

Copyright (Parallel Importation of Films and Onus of Proof) Amendment Bill

Government Bill

As reported from the Commerce Committee

Commentary

Recommendation

The Commerce Committee has examined the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Bill and recommends that it be passed with the amendments shown.

Introduction

The commentary focuses on the major issues examined by the committee and amendments recommended or considered. The committee recommends a number of technical amendments not discussed in significant detail by this commentary.

Background

The bill amends the Copyright Act 1994 to give effect to the Government's decisions in relation to parallel importing, onus of proof (in relation to aspects of copyright infringement), and clarification of rental rights.

The 1999 Speech from the Throne included a statement that parallel importing of CDs, videos, films, books and software was to be prohibited for two years after first release. As a result, the Ministry of Economic Development conducted a review. As part of this review of parallel importing and creative industries the ministry carried out two rounds of consultation with interested parties. The review sought to determine if and how the ban on parallel importing

would achieve the Government's objectives in respect of promoting New Zealand creative industries.

Parallel importing ban

A number of submitters commented on the duration of the parallel importing ban, which is 9 months in the bill. The length of the period between cinematic release and release to DVD may vary. The 9-month period, which runs from the date of the film's first release, was agreed by Cabinet as offering an appropriate margin within which copyright owners and cinema operators might derive an economic return on the cinematic release of films. This was predicated from timeframes on which the 'windows marketing system' generally operated and the different release dates in different countries, as advised by industry representatives. After consideration we believe the time limit in the bill, a 9-month ban, is appropriate given the current environment and the consultation undertaken by the ministry with industry representatives.

Some submitters expressed concern over the clarity of the coverage provisions of the bill, in relation to the ban on the parallel importation of films, and whether it would impact on the supply of educational films to libraries and educational institutions. As indicated in the Explanatory Note to the bill, the aim of the ban is to address concerns over the financial viability of widespread theatrical exhibition of films and the potential impacts of parallel importing on the viability of picture theatres. Accordingly, the parallel importing ban is not intended to apply to such works as educational films. Consequently, section 35(5)(b) limits the application of the bill to a narrower group of films than those caught within the definition of 'film', which applies more generally to the rest of the principal Act. While the original drafting was considered to exclude educational films (because the provision specifies that the principal purpose for which the film is produced must be for showing in public), in light of concerns expressed in submissions, we recommend the bill be amended to make the intent of the provision more explicit.

Rental rights

Section 9(2) and (3) of the principal Act is intended to give owners of copyright in computer programmes, ¹ sound recordings and films

¹ Subject to certain restrictions.

the exclusive right to rent copies of these works to the public. After the removal of the ban on parallel importing in 1998, videos and DVDs of feature films could be parallel imported for the purpose of renting them to the public. When the Government amended the Act to permit parallel importing, it did not intend to give persons other than the copyright owners the right to rent copies of those works to the public. However, the wording of section 9(2) and (3) was ambiguous and copyright owners were reluctant to enforce their rental rights through the courts.

The interpretation of section 9(3) was clarified by the High Court in November 2001, in the case of *Video Ezy International (NZ) Ltd v Roadshow Entertainment (NZ) Ltd*.² The Court interpreted section 9(3) of the principal Act such that renting a copy of a film or sound recording amounted to issuing a copy of that work to the public, whether or not there had been a prior circulation of that copy. Specifically, the Government's removal of the ban on parallel importing had not affected the copyright owner's exclusive right to control the rental of copies of the work.

We considered leaving the Act as currently drafted, as suggested by one submitter, and relying on case law in any future proceedings. However, this would leave the current wording in the Act ambiguous and potentially subject to a different interpretation. We do not agree that the proposed amendment³ is confusing, as suggested by one submitter. The wording confirms the copyright owner's exclusive right to rent copies of a work to the public is not exhausted by the act of putting a work into circulation. We recommend that the bill remain as currently drafted.

Onus of proof and knowledge requirement

Overall, the majority of submitters either did not comment on or supported the proposed amendment. However, one submitter did recommend the knowledge requirement be entirely removed in relation to civil proceedings on all secondary offences. We consider knowledge that the goods in question are infringing copies is a central element to all secondary offences contained in the principal Act. In early copyright litigation traders could be found liable for

² *Video Ezy International (NZ) Ltd v Roadshow Entertainment (NZ) Ltd* [2002] 1 NZLR 855.

³ Adds the words 'and rental subsequent to those works having been put into circulation'.

copyright infringement when they were entirely ignorant that infringement had occurred. We consider the knowledge requirement is important to avoid this outcome.

We are very aware that the reversal of the onus of proof introduced by the bill, in relation to whether a work is an infringing copy, is a major departure from the fundamental rule of civil procedure.⁴ We have given further consideration to reversing the onus for other offences but consider that this is a major departure and believe that a measured approach is necessary. However, we do consider that the change introduced by the bill, in relation to the act of importation, is justified as the importer will have more ready access to information and documentation about the source of the goods in question than the copyright owners. We recommend reversal of the onus of proof remain as drafted. We believe that consideration of further changes to onus of proof, for other copyright goods and other acts of secondary infringement, should be kept under review. This is in line with Cabinet decisions in this area.

Private and domestic use

One submitter considered the exception for private and domestic use is unnecessary now that parallel importing is generally permitted, and that importers of pirated goods could misuse it. This submitter also submitted that the 'private and domestic use' exception does not comply with Article 13 of TRIPS.⁵ We consider that the exception is still necessary as consumers may wish to import film titles for private and domestic use during the 9-month ban period.

We do not consider that the exception is inconsistent with TRIPS. The agreement provides that exceptions to exclusive rights must be confined to 'certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder'. The exception for private and domestic use is a traditional feature of copyright law⁶ and is strictly limited in scope and relates only to non-commercial activity. We do not recommend any change to the bill.

⁴ That the onus of proof lies with the plaintiff.

⁵ Agreement on Trade-Related Aspects of Intellectual Property Rights.

⁶ See section 10 of the Copyright Act 1962 (repealed) and section 35 of the Copyright Act 1994.

Technical amendments

The technical amendments to section 35(3) are to remove any potential confusion regarding the use of the term ‘infringing copy’ and the interrelationship of that term with the definition set out in section 12 of the principal Act.

The amendments also set out the elements of copyright infringement by importation in relation to the film ban. This ensures the changes to the onus of proof and new knowledge requirement, introduced by the bill, address piracy and do not apply in relation to parallel imported films caught within the film ban.

Appendix

Committee process

The Copyright (Parallel Importation of Films and Onus of Proof) Amendment Bill was referred to the committee on 2 April 2003. The closing date for submissions was 22 May 2003. We received and considered 12 submissions from interested groups and individuals. We heard 6 submissions. Hearing of evidence took 1 hour and 12 minutes and consideration took 29 minutes.

We received advice from the Ministry of Economic Development.

Committee membership

Mark Peck (Chairperson)

Gerry Brownlee (Deputy Chairperson)

Brent Catchpole

Russell Fairbrother

Rodney Hide

Darren Hughes

H V Ross Robertson

Hon Maurice Williamson

Copyright (Parallel Importation of Films
and Onus of Proof) Amendment

Key to symbols used in reprinted bill

As reported from a select committee

Struck out (unanimous)

Subject to this Act,

Text struck out unanimously

New (unanimous)

Subject to this Act,

Text inserted unanimously

{Subject to this Act,}

Words struck out unanimously

Subject to this Act,

Words inserted unanimously

Hon Judith Tizard

Copyright (Parallel Importation of Films and Onus of Proof) Amendment Bill

Government Bill

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The Parliament of New Zealand enacts as follows:

1 Title

- (1) This Act is the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act **2002**.
- (2) In this Act, the Copyright Act 1994¹ is called “the principal Act”.

¹ 1994 No 143

Part 1

Commencement and amendments to principal Act

2 Commencement

This Act comes into force on the day after the date on which it receives the Royal assent. 10

3 Meaning of issue to the public

- (1) Section 9(2) of the principal Act is amended by inserting, after the words “programs to the public”, the words “and rental subsequent to those works having been put into circulation”.
- (2) Section 9(3) of the principal Act is amended by adding the words “and rental subsequent to those works having been put into circulation”. 15

4 New section 35 substituted

The principal Act is amended by repealing section 35, and substituting the following section:

“35 (*Importing infringing copy*) Infringement by importation

- “(1) A person infringes copyright in a work if— 5
- “(a) that person imports into New Zealand an object that is an infringing copy of the work and,—
 - “(i) in the case of a work that is a sound recording, film, or computer program to which **subsection (5)** applies, that person knows or ought reasonably to know that the object is an infringing copy; or 10
 - “(ii) in the case of other works, that person knows or has reason to believe that the object is an infringing copy; and
 - “(b) the object was imported into New Zealand without a copyright licence; and 15
 - “(c) the object was imported into New Zealand other than for that person’s private or domestic use.
- “(2) In civil proceedings for infringement of copyright under **subsection (1)**, in the case of a work that is a sound recording, film, or computer program to which **subsection (5)** applies,— 20
- “(a) an object is presumed to be an infringing copy in the absence of evidence to the contrary; and
 - “(b) the Court must not require any person to disclose any information concerning the sources of supply of the object if it appears to the Court that it is unreasonable to do so. 25

Struck out (unanimous)

- “(3) In civil proceedings for infringement of copyright under **subsection (1)**, in the case of a work that is a film to which **subsection (5)** applies, an object is an infringing copy if it is imported into New Zealand within 9 months after the work is first made available to the public (as set out in section 23(2)) by any authorised act whether in New Zealand or elsewhere. 30

New (unanimous)

- “(3) A person also infringes copyright in a film to which **subsection (5)** applies if that person—
- “(a) imports a copy of the film into New Zealand within 9 months of first being made available to the public; and
 - “(b) knows or has reason to believe that the film is imported into New Zealand within 9 months of first being made available to the public; and
 - “(c) is not the licensee of the copyright in New Zealand; and
 - “(d) imports the film into New Zealand other than for that person’s private and domestic use.
- “(3A) For the purposes of **subsection (3)** a film is first made available to the public (as set out in section 23(2)) by any authorised act whether in New Zealand or elsewhere.
- “(4) **Subsection (3)** expires with the close of the period of 5 years beginning on the date of commencement of this Act.
- “(5) This subsection applies to the following sound recordings, films, and computer programs:
- “(a) a sound recording stored in a material form that is separate from any device or apparatus capable of playing sound recordings;
 - “(b) a film produced principally for (*showing in public*) cinematic release, or a copy of that film, or a copy of a substantial part of that film;
 - “(c) a computer program stored in a material form that is separate from any device or apparatus capable of executing computer programs.”

Part 2

Consequential amendment to Trade Marks Act 2002

- 5 Consequential amendment to Trade Marks Act 2002**
The Trade Marks Act 2002 (2002 No 49) is amended by inserting, after **section 97**, the following section:
- “97A **Exhaustion of rights conferred by registered trade mark**
A registered trade mark is not infringed by the use of the trade mark (including use for the purpose of advertising) in relation to goods that have been put on the market anywhere in the

world under that trade mark by the owner or with his or her
express or implied consent.”

Legislative history

17 December 2002

Introduction (Bill 14–1)

1 April 2003

First reading and referral to Commerce Committee
