



Parallel Importing

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Parallel importing – important changes to copyright and trade marks

“The latest Copyright Amendment Act has toughened copyright law on parallel importing of certain films, sound recordings and computer programs...”



Ian Gault - Partner

The latest Copyright Amendment Act has toughened copyright law on parallel importing of certain films, sound recordings and computer programs - but has also removed argument that parallel importing could be constrained by registered trade marks.

In 1998, the Copyright Act was amended to allow the parallel import of copyrighted goods without the consent of the New Zealand copyright owner or licensee provided the goods were not infringing copies in the country of origin. The intention was to ensure that New Zealand consumers could access imported goods at world-best prices. An economic report argued that lifting the parallel importing ban on all copyright goods was likely to provide net gains to the New Zealand economy.

As a result, the USTR conducted an out-of-cycle Special 301 review of New Zealand's intellectual property regime,

and in April 1999, the USTR placed New Zealand on the Special 301 Watch List - a register of countries that the USTR considers to have inadequate copyright protection laws.

After the 1999 Election, the new Labour-Alliance Government pledged to re-introduce restrictions on certain parallel imports, and in early 2000 initiated a review of the impact that removing the ban on parallel importing had had on the creative industries in New Zealand. A Bill was introduced into Parliament in late 2002, and ultimately enacted in October 2003. With the Bill before Parliament, New Zealand was removed from the USTR's Special 301 Watch List in May 2003.

The 2003 Amendment Act revives the ban in relation to certain films (for a limited period) and makes it easier for owners of copyright in certain films, sound recordings and computer programs to prove infringement where it is disputed whether the goods are parallel imports or counterfeit.

The 1998 amendment made no change to trade mark law. It remained in doubt to what extent parallel importing would be allowed by virtue of the statutory defence where the trade mark owner or registered user has applied the trade mark and has not subsequently removed or obliterated it, or has expressly or impliedly consented to its use. It was thought this would be addressed as part of the wider review leading to a new



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Trade Marks Act. In fact, the Trade Marks Act 2002 was enacted without resolving the issue. The 2003 Amendment Act has now provided an explicit defence for parallel importing.

The 2003 Amendment Act

The Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act 2003 came into force in New Zealand on 31 October 2003.

The Act:

- Reinstates copyright infringement for the parallel import of certain films within nine months of first release to the public. However, this provision is to expire after five years.
- Reverses the onus of proof in relation to infringing copies of certain films, sound recordings and computer programs imported into New Zealand by creating a presumption of infringement in the absence of contrary evidence. It also changes the knowledge requirement for importers.
- Confirms that rental rights apply to parallel imported goods i.e. copyright owners retain the exclusive right to authorise the rental of their copyright works.
- Amends the Trade Marks Act 2002 so that registered trade marks would not be infringed by the use of a trade mark on parallel imports (including in relation to advertising) where the goods have been put on the market under that

trade mark anywhere in the world by the owner, or with the express or implied consent of the owner.

Copyright

Films

There were concerns about the impact that parallel importing was having on the release of film titles in New Zealand. Parallel imported copies of new release film titles were appearing before the scheduled New Zealand cinematic release and this in turn was contributing to a decline in cinema box office takings.

The nine month ban created under the amendment is intended to allow copyright owners of films produced principally for cinematic release to continue to stagger the release of films to the public and derive sufficient economic return from cinematic release. This would normally involve release first by cinema, followed by the release of rental copies (video, DVD and video CD), release on subscription television and finally free to air television.

Infringement occurs only where the person importing the film, for other than private and domestic use, knows or has reason to believe that it is imported within nine months of first being made available to the public.

The ban is to expire after five years. The Government is expected to review the impact the ban has had and whether it should remain in place for a further period.

Onus of proof

Following the 1998 amendment the Copyright Act had required that the copyright owner prove not only that the goods were not made by or with the consent of the owner of the copyright in the country of origin, but also that the importer knew, or had reason to believe, that this was the case.

The change in onus of proof under the Act is intended to make it easier for certain copyright owners to take action against people importing counterfeit and pirated goods. The change applies to sound recordings (other than those stored on players), films produced principally for cinematic release and computer programs (software products). A presumption now exists that the copy is an infringing copy in the absence of evidence to the contrary. The Court must not require a person to disclose information as to the source of supply where it appears to the Court unreasonable to do so.

In addition, the knowledge requirement for infringement by an importer of those sound recordings, films and computer programs covered by the amendment has been changed to “knows or ought reasonably to know” that the object is an infringing copy.

Rental rights

The 1998 amendment gave rise to uncertainty as to a copyright owner’s exclusive right to control rental copies of a work. The High Court in *Video Ezy International (NZ) Ltd v Roadshow Entertainment (NZ) Limited* held that the 1998 removal of the ban on parallel

importing did not affect the copyright owner’s rental rights. The 2003 Amendment Act has now confirmed that position in the Act.

Trade marks

The effect of the 2003 amendment to the Trade Marks Act 2002 is to remove the argument that use of a trade mark on parallel imports, including in relation to advertising, amounts to trade mark infringement. The new provision adopts the principle of international rather than national exhaustion of trade mark rights. There is no infringement in relation to goods that have been put on the market anywhere in the world under that trade mark by the owner or with the owner’s consent (express or implied).

In the context of parallel importing, the amendment thus limits the use of trade mark rights to the traditional function of trade marks – as a ‘badge of origin’ rather than a ‘badge of control’.

Alternative legal remedies

These amendments to the Copyright and Trade Marks Acts do not affect other legislation and case law relevant to parallel importing. It should be noted there may still be alternative legal remedies for intellectual property right owners. Patents, designs, plant varieties, the law of passing off and the Fair Trading Act apply in some circumstances to prevent parallel importing or at least to impose obligations when selling parallel imports in New Zealand.

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Information

If you would like any further information
or advice on parallel imports, please
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For further information, please contact your usual Bell Gully adviser or:

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