

## Review of the Copyright Act 1994

Submission on behalf of SEALEGS INTERNATIONAL LTD

4 April 2019

These submissions are made on behalf of **Sealegs international Ltd**, a company incorporated New Zealand as company number 1025145 on 10 May 2000. It is the trading arm of a company listed on the NZ Stock Exchange.

Sealegs is an iconic New Zealand company having commenced business 19 years ago and having successfully developed and taken a series of amphibious craft to the world market. The Sealegs brand is well known and the trade mark is registered in many countries.

Sealegs is a New Zealand success story based on its innovations which are protected in part by the intellectual property regime in New Zealand. Sealegs has made use of patent protection, registered designs and registered trademarks both New Zealand and in a wide range of countries. Sealegs also makes use of the Copyright Act and the protection against three-dimensional copies of its copyright works. It has filed border protection notices based on the copyright in its drawings of the components making up the Sealegs amphibious system.

Sealegs is widely recognised in New Zealand having appeared on in Air New Zealand air safety videos, on the IPONZ website, and in New Zealand postage stamps, amongst other things.

Sealegs recently successfully obtained injunctions in CIV-2016-404-2256 against a number of competitors preventing them from making copies of the Sealegs amphibious system (shorthand for the large number of copyright drawings of the components involved in the case).

Sealegs supports the continued use of the Designs Act and the membership of the Hague Agreement to facilitate the registration of its designs overseas.

The Register of Designs provides:

- (a) Certainty in allowing Sealegs to check on a competitors' registered rights.
- (b) The ability for Sealegs to protect new designs in NZ as a pre-cursor to filing design applications overseas, as most other countries do not provide for the equivalent of our 3D Copyright protection.
- (c) A fast, efficient, low cost way of achieving some registered protection for new products in contrast to the far more complex, slow, costly, inefficient patent system in NZ.

Sealegs is concerned that the private use exemptions in both the Copyright and Designs Acts in NZ allows competitors to circumvent Sealegs intellectual property protection.

We will provide examples.

### **Copyright**

Sealegs is concerned that there is an anomaly in the Copyright Act which allows competitors to circumvent Sealegs intellectual property protection and its border protection measures.

In this case we are dealing with an infringing copy of a Sealegs retractable leg – one which the High Court has already ruled is an infringing copy and has granted a permanent injunction restraining the defendants from making or importing infringing copy.

The primary concern is the provision in section 35 (1) (c) which states:

#### ***[35 importing infringing copy***

*(1) A person infringes copyright in a work if---*

*(a) that person imports into New Zealand an object that is an infringing copy of the work and,*

*(i) in the case of a work that is a sound recording, film, or computer program to which subsection (6) applies, that person knows or ought reasonably to know that the object is an infringing copy; or*

***(ii) in the case of other works, that person knows or has reason to believe that the object is an infringing copy; and***

*(b) the object was imported into New Zealand without a copyright licence; and*

*(c) the object was imported into New Zealand **other than for that person's private [and] domestic use.***

*(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 (6) applies,---*

*(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.*

*[(3) A person also infringes copyright in a film to which subsection (6) applies if that person—  
[[*(a) imports a copy of the film into New Zealand within 5 months of the date that the film is first made available to the public; and*  
*(b) knows or has reason to believe that the film is imported into New Zealand within 5 months of that date; 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.**

*(4) 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.*

*(5) Subsections (3) and (4) are repealed on [31 October 2016].*

*(6) 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 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.]*

*Section 35 was inserted by S. 4 of the Copyright (Parallel Importation of Films and Onus of Proof) Amendment Act 2003*

*The expression in square brackets in subsection 35(1)(c) was substituted by subsection 19(1) of the Copyright (New Technologies) Amendment Act 2008.*

*Subsections 35(3)-(5) were substituted by subsection 19(2) of the Copyright (New Technologies) Amendment Act 2008.*

*Subparagraphs 35(3)(a) and (b) were substituted by subsection 4(1) of the Copyright (Parallel Importing of Films) Amendment Act 2013.*

*The expression in square brackets in subsection 35(5) was substituted by subsection 4(2) of the Copyright (Parallel Importing of Films) Amendment Act 2013.*

**36. Possessing or dealing with infringing copy**---Copyright in a work is infringed by a person who, in New Zealand, other than pursuant to a copyright licence,---

*(a) Possesses in the course of a business; or*

*(b) In the course of a business or otherwise, sells or lets for hire; or*

*(c) In the course of a business, offers or exposes for sale or hire; or*

- (d) In the course of a business, exhibits in public or distributes; or*  
*(e) Distributes otherwise than in the course of a business to such an extent as to affect prejudicially the copyright owner---*

*an object that is, and that the person knows or has reason to believe is, an infringing copy of the work.*

*Cf. Copyright, Designs and Patents Act 1988, s. 23 (U.K.); 1962, No. 33, ss. 10 (3), (4), 18 (3), (4)*

Sealegs understands that the private use exemption in both the Copyright Act and the Designs Act was intended to allow private citizens to bring into the country products purchased overseas for their private and domestic use, and that this essentially mirrors the provisions relating to customs duty so that there is no need for there to be thorough inspections of luggage at ports of entry unless there is a suspicion that the value of the goods is above a certain threshold.

### **Example 1**

The problem comes when a competitor sets out to use the private use exemption in order to circumvent a High Court injunction against the competitor. This is a live issue for Sealegs, as it obtained an injunction against a number of different parties in CIV-2016-404-2256.

One more of those parties have been involved in setting up an operation in Australia where there is no equivalent copyright protection against the making of three-dimensional copies, and then selling boats in Australia to customers some of whom reside in New Zealand, and assuming that property passes to the customer in Australia, it is then up to the customer to import the amphibious craft, which but for section 35 would infringe the copyright protection afforded to Sealegs in New Zealand. Since these craft cost many hundreds of thousands of dollars (typically in excess of \$200,000), the loss to Sealegs is significant.

At the point of importation the copy is an infringing copy but may be exempt under the personal and domestic use exception.

Sealegs has lodged a copyright notice with New Zealand customs, and whilst this can be used against a commercial competitor who imports copies of the Sealegs copyright works, the copyright notice is of little use against a plethora of individuals who each claim to import the amphibious craft for their own private use.

### **DESIGNS ACT**

The protection against three-dimensional copies in the Copyright Act overlaps to a large degree with the protection afforded by the Designs Act. We draw this to your attention because if there

is any change to be made to the exemption for private use in the Copyright Act, then a similar change should be considered for the Designs Act.

Designs Act, S.11 states:

**11. Right given by registration -**

*(1) The registration of a design under this Act shall give to the registered proprietor the copyright in the design, that is to say, **the exclusive right in New Zealand to make or import for sale or for use for the purposes of any trade or business**, or to sell, hire, or offer for sale or hire, any article in respect of which the design is registered, being an article to which the registered design or a design not substantially different from the registered design has been applied, and to make anything for enabling any such article to be made as aforesaid, whether in New Zealand or elsewhere.*

*(2) Subject to the provisions of this Act and of subsection (3) of section 7 of the Crown Proceedings Act 1950, the registration of a design shall have the same effect against the Crown as it has against a subject.*

*Cf. Registered Designs Act 1949, s. 7 (U.K.); 1921-22, No. 18, ss. 56 (1), 66*

We have attached an extract from Russell Clarke on Registered Designs where he states at para 3.161 that the importation or making of an article merely for private or personal use would not be an infringement. That of course leaves open the issue of subsequent sale of the article – which would be caught by S.11 of the Designs Act.

**Example 2:**

Sealegs had a NZ design registration for the shape of one of its amphibious craft. That design registration has now run its full term of 15 years.

In the case of the Designs Act, Sealegs encountered an individual, who made a close copy of a Sealegs amphibious created in New Zealand, but who escape liability of design infringement some years ago on the basis that the boat that he made was for his own personal use. That individual having made the so-called “private use” amphibious craft, built on that knowledge to start up a new business in which he now makes similar amphibious craft.

## **RECOMMENDATIONS:**

### **PERSONAL USE EXEMPTIONS**

Sealegs recommends that they be reviewed and abolished as they are detrimental to the interests of designers and innovators.

Importing for private use is unlikely to be discovered in the case of most small purchases from overseas which can fit inside the importers luggage. But why extend that benefit to large items which are likely to attract the attention of both the NZ Customs Service and the owners of IP Rights?

If these exemptions are to be retained in some form then Sealegs recommends placing a monetary threshold (comparable to the threshold used for duty on imported goods), perhaps an exception that allows the import of an infringing copy or infringing design up to a total value of \$500 or \$1000. That would deal with the current loophole that allows a trader who has been enjoined in NZ to set up shop in another country and to encourage sales to NZ residents who are advised that they can import into NZ for their personal use.

If the value of the copy is high enough, as it is in the case of high end or luxury goods, and it certainly is in the case of copies of the Sealegs amphibious craft, then it is in the interests of copiers to flout the law in this way.

### **DESIGN TERM**

Sealegs favours a longer term of protection for designs and suggests a term of 20 years to coincide with the patent term. The UK and Europe provide a term of 25 years.

### **BORDER CONTROL NOTICES AND IP**

Sealegs and other New Zealand companies make use of Border Control Notices to prevent the importation of infringing 3D copies of artistic works (drawings).

There should be a comparable provision to allow Border Control Notices to be lodged in respect of Registered Designs. Practical enforcement would be easier than enforcing the Copyright

notices since the registered design representations will look more like the infringing design being imported, than is the case of a technical drawing and the 3D product.

### **HAGUE AGREEMENT**

“The **Hague Agreement** Concerning the International Deposit of Industrial **Designs**, also known as the Hague system”.

Sealegs favours the use of a strong and international framework for Registered Designs. Membership of the Hague Agreement is recommended to allow NZ companies to more readily protect their designs overseas and facilitate exports.

Sincerely

**Jim Piper** | Patent Attorney



**PIPERS** INTELLECTUAL PROPERTY  
PATENT AND TRADEMARK ATTORNEYS

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