson, J. was able to distinguish J. Albert & Sons Pty Ltd v. Fletcher Construction Limited on the facts: nevertheless, he appreciated that the construction placed on the provision by Quilliam, J. was expressed in such a way as to be of general application - and he strongly disagreed with it.

Browne-Wilkinson, J. rejected the plaintiff's argument that it would be anomalous to give copyright protection to articles lawfully manufactured abroad by a licensee and yet none to articles made abroad by the copyright owner himself. That rejection is central to the reasoning which led Browne-Wilkinson, J. to conclude that the "actual maker" theory is the preferred construction. As to this he said at p.296-7:-

"(The Plaintiffs) then say that this shows that section 16 is not directed purely against pirating outside the United Kingdom but is intended to catch articles lawfully manufactured abroad. Why, they ask, draw any distinction between importing articles lawfully made abroad by a licensee and articles lawfully made abroad by the copyright owner himself. (The Plaintiffs) argue that unless it is possible for grantees of exclusive licences to enjoy monopoly rights in the territory for which they are licensed the whole system of licensing will break down.

This is a formidable argument of convenience which I would find compelling were it not for one factor. Once it is decided that an exclusive licensee is not the owner of the copyright for the purposes of the Act it seems to be clear that a copyright owner who has granted an exclusive licence in the United Kingdom does not infringe the proprietary copyright by himself producing that article in the United Kingdom (see section 1(2)). He may be acting in breach of contract, but he is not infringing the copyright. If a licensee is not protected otherwise than in contract against manufacture in the United Kingdom by the owner of the copyright, there seems to be no compelling reason why he should enjoy greater protection against importation of the same articles if manufactured abroad by the copyright owner. I therefore approach the construction of section 16 without any clear concept of the exact purpose which the section was designed to achieve. I must simply do my best to construe the words as they stand".



Section 1(2) of the Copyright Act, 1956 (U.K.) is the same as s.6(2) of the Copyright Act, 1962 (N.Z.). As Browne-Wilkinson, J. observed, it means (inter alia) that if a copyright owner grants an exclusive licence to another person to do any of the acts which are the exclusive prerogative of the owner of the copyright, the copyright owner can, in derogation of his grant, do the very acts for which he has granted an exclusive licence and will not thereby infringe the copyright: the licensee has no remedy except in contract. It seems to me, with respect, that in dismissing the "argument of convenience" because it seemed to accord protection to a mere licensee which he does not have vis a vis the owner of the copyright, Browne-Wilkinson, J. took no account of the fact that it is not just the contractual rights of a licensee or sole distributor which are invaded when, without the licence of the copyright owner, articles subject to the copyright are imported for resale into a country where the copyright applies. This, no doubt, was because the case before Browne-Wilkinson, J. was presented on the basis that the Plaintiff was a licensee. Had the plaintiff been the owner of the copyright - as in the instant case - and had the learned Judge been conscious of the fact that the unauthorised importation involved an invasion of the rights of the owner of the copyright, he must have concluded that there is no obstacle to the copyright owner asserting the copyright in protection of

his own commercial interests in the country of importation -- no reason in principle why he should be precluded from asserting his proprietary rights just because that assertion might benefit his licensee as well as himself. If this is so then the one factor which Browne-Wilkinson, J. saw as preventing acceptance of what he rightly called a "formidable argument of convenience" can be seen to have no substance, at any rate when the plaintiff owns the copyright. Not only does the obstacle to the argument of convenience disappear but there emerges a clear concept of the exact purpose which the section was designed to achieve.

Approaching the problem, as he said, without a clear concept of the purpose of the section, Browne-Wilkinson, J. dealt first with the proposition that the notional maker is the importer -- the "Australian concept". Referring to the fact, (which I have already noted), that the Australian Copyright Act 1968 expressly refers to the hypothetical maker as being the importer, the learned Judge observed that the Australian Act does not apparently derive from the United Kingdom Act. (In fact they have a common ancestor -- the United Kingdom Copyright Act 1911). He went on to say at p.299:-

"However desirable it may be to seek to preserve uniformity between national laws in relation to such an international subject as copyright, I do not think it is legitimate to construe a United Kingdom statute by reference to a subsequent Commonwealth statute. If there were no factors pointing the other way I would favour producing uniformity in the relevant law of Australia and this country, but, in my judgment, there are other factors which militate against that result."

The factors which Browne-Wilkinson, J. saw as militating against construing the section so as to accord with the Australian enactment were:-

(a) He considered that any construction other than that based on the "actual maker" theory would have unreasonable consequences in the context of s.16(3). Section 16(3) of the United Kingdom Act deals with another kind of secondary infringement - infringement by selling or hiring copies of the original work or offering such copies for sale or hire. The second limb of s.16(3) (U.K.) says that in the case of an imported article, there is an infringement by selling or hiring if the making of the article sold or hired or offered for sale or hire would have constituted an infringement if the article was made in the place into which it was imported. (This kind of secondary infringement is covered by s.10(3) of the New Zealand Copyright Act which, again, is in the same terms as s.16(3) of the U.K. Act). The learned Judge considered that the second limb of s.16(3) must be construed in the same manner as the second limb of s.16(2); and this no

doubt is so. If the hypothetical maker envisaged by the second limb of s.16(3) is the importer then, Browne-Wilkinson, J. reasoned, a trader in the country of importation could not reasonably be expected to know who the importer was, although he would probably know who the actual maker was. In the case of books, for example, that would be apparent from the publication itself: and many manufactured items have imprinted on them the name of the manufacturer. With respect, I cannot see that this is a significant reason for preferring the actual maker to the importer as the notional maker. Knowledge on the part of the alleged infringer is a necessary ingredient in cases of secondary infringement. Neither the importer under s.16(2) nor the seller/hirer under s.16(3) infringes unless he knows that the hypothetical making would have constituted an infringement. The "Australian construction", it seems to me, works no hardship on the trader by equating the notional maker with the actual importer.

In any event this objection relates only to acceptance of the "Australian interpretation" and so is not germane to the question whether the interpretation in J. Albert & Sons Pty Ltd v. Fletcher Construction Ltd should be adopted.

(b) Browne-Wilkinson, J. took the point, which I made earlier in this judgment, that some incidents of the

actual making must be relevant to the issue of secondary infringement by importation - in particular with regard to the aspects of copying by the actual maker and knowledge of copying on the part of the importer. Again, and for the reasons given earlier, I do not find this a conclusive argument. Irrespective of who is assumed to be the hypothetical maker - or whether or not it is necessary to assume that a particular person is the hypothetical maker - for the purposes of the hypothesis predicated by the second limb of the subsection, the question of copy or no copy is a separate issue. It relates, of course, to the question whether the making of the article in question would infringe and so may well require that the actual maker be identified as a particular person for the purpose of resolving that particular issue.

Turning to the construction adopted by Quilliam, J. in J. Albert & Sons Pty Ltd v. Fletcher Construction Co. Ltd. Browne-Wilkinson, J. found this also to be unacceptable because it seemed to him to predicate a "specific authority to a hypothetical making". This, he concluded, was an impossibility. In his view "the section itself requires one to find out whether the hypothetical maker would have been authorised to make". To my mind that observation could only spring from the admitted failure of the learned judge to be sure that he fully understood how Quilliam, J. did in fact construe the section. Quilliam, J. did not relate the question of whether the article

could be made in New Zealand without infringing to the identity of the hypothetical maker or to whether or not some hypothetical maker in particular was authorised to make the article because, in his view, it is simply a general question whether the article could be made in New Zealand (by anyone at all other than the owner of the New Zealand copyright or his licensee) without infringing.

Having rejected both the interpretation adopted and expressed by the Australian legislature and also that arrived at by Quilliam, J., Browne-Wilkinson, J. concluded that the only alternative is to construe the provision as though the hypothetical maker is the same person as the actual maker - transferred geographically into the country of importation.

Browne-Wilkinson, J. was fortified in his judgment by a then recent decision of Goulding, J. in The Who Group v. Stage One (Records) Ltd. (1980) F.S.R. 268. Goulding, J. had refused to grant an interim injunction because (and this was conceded by the plaintiff) any such injunction would have had to be limited so as not to restrain the importation of records made abroad by the plaintiff, who owned the copyright. The force of the Who Group authority is diminished by the fact that it was an interlocutory judgment and the plaintiff conceded the point only for the purposes of the interlocutory application.

On 21 December 1979 - eighteen days after the Charmdale decision, Megarry V.C. delivered the judgment at first instance in Polydor Limited v. Harlequin Record Shop (1980) F.S.R. 194. The Vice Chancellor followed Charmdale, observing as he did so that the construction of s.16(2) of the Copyright Act 1956, is "not a difficult question of law". He considered that the hypothesis prescribed by the subsection involved no more than the imaginary transference of both the actual making and the actual maker into the country of importation and that there is no justification for piling hypothesis upon hypothesis by supposing that the article is made by someone other than the actual maker. Megarry, V.C. said at p.119-200:-

"In considering the second alternative, one starts, therefore, with a making which did not in fact constitute an infringement of copyright. The second alternative then continues by requiring a single hypothesis to be made, namely, that instead of the article being made where it was in fact made, it was made in the country into which it was imported. That is all. The statutory hypothesis is geographical, and nothing more. There is nothing to require any hypothetical alteration in the article, the owner of the copyright, the making, or anything else.

I readily accept that if an inescapable consequence of making a statutory hypothesis is that some other hypothesis must necessarily be made, then the statute provides authority for making that other hypothesis as well. As Lord Asquith of Bishopstone said in East End Dwellings Co. Ltd v. Finsbury Borough Council (1952) A.C. 109 at 132.

"If you are bidden to treat an imaginary state of affairs as real, you must surely, unless prohibited from doing so, also imagine as real the consequences and incidents which, if the putative state of affairs had in fact existed, must inevitably have flowed from or accompanied it."

Accept that to the full, and still I can see no reason why the word "inevitably" should be softened into "probably". The hypothetical must not be allowed to oust the real further than obedience to the statute compels. In my judgment, there is no reason why, in applying the second alternative, it should be assumed or accepted that there is any alteration in the person who in fact made the article. The sole hypothetical change is in the place in which the article is made; there is nothing to change the person who made it."

Accordingly the learned Vice Chancellor held that in s.16(2) the person who hypothetically makes the article in the United Kingdom is the person who in fact made it abroad. In the case before him, this meant that there was an infringement, because the company which made the records (in Portugal) had no right to make them in England.

Megarry, V.C., in opting for the "actual maker" theory was influenced to a large degree by his view that the subsection calls for only one hypothesis (as to the place of making) and that there is no justification for introducing a second hypothesis (as to the identity of the maker).

With respect, I do not find the "second hypothesis" argument at all convincing. Megarry, V.C. referred to East End Dwellings Co. Ltd v. Finsbury Borough Council (1952) A.C. 109. In that case the Privy Council was concerned with the assessment of compensation for land acquired by a local body. Flats built on the land had



been totally destroyed by enemy action. The legislation provided that in such a case the compensation should be assessed as though the war damage had been made good before the acquiring authority served notice to treat. To make good the damage meant putting up a new building. If a new building had been erected it would have been free from rent control. It was held that the compensation must be assessed on the basis of a notional building free from rent control because the inevitable consequence of the hypothetical building being a new building was that it would not be rent restricted. That is a very different case from the present. The only hypothesis predicated by the second limb of s.10(2) is that the imported article is made in New Zealand - and no more. It is not an inevitable concomitant of that hypothesis that the notional maker be the actual maker. Indeed it seems to me that it is the "actual maker" theory which involves two hypotheses where only one is required - not only does the theory require the "making" to be transferred to the country of importation, but also that the maker be transported into a new and (to him) unaccustomed environment.

But the Polydor case went to appeal. And, on appeal, it seems to me that the "actual maker" theory, if not rejected, was not the ratio of the judgment. In Polydor Ltd v. Harlequin Record Shop (1980) F.S.R. 362, (C.A) Templeman, L.J. said at p.364:-

"Section 16(2) of the Copyright Act 1956 provides that copyright is infringed

"by any person who, without the licence of the owner of the copyright imports an article ... into the United Kingdom... if to his knowledge the making of that article constituted an infringement of that copyright or would have constituted such an infringement if the article had been made in the place into which it is so imported."

The making of the records did not constitute an infringement because the Portuguese licensees were entitled to manufacture them. But the making of the Portuguese records would have constituted an infringement if the records had been made in the United Kingdom without the licence of the plaintiffs who hold the licence so far as the United Kingdom is concerned".

Templeman, J. then referred to the provisions of s.49(5) and (6) which deal with the fragmentation of the rights which make up copyright and went on to say at p.365:-

It follows that under section 16(2) it is no defence for the defendants to say that the records in question were manufactured by the Portuguese licensees. For the purposes of importing those records into the United Kingdom the defendants require the consent of the plaintiffs, and if they have not obtained the consent of the plaintiffs, (as they have not) they are, in my judgment, guilty of an infringement of copyright under section 16(2)."

Mr Fisher submitted that Templeman, L.J. did not expressly reject the "actual user" theory. And, as Mr Fisher pointed out, on the facts of the Polydor case it made no difference to the result which theory is adopted because the actual maker (who had only a licence for Portugal)

could not legitimately make copies in England. Nevertheless, reading the judgment it is my impression that Templeman, L.J. did not seem to be concerned with the identity of the actual maker; rather he rested his judgment on the fact that anyone wishing to make copies in England would require the consent of the licensee for England - i.e. the consent of the plaintiff who had the manufacturing rights in England. If I am wrong about that, at least it can be said that Templeman, L.J. approached the question in the same way as did Quilliam, J. in J. Albert & Sons Pty Ltd v. Fletcher Construction Limited and that there is nothing expressed in his judgment which conflicts with the decision in J. Albert & Sons Ltd v. Fletcher Construction Limited.

Mr Fisher naturally adopted all the arguments which persuaded Browne-Wilkinson, J. and Megarry, V.C. to accept the "actual maker" theory. He also advanced further submissions in favour of that construction.

Mr Fisher submitted that the grammatical construction of the second limb of s.19(2) leads inevitably to the conclusion that the notional making there contemplated is the actual making and thus involves the actual maker. There is no justification, he submitted, for going outside a literal reading of the subsection in order to construe

the second limb. As I understand it, the submission is that only one "making" is mentioned in the subsection and that, of necessity, the subject matter of the second limb must be the same as that of the first limb. The provision reads:-

"if ... the making of that article constituted an infringement of that copyright, or would have constituted such an infringement if the article had been made in the place into which it is so imported."

The submission is that as a matter of grammatical construction, the words "that making" in the second limb must relate back to "the making" in the first limb. The second limb then has to be read as meaning:-

"if ... the making of the article constitutes an infringement of that copyright or if that making would have constituted an infringement if the article had been made in the place into which it is so imported."

I agree that such a construction is possible but to my mind the argument begs the question - it assumes that a reference to the act of making is necessarily a reference to the identity of the maker. Mr Fisher says that once it is accepted that the reference back is to the actual making, then that must embrace all the incidents of the actual making. Obviously that is not so because the most significant feature of the actual making is that it is an infringement whereas the notional making is not.

I am not persuaded that the grammatical construction for which Mr Fisher contends leads to the conclusion that the notional maker is the actual maker. Moreover, the specific reference back is not to the making - it is to the article: the words are "if ... that article" and not "if that making". This leads me to think that the second limb of s.10(2) is saying:-

"if ... the making of the article constitutes an infringement of copyright or if to make that article in the place into which it is imported would be an infringement."

This, of course, is essentially the meaning assigned to the provision by Quilliam, J. in J. Albert & Sons Pty Ltd v. Fletcher Construction Ltd.

In my view there is no difficulty in construing the words of the second limb of s.16(2) without assigning a particular identity to the person who, hypothetically, makes the copies in New Zealand. Had the legislature intended the identity of the notional maker to be the same as that of the actual maker, it could readily have said so: in my view a likely explanation of the fact that the provision does not expressly identify the maker is simply that his identity is immaterial.

Mr Fisher further submitted that if copyright protection extends to articles manufactured by the owner of the

copyright, then the copyright owner is enabled to extract a double benefit - firstly when he sells the product at a profit and secondly when he receives a royalty payment from his distributor in the country of importation. But this is not so. If he chooses to assert copyright to prevent importation into a country where the copyright belongs to him, then he deprives himself of profits on the sale of the copies which would otherwise be purchased from him for resale in that country. It is only if he stands aside, and takes no action to assert his copyright in the country of importation that his profit will be increased by the sale of copies which the purchaser intends to import into a country where he owns the copyright. He cannot have it both ways.

Section 10 is concerned with the distribution of copies of copyright material for purposes of trade. It is designed, in my view, to give the owner of the copyright control of the exploitation of the copyright in those countries to which his copyright extends. There is no reason, in principle why the copyright owner should not use this control as he thinks fit, nor any reason why the transfer of title to copies of the protected work should have the effect of extinguishing any of the copyright owner's rights - any more than the transfer of title to the original work effects a transfer of the copyright in that work.

Finally Mr Fisher submitted that as regards secondary infringement by importation, the owner of the copyright can, if he wishes, protect his interests by contract at the time of sale. Even if this were adequate protection, I see no reason why he should be deprived of a normal incident of the ownership of copyright and relegated to a position where he has to rely on contract. In fact contract is not adequate protection. The point at which control is effective is the place of importation. No doubt a manufacturer of goods which are the subject of copyright might, if he wished, obtain from all purchasers of those goods a covenant not to import them into any country in which the manufacturer owns the copyright or, perhaps, a warranty that they would not be so imported. But the goods might change hands several times before the importation occurred; then the copyright owner would be left with a personal action against the person to whom he sold the goods, but with no means of preventing their importation. This much is clear; s.10(2) is intended to afford the owner of the New Zealand copyright protection against the importation of copies from overseas. That can only be because such importations will be injurious to the value of the copyright and to the interests of the copyright owner. If the importation of copies is permitted, the injury will occur irrespective of the source from which the importer obtains his supplies. I can see no reason to discriminate between copies made by

the owner of the copyright and copies made by anyone else - the importation of either will adversely affect the value of the copyright in the country of importation. In short, the identity of the actual maker is immaterial.

I have tried to deal faithfully with the considerations which have been adduced in support of both views. I can only conclude that the second limb of s.10(2) is susceptible of more than one meaning. In that situation I would adopt what Lord Asquith said in East End Dwellings Co. Ltd v. Finbury Borough Council (supra) at p.132:-

"If the meaning of those words were cryptic or equivocal it would no doubt be permissible to interpret them in the light of a number of extrinsic considerations, including any scheme or policy which could be spelt out of this complex of legislation; and any anomalies which might follow from one construction and be avoided by the other."

As the cases amply demonstrate, the words in the second limb of s.10(2) are both cryptic and equivocal. If the meaning assigned to them is that which follows acceptance of the "actual maker" theory, then the result is an anomaly - the owner of copyright in the country of importation is afforded protection against the unauthorised importation of one class of legitimately manufactured copies but not the other. If the interpretation adopted by Quilliam, J. in J. Albert & Sons Pty Ltd v. Fletcher Construction Ltd is adopted the

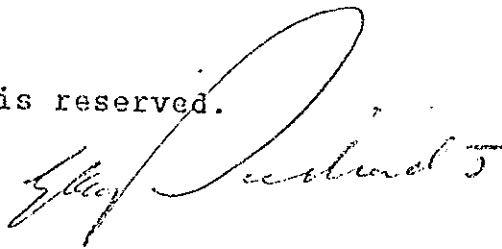


anomaly is avoided. The scheme to be spelt out of the legislation is that the interests of the person who owns the copyright in the country of importation are to be protected from deprecation through the activities of importers who seek to bring into that country copies of the protected goods to be there sold in competition with those sold by the owner of copyright or by his exclusive licensee or appointed sole distributor. If the "actual maker" theory is accepted the door is left open for the importation of copies made abroad by the owner of the New Zealand copyright, against his interests and without his consent. If the identity of the hypothetical maker is immaterial then that door is closed. I agree with the submission made by Mr Crew that if the door is open for the unauthorised importation of copies made overseas by the owner of the New Zealand copyright, the whole system of licensing will be impaired. I am, therefore, in no doubt that the purposive construction of this provision is that achieved in J. Albert & Sons Pty Ltd v. Fletcher Construction Ltd and that this is the true construction of the provision. I add that although this interpretation does not in terms accord precisely with the Australian legislation, it will, so far as I can see, have the same practical effect.

Accordingly, I answer affirmatively the question posed on the agreed statement of facts. There will be an injunction effective until the further order of the Court.

that the Defendant be restrained whether by itself or by its servants or agents or otherwise howsoever from infringing the copyright of the Second Plaintiff by importing selling by way of trade offering or exposing for sale exhibiting in public by way of trade marketing distributing advertising or in any other way dealing in the BBC micro-computer and the Acorn Electron micro-computer their software and firmware.

The question of costs is reserved.



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