

**IN THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY**

**CIV 2011-404-3243
[2013] NZHC 2679**

BETWEEN

G-STAR RAW C.V.
First Plaintiff

G-STAR AUSTRALIA PTY LTD
Second Plaintiff

AND

JEANSWEST CORPORATION (NEW
ZEALAND) LTD
Defendant

Hearing: 24, 25, 26, 30 September, 1, 2, 3 and 4 October 2013

Counsel: D L Marriott and I Finch for Plaintiffs
C L Elliott QC and A W Johnson for Defendant

Judgment: 15 October 2013

JUDGMENT (NO. 4) OF HEATH J

*This judgment was delivered by me on 15 October 2013 at 4.00pm pursuant to Rule
11.5 of the High Court Rules*

Registrar/Deputy Registrar

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The claim in outline

[1] Denim jeans are a popular item of clothing. Some people will buy them for comfort, others because of their functionality. Jeans are also regarded as fashion items, for which some people might pay more than \$500 per pair. This case is about the “biker” fashion trend, one that was created to combine fashion with the functionality of motocross trousers.¹ At issue is whether a New Zealand based retailer has infringed copyright in drawings said to have been used to manufacture a jean of that type.

[2] G-Star Raw C.V. (G-Star) is a Dutch enterprise. It claims ownership of copyright in the original design and manufacturing drawings for a denim jean, known as “5620 Elwood” (the Elwood jean). The design was created by Mr Pierre Morisset. Until 1 January 1994, Mr Morisset worked as a designer for his own company, Depêche Hommes BV (Depêche), and provided freelance services to G-Star. By an agreement dated 23 May 1995, G-Star recorded that Depêche had agreed to make Mr Morisset available to G-Star on an exclusive basis, as a

¹ See para [19] below.

“designer/stylist” with effect from 1 January 1994. Mr Morisset was to design “ready-to-wear” goods to be marketed under the G-Star brand. The agreement went on to record that intellectual property rights in any designs from 1 January 1994 were the property of G-Star.²

[3] G-Star licences companies to distribute its products in various geographical regions. G-Star Australia Pty Ltd (G-Star Australia) has exclusive distribution rights for “G-Star” branded products in Australasia. It has been joined as a plaintiff in the proceeding as its financial interests are directly affected by the allegations of copyright infringement that G-Star has made.

[4] G-Star alleges that since (at least) 2 July 2010, Jeanswest Corporation (New Zealand) Ltd (Jeanswest NZ) has imported, possessed, offered for sale and distributed through its “Jeanswest” chain of retail stores a style of jeans named “Dean Biker Slim Straight” (Dean Biker jeans). Those jeans were sold under the “Jeanswest” mark. The Dean Biker jeans were designed by Jeanswest Corporation Pty Ltd (Jeanswest Australia). Jeanswest Australia and Jeanswest New Zealand are associated companies, though Jeanswest NZ is not a subsidiary of Jeanswest Australia.³

[5] G-Star asserts that the Dean Biker jean infringes its copyright in the original design works for the Elwood jean. It contends that the Dean Biker jean is a copy, or a copy of a substantial part, of (what is known as) the Elwood Anniversary jean (the Anniversary jean). The Anniversary jean was designed by Mr Morisset for release in 2006, the tenth anniversary of the time at which the original Elwood jean was put on the market.

[6] G-Star pleads that the design and manufacturing drawings for the Elwood jean constitute the copyright works. The drawings said to constitute the work were annexed to its most recent Statement of Claim. They comprise a “workdrawing”, a

² The parties to the contract were G-Star International BV, a Dutch limited liability company, and Depêche Hommes BV. Subsequently, intellectual property rights acquired by G-Star under that agreement were transferred to G-Star Raw CV, a Dutch limited partnership. Under the initial agreement, G-Star International BV was to pay Depêche NLG 37,500 per month from 1 January 1995. Depêche was providing Mr Morisset’s services to G-Star in 1995, when the Elwood jean was designed. It was released for sale in Europe, in or about March 1996.

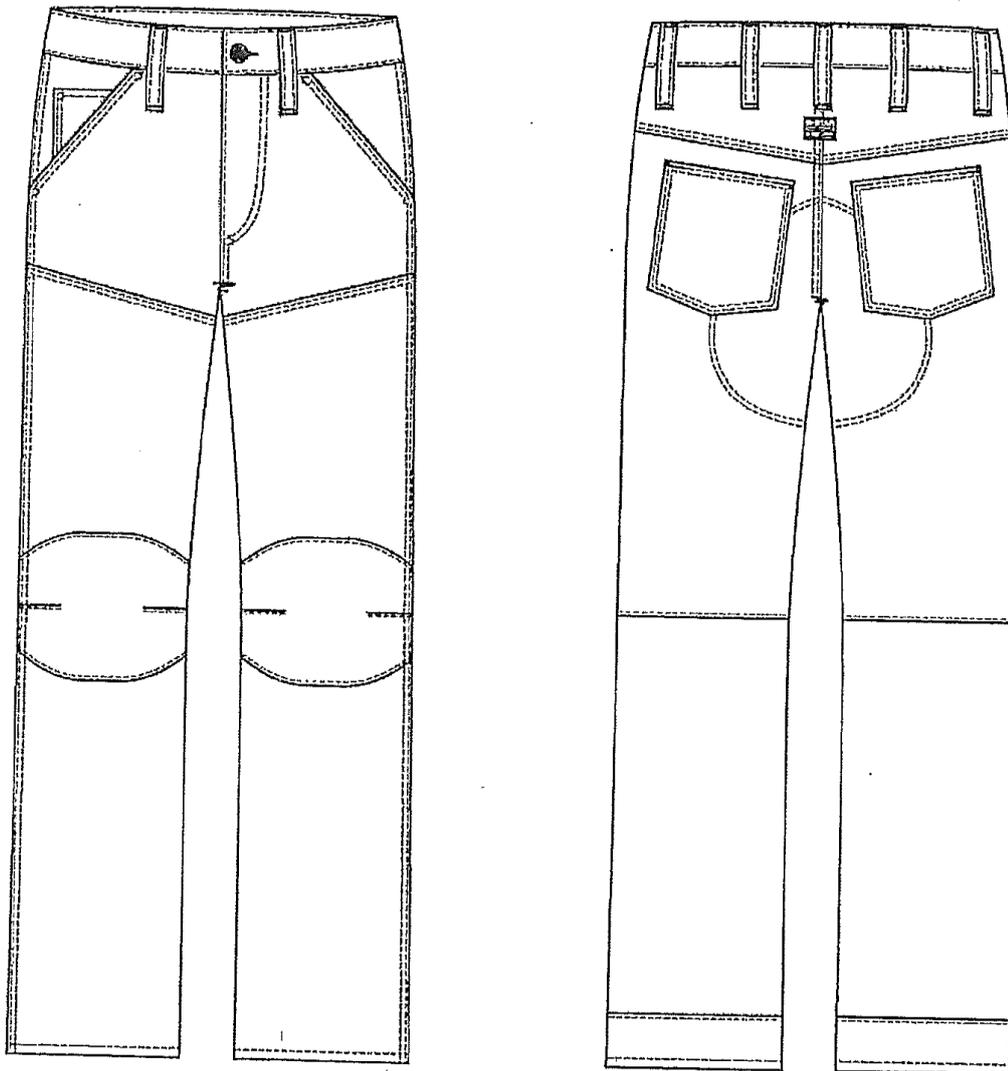
³ See para [24] below.

drawing of the front and back of the jean, showing the prominent features, “style details”, size specifications (with measurements taken after washing) and pictures of jeans alleged to have been manufactured from those drawings.

[7] There are said to be five distinctive features in the original drawings for the Elwood jean. G-Star says that the Anniversary jean was derived from those designs and contains the following five “key” features:

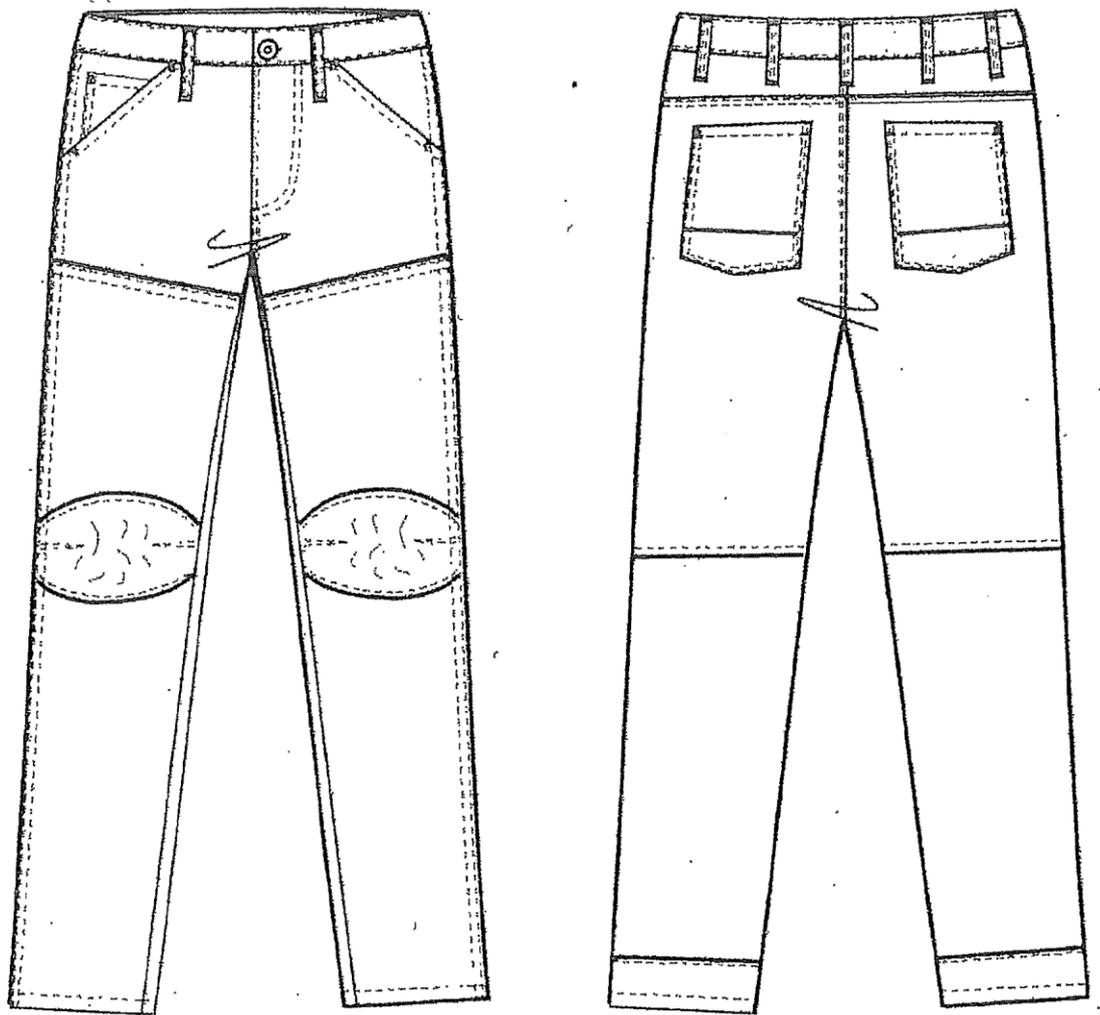
- (a) the oval shaped knee pads;
- (b) the horizontal stitching running across the back of each knee;
- (c) the straight line of double stitching coming from the hip to the crotch, diagonally across the front of the thigh of each leg;
- (d) the circle shaped stitching on the back of the jeans (the saddle pad);
and
- (e) the heel guards at the rear of each leg.

[8] The collocation of design features on which G-Star relies are depicted in the drawings annexed to the current Statement of Claim. They depict a front and back view of the Elwood jean:



[9] G-Star claims that, with the exception of the saddle pad, those features are present in the Dean Biker product. Further, it says that each of those four features appears in the Dean Biker in the same position, and in the same relative proportions as are shown in the original drawings for the Elwood jeans. That coincidence of features, coupled with the similarity of their arrangement, is said to amount to an infringement of copyright.

[10] No comparable drawing of the Dean Biker jean, during the course of its development, has been put into evidence. However, an expert witness called by Jeanswest NZ, Ms Gregory, prepared similar drawings to establish measurement points for the purpose of comparing the Dean Biker jean with the Anniversary jean. Ms Gregory's drawings also depict a front and back view of the jean:



[11] Jeanswest NZ's position may be summarised as follows:

- (a) While the drawings are sufficiently original to attract a limited copyright interest, G-Star has not proved that Mr Morisset was the author of those drawings.
- (b) Even if copyright in the original design were established, it did not know, or ought not reasonably to be taken as knowing, that the Dean Biker jean infringed it.
- (c) The Dean Biker jean was not manufactured from the original design of the Elwood jean. Rather, it emerged from an extensive review of

fashion trends, existing designs and different product features; and the review did not take into account the Elwood design.

- (d) Jeanswest NZ's review involved consideration of its own previous designs, its adopted design trends, product features, materials and finishes from a range of other pre-existing designs from around the world.

The issues

[12] It is agreed that, as a citizen of France at relevant times, Mr Morisset was, if proved to be the author of the alleged copyright drawings, a person whose skill and labour may be protected under New Zealand law.⁴ However, virtually all other elements that G-Star must prove are in dispute.

[13] In my view, the issues for consideration in this case may be grouped under seven broad headings:

- (a) Does G-Star own the copyright of the pleaded original design and manufacturing drawings for the Elwood jean?
- (b) If so, was the Anniversary jean derived from the drawings in relation to which copyright exists?
- (c) If so, did Jeanswest Australia use the Anniversary jean as its sample for the purpose of producing the Dean Biker jean?
- (d) If so, did the Dean Biker jean infringe G-Star's copyright in the drawings?
- (e) If so, is Jeanswest NZ liable as a primary or secondary infringer?
- (f) If Jeanswest NZ were liable on either basis, what relief should be granted?

⁴ Copyright Act 1994, ss 18(a) and 230(1).

- (g) If Jeanswest NZ were not liable, is it entitled to a declaration that this proceeding was unjustified and an inquiry into any damages suffered as a result?

The Elwood design drawings

[14] The original Elwood design drawings have been lost. That being so, it is necessary for G-Star to prove copyright in the original artistic work through the person who designed the product. G-Star called Mr Pierre Morisset. He is currently resident in France. At the time of the trial, he was unable, for health reasons, to travel to New Zealand to give evidence. Mr Morisset's evidence was taken from Amsterdam, by video-link to Auckland, with the assistance of a French language interpreter.

[15] Mr Morisset said that his inspiration for the Elwood design came while he was sitting in a restaurant, in the south of France. He saw a motorcyclist whose clothes were soaked by rain. The motorcycle trousers had moulded into his riding position and had taken the shape of his body. Mr Morisset described the knees as being stretched out, with the trousers "crinkled and crumpled in the hollow of the knee".

[16] Mr Morisset said that, while inside the café, he prepared a sketch of what he had seen. He designed the jean to represent a 3-dimensional image created by combining oval shaped knee pads with horizontal stitching running across the back of each knee. At that time, there were no such jeans in the market.

[17] The name "Elwood" has an interesting history. Mr Morisset had intended to name the design after a famous motor cycle rider, Mike Hailwood. The absence of a sound in the French language to represent the "H" seems to have resulted in the proposed name being mispronounced, and spelt as "Elwood".

[18] Mr Morisset confirmed the five key design elements of the Elwood jean.⁵ Mr Morisset's emotional attachment to, and his pride in, the Elwood design was plain

⁵ See para [7] above.

for all in Court to see. He was passionate about the need to protect its use. Even though it was put to him that some Elwood designs did not carry the five “key” features (for example, an army version and the Anniversary jean), Mr Morisset did not accept that any variations were sufficient to take away the core qualities of the design. In substance, Mr Morisset’s evidence was that while there may have been modifications to the original Elwood design, they had not compromised any of the key features.

[19] Mr Morisset’s pride in his original design work is borne out by its acknowledged status as an “iconic” product. For example, in *The Denim Bible Jeans Encyclopaedia III* (2011), the Elwood jean and its derivatives are described as follows:

In 1996, G-Star pioneered the introduction of the first sculpted, 3-D denim with the iconic G-Star Elwood. The G-Star Elwood was created by G-Star’s head designer Pierre Morisset in 1996 [sic], from an idea based on the pant of a passing motorcyclist, which had been deformed by rain and cold. The first G-Star Elwood model was introduced in a raw denim quality at a time when light washings were extremely fashionable and the jeans offering consisted of basic five-pocket versions. Although denim fans immediately picked it up, it was not an instant success. Nevertheless, G-Star strongly believed in the unconventional design and continued to bring versions of the G-Star Elwood in the various collections. Gradually it became a worldwide success and *today the G-Star Elwood is widely adopted, appreciated and recognised as G-Star’s signature piece with 10 million pieces sold worldwide. The design of the G-Star Elwood fuses articulated-knee design cues from motorcross trousers with the functionality of workwear painter’s pants. With this design, G-Star mapped out an altogether new way of thinking about denim.* The latest evolution of 3-D denim design comes with the Arc Pant, which was first introduced in 2009. This highly architectural cut features a low-crotch and straight hip, with an asymmetric tapered leg that “turns” around the human legs, thanks to twisted side seams and inseams. This way the pant follows the natural shape of the leg. The result is a silhouette that looks built from a 3-D human being.

(Emphasis added)

[20] Under cross-examination by Mr Elliott QC, for Jeanswest NZ, Mr Morisset was challenged about the originality of the design. When asked how long it took to create it, Mr Morisset referred to the 30 minutes or so that he had spent sketching the outline of the design in the café, after he had seen the motorcyclist. Mr Elliott inquired whether Mr Morisset had a sample of the 1996 Elwood in his own personal

archive. Mr Morisset was unsure but said that G-Star had not asked him to bring a pair, or any drawings he may hold, to the hearing.

[21] It was not put specifically to Mr Morisset that he did not produce the drawings on which G-Star relies to establish copyright. While Mr Morisset tended to distance his role as a designer from involvement in the production phase, there is no evidence to suggest that anyone else, within G-Star or not, authored the drawings on which G-Star rely. I find that they were designed, drawn and prepared by Mr Morisset and that he too created the Anniversary jean on the basis of that original design.

The Dean Biker jean – the design process

[22] Mr Adam Lloyd was called to give evidence on behalf of Jeanswest NZ. He is employed by Jeanswest Australia, as its “General Manager – Product”. He has been in that role since about 17 August 2009. Mr Lloyd oversees Jeanswest’s interests in both Australia and New Zealand. As will be seen, all significant decisions affecting Jeanswest NZ’s operations are taken in Australia, by senior management of Jeanswest Australia.⁶

[23] Jeanswest Australia is one of the largest specialist jean retailers in Australasia. It designs and sells jeans for both men and women, and has done so for many years. Some 225 retail stores are operated in Australia and New Zealand, of which 27 are based in this country. The retail outlets are branded “Jeanswest” and, with minor exceptions, sell only those products that carry the “Jeanswest” brand.

[24] Although Jeanswest NZ is not a subsidiary of Jeanswest Australia, both are indirect subsidiaries of Glorious Sun Enterprises Ltd, a Bermudan company that is listed on the Hong Kong Stock Exchange. Decisions about what stock will be transported for sale in New Zealand stores are made in Australia. In effect, the same people make the decision to export the product, on behalf of Jeanswest Australia, and to import it into New Zealand, on behalf of Jeanswest NZ.

⁶ See para [42] below.

[25] Mr Lloyd was asked whether Jeanswest Australia took any steps to avoid the possibility of infringing another person's copyright when designing its own products. Mr Lloyd said that responsibility for both Australia and New Zealand would lie with his design product and merchandising team. It seems that the only available training is when the company's solicitor, Mr Michael Norbury, attends an annual meeting to discuss legal issues and processes with relevant staff. Mr Lloyd said that part of that process was to alert staff to what was and was not acceptable to use, when designing a new product.

[26] Jeanswest NZ elected not to call any person directly associated with the design process for the Dean Biker jean. That decision was made notwithstanding affidavit evidence provided by Jeanswest NZ's lawyer in Melbourne, Mr Norbury, in opposition to an application made by G-Star in August 2013 to join Jeanswest Australia and Jeanswest Wholesale Pty Ltd (Jeanswest Wholesale) as parties to this proceeding. Mr Norbury deposed:

4. In terms of the upcoming trial, preparation is well advanced. The parties have been discussing the feasibility of voluntary discovery and for the defendant to obtain evidence going to the design of the jeans, the subject of this proceeding. If this occurs, a key witness will be Kristen Laidlaw. She is one of the few people available who is able to give evidence as to the steps undertaken at the time of the design of the Dean Biker jeans, the subject of the proceedings.
5. On 11 July 2013 I met with Kristen Laidlaw. I observed that she is pregnant. She confirmed that she is pregnant with her second child.
6. Subsequently I made enquiries which revealed that her baby is due in late October 2013 and that her last day before taking maternity leave is 17 October 2013.
7. Under Victorian employment law, maternity leave is for a one year period. During that period, an employee cannot be required to come in to work. I understand from Kristen that she intends taking full advantage of her maternity leave and that in consequence, she will not be available to give evidence after the birth of her child during the period of her leave.
8. Having regard to the above, it is very important that the current trial date not be vacated.

[27] Ms Laidlaw was not called as a witness. As it transpired, she could not have added anything to the evidence on design. In re-examination, Mr Lloyd confirmed that Ms Laidlaw did not start working for Jeanswest Australia until 2010. Apart

from her greater technical knowledge of the design process, Mr Lloyd confirmed that her evidence could have done no more than to explain the contemporary documentary evidence in relation to the development of the Dean Biker jean. While it is unfortunate that G-Star was left with an incorrect impression about Ms Laidlaw's involvement in the process, as a result of Mr Norbury's affidavit, his evidence did not materially affect the decision not to adjourn the hearing.⁷

[28] There were only two people to whom reference was made in evidence who could have given material evidence on the design process. One was Mrs Garfield (née Lawson), the person who prepared the sample order to enable the garment to be manufactured by a factory in China. The sample order is a critical document. Yet, Jeanswest NZ did not disclose it to G-Star until 27 August 2013, following directions in relation to further discovery made by Venning J on 26 August 2013.⁸ It is that document that identified, for the first time, "Rebecca Lawson" as the product developer.

[29] The other person to whom reference was made in the course of evidence was Mr Michael Zurga-Daddi. He was Mr Lloyd's immediate predecessor as "General Manager – Product". Mr Zurga-Daddi is no longer employed by Jeanswest Australia but is working for another company in Melbourne. That being so, he was available and compellable to give evidence. Jeanswest NZ elected not to call him.

[30] Because of the absence of any witness to testify about the design process, G-Star felt compelled to issue a subpoena to have Mrs Garfield give evidence, as its own witness. Plainly, that placed considerable limitations on the ability of counsel for G-Star to probe into what occurred. Understandably, given that she is still employed by Jeanswest Australia, Mrs Garfield was cautious in her approach to her evidence. While an honest witness, my impression was that she was careful not to volunteer information that went beyond the confines of the questions asked, and was not prepared to provide a specific response unless she was absolutely sure of the fact

⁷ See *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2172 (result) and *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2179 (reasons). Those judgments were given on 26 and 27 August 2013 respectively.

⁸ *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2172 (result) at para [11].

in issue. For example, while expressing a belief that the Anniversary jean was not used as the original sample on which the Dean Biker was based,⁹ she was careful not to rule out completely the possibility that it was.

[31] Although Mrs Garfield did give evidence, I take into account when assessing the likelihood of infringement the fact that counsel for G-Star was unable to test her evidence by cross-examination in the manner that the adversarial process would ordinarily require.

[32] The Dean Biker jean was developed in mid-2009. Mr Lloyd's evidence was that representatives of Jeanswest Australia had travelled overseas in about April 2009 and brought back ideas from viewing products available in other countries, particularly in Europe and the United States. In broad terms, on their return those involved with the design team met and discussed their findings. Then, they decided what products to manufacture for release during the next Australasian season. The evidence suggests that a decision to design, manufacture and sell the Dean Biker jean was made between late June and early August 2009.¹⁰

[33] It is apparent from the sample order produced by Jeanswest NZ that Mrs Garfield began the production process for the Dean Biker jean on or shortly before 19 August 2009. It was to be manufactured in a factory in China, New Treasure, with which Jeanswest Australia often dealt.

[34] In the first document that Mrs Garfield prepared she set out "measurement points". There were two parts. The first related to a prior "Jeanswear" branded product "Harry Slim Straight". That was to be used as a block, from which the new jean could be manufactured. The second provided measurements taken from an "original sample". I find that this was a physical product, obtained while Jeanswest Australia's design staff were visiting overseas fashion shows and the like. Mrs Garfield prepared instructions to accompany those measurements, to enable the factory in China to manufacture the Dean Biker jean.

⁹ See para [34] below.

¹⁰ At that time, Mr Lloyd was not employed by Jeanswest Australia: see para [22] above.

[35] It is clear from instructions sent to China on or about 19 August 2009, that Jeanswest Australia intended to use the original sample as the primary basis for the new product. That intention is reinforced by subsequent instructions given after the return of the first and second samples from the manufacturers. They are dated 1 October 2009 and 30 October 2009, respectively.

[36] The initial instructions were sent to Jeanswest Australia's agent in China, on or shortly after 19 August 2009. When the first sample was returned to Jeanswest Australia's South Yarra office by the factory, Mrs Garfield reviewed it and prepared further instructions. They were sent to China, with the first sample, on or about 1 October 2009.

[37] In the 1 October instructions, Mrs Garfield required amendment of the thread colour cinnamon with a "brighter yellow thread colour more like" the original sample. She also asked that the stitch length of the original sample at the front pockets and in-seam be duplicated. In relation to "wash" details, it is clear that Ms Lawson intended the base colour to be lightened, to bring it back to that on the original sample. She wrote of bringing "the depth of colour back", to that sample.

[38] After the factory returned the second sample to Australia, Mrs Garfield prepared additional instructions. They were sent back to China, with the second sample, on or about 30 October 2009. On that date, the Dean Biker jean was "approved" by Jeanswest Australia. In her instructions, Mrs Garfield commented, in relation to aspects involving both fit and wash, that she was pleased at the similarity between the original sample and the new product.

[39] An unusual feature of the production process was the fact that only 374 jeans were manufactured, as opposed to a normal run of not less than 2,000. Mr Lloyd sought to explain that on the basis that the jean was to work as a "talker" – something that I took as involving the testing of the market for a product of this type.

[40] I put an alternative theory to Mr Lloyd for comment. I raised the possibility that a product manufacturer, intending to copy a product that it knew (or thought) might be protected by copyright, might order a relatively small run to place in

selected stores to see whether they were noticed. If not, larger runs might be ordered once the risk of infringement proceedings was lessened.

[41] Mr Lloyd understood why I had put the theory and, as I understood his evidence, confirmed that a technique such as that *could* be used in certain cases. From his knowledge of the culture and ethics of Jeanswest Australia, he refuted the suggestion that this was an appropriate inference to draw in respect of the small run of garments for the Dean Biker product. He suggested, I think with some force, that if a company were adopting that approach it would likely be careful not to place the product in cities such as Sydney and Melbourne, where G-Star brand type products were more likely to be found. There is no evidence that a discriminatory decision of that type was taken by Jeanswest Australia, in relation to distribution of the Dean Biker jean.

Jeanswest NZ's involvement

[42] Ms Marston-Fergusson is the "Country Manager" for Jeanswest NZ. Notwithstanding her title, she accepted that she performed the tasks one might expect from an administrator responsible for co-ordinating the New Zealand operations. She confirmed that she had no involvement in making decisions of any significant nature for Jeanswest NZ. An illustration of that is that when a line of products is to be distributed to New Zealand stores, the first notice she would ordinarily receive would be a packing list sent after the products had arrived in New Zealand and cleared Customs. Her evidence, when considered in conjunction with that given by Mr Lloyd, makes it clear that all operational decisions of any significance relating to Jeanswest NZ's activities in New Zealand are made by senior management employed by Jeanswest Australia. Jeanswest NZ is treated as if it were a branch office situated in a State capital in Australia.

[43] Ms Marston-Fergusson also gave evidence that:

- (a) The Dean Biker jeans were designed by Jeanswest Australia. Jeanswest NZ had no involvement in the design process.

- (b) Jeanswest Wholesale was responsible for the placement of orders in China for the manufacture of the jeans.
- (c) Generally, there is a “simple formula” for distribution to New Zealand of jeans manufactured on behalf of Jeanswest Australia. It involves about 15% of the total order being sent to New Zealand for sale.¹¹
- (d) Jeanswest NZ is not involved in the process of ordering jeans for sale in this country. That decision is made by Jeanswest Australia, on its behalf. Jeanswest NZ is invoiced by the manufacturer of the jeans for its portion of freight costs. They are then paid from Australia.

[44] As to the specific arrangements for delivery of the Dean Biker jeans into New Zealand, Ms Marston-Fergusson deposed that:

- (a) The purchase order was placed by Jeanswest Wholesale.
- (b) The purchase order required the manufacturer, New Treasure, to air freight the jeans from Hong Kong to Auckland.
- (c) A purchase order was raised, dated 17 September 2009, for 63 pairs of jeans.
- (d) The jeans arrived in New Zealand on 13 January 2010 and were delivered to Jeanswest NZ’s agent, Daniel Silva Ltd, for distribution to retail stores.

[45] The Dean Biker jeans were distributed among Jeanswest NZ’s retail outlets. 62 pairs of jeans were sold between January and August 2010. It is not known what happened to the remaining pair. I accept Mr Lloyd’s evidence that it was probably stolen from one of the New Zealand stores.

¹¹ 63 jeans (out of a run of 374) were sent to New Zealand. That is about 17%.

Pre-proceedings correspondence

[46] A pair of the Dean Biker jeans was purchased in Christchurch by a G-Star representative on 2 July 2010. On 9 November 2010, solicitors in Melbourne, acting for G-Star and G-Star Australia, wrote to Jeanswest NZ alleging infringement of copyright in the original design of the Elwood jean.

[47] The letter began by referring to G-Star's involvement in the fashion industry since 1989 and, in particular, its cultivated "reputation as being an innovative brand with cutting edge designs that appeal to a wide range of customers". The solicitors stated that the "rough, rudimentary and raw characteristics G-Star's designs give them a distinct, urban and unorthodox style unique to G-Star".

[48] The solicitors referred to the creation of the Elwood jean by an employee of G-Star, in or about 1996. The letter asserted that G-Star owned copyright in those original artistic works. Jeanswest NZ was advised that a representative of G-Star had visited and purchased a pair of the Dean Biker jeans from its Christchurch outlet, at Riccarton Mall.

[49] A series of demands were made by G-Star; they included asking for an acknowledgement that copyright had been infringed and an undertaking that Jeanswest NZ would cease conduct amounting to infringement and desist from such conduct in the future.

[50] The solicitors for Jeanswest NZ responded by letter dated 22 November 2010. They said:

...

Our client denies breach of copyright as referred to in your letter.

We are instructed that our client does not presently hold any pairs of Dean Biker Slim Harley Blue jeans in New Zealand.

Nonetheless and without prejudice to our client's denial, our client will immediately cease and forever refrain in New Zealand from importing, manufacturing, selling or supplying "Dean Biker Slim Harley Blue" jeans.

[51] That was not enough for G-Star. By letter dated 25 November 2010 and an email of 9 February 2011, it insisted on an acceptance of liability for breach of copyright. On each occasion the solicitors for Jeanswest NZ repeated the denial set out in their letter of 22 November 2010, and the undertaking provided.

[52] On 8 April 2011 G-Star's solicitors, referring to the earlier correspondence, stated:

Our clients have become increasingly frustrated by your client's non-compliance with their demands. Our clients will file the **enclosed** statement of claim at the High Court of New Zealand if your client does [not] comply with the remaining demands by **5pm Friday 15 April 2011**.

[53] Responding, on 15 April 2011, the solicitors for Jeanswest NZ said:

Our client has already provided you with the undertakings your client sought. Those undertakings were provided despite the fact that our client denies liability. The reason the undertakings were provided was to avoid the frivolous litigation your client now proposes.

In respect to the frivolous nature of your client's claim, we refer to the earlier advice given to you as to the number of pairs of jeans in question [63] having been sold in New Zealand.

Having regard to the above, any proceedings will be defended. Costs will be sought.

[54] Battle having been joined, the threatened proceedings were issued and have proceeded to trial.

Analysis

(a) *Issue 1: Does G-Star own the copyright of the pleaded original drawings for the Elwood jean?*

[55] In *Henkel KGaA v Holdfast New Zealand Ltd*,¹² the Supreme Court held that there are two distinct elements that a plaintiff must establish to succeed in an action for breach of copyright:¹³

(a) First, it must demonstrate that the alleged copyright work is "original";¹⁴ and

¹² *Henkel KGaA v Holdfast New Zealand Ltd* [2007] 1 NZLR 577 (SC).

¹³ At para [34].

- (b) Second, that it owns the copyright work and that the defendant has infringed against that ownership.

[56] To establish ownership, a plaintiff must first “clearly and accurately identify the copyright work or works in respect of which it is claiming infringement”.¹⁵ In a case such as this, s 14(1) of the Copyright Act 1994 (the Act) confers copyright in respect of a graphic work, irrespective of artistic quality. It is the underlying design for the Elwood jean that is the artistic work in issue, not one of the variety of jeans said to have been derived from that design.

[57] It is important to distinguish between the concepts of “originality” and “novelty”. There need be nothing novel in a work to qualify it for copyright protection. What is required is proof that the work originated from its author and was the product of more than minimal skill and labour.¹⁶ The greater the originality, the wider the scope of the protection which the copyright affords.¹⁷

[58] The author of a work is the first owner of any copyright in it. An exception applies to employers and those who commission the making of qualifying works.¹⁸ Where a claim is based on “a collocation or arrangement of features which are not original in themselves”, a graphic work may still qualify for copyright protection because its originality lies in the way in which those features have been arranged or collocated.¹⁹

[59] Jeanswest NZ accepts that the design drawings put into evidence by G-Star are sufficiently original to attract limited copyright protection. It puts G-Star to proof, on authorship, and whether the drawings were used to produce the Anniversary jean.

¹⁴ Copyright Act 1994, s 14(2)(a) and (b).

¹⁵ *Henkel KGaA v Holdfast New Zealand Ltd* [2007] 1 NZLR 577 (SC) at para [35].

¹⁶ Copyright Act 1994, s 14(2)(a) and (b). See also *Henkel KGaA v Holdfast New Zealand Ltd* [2007] 1 NZLR 577 (SC) at para [37] and the authorities to which footnote 25 of that judgment refers.

¹⁷ *Henkel KGaA v Holdfast New Zealand Ltd* [2007] 1 NZLR 577 (SC) at para [38].

¹⁸ *Ibid*, at para [39]. See also Copyright Act 1994, s 21.

¹⁹ *Ibid*, at para [40], citing with approval a passage from *Bonz Group (Pty) Ltd v Cooke* [1994] 3 NZLR 216 (HC) at 219–220. See also *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 (HL) at 285 (Lord Reid).

[60] I have already found that Mr Morisset was the author of the design drawings on which G-Star relies.²⁰ The degree of copyright protection to be afforded to them will need to be considered when questions of infringement are discussed. As Mr Morisset was exclusively engaged to design products for G-Star at the time that the Elwood jean was created, and G-Star had acquired intellectual property rights from Depèche,²¹ I am satisfied that the copyright of Mr Morisset as author now resides in G-Star.²²

(b) *Issue 2: Was the Anniversary jean derived from the original drawings?*

[61] In order to demonstrate that Jeanswest NZ had infringed its copyright in the original Elwood drawings, G-Star pointed to the likelihood that Jeanswest Australia, in undertaking the design and manufacturing process for the Dean Biker jean, used the Anniversary jean as its original sample. Whether it did or did not is a question to which I return.²³ At this stage, in order to establish a causal link between the copyright interest and any infringement, G-Star must establish that the Anniversary jean was a 3-dimensional reproduction of the original Elwood design.²⁴

[62] Mr Morisset gave evidence that the Anniversary jean was developed by him, on the basis of the original Elwood design. The whole purpose of the 2006 Anniversary jean was to celebrate the creation of the original design in 1996, and the iconic status it had achieved within the market.²⁵

[63] Mr Morisset's evidence was that the Anniversary jean, designed in August 2005 and released for sale in 2006, was "simply a new production file for the Elwood design for the new collection to be released that season but no changes were made to the jean's design".

[64] While Mr Elliott was able to make some inroads into Mr Morisset's evidence that he lacked involvement in the production area, I do not regard any of the cross-

²⁰ See para [21] above.

²¹ See para [2] above.

²² See para [2] and fn 2 above.

²³ See paras [65]–[79] below.

²⁴ Copyright Act 1994, s 2. The meaning of "copying" includes the making of a copy in 3 dimensions of a two-dimensional work.

²⁵ See para [19] above.

examination as being sufficient to render Mr Morisset's evidence on this topic unreliable. In those circumstances, I am satisfied that the Anniversary jean was based on the original Elwood design. Therefore, the Anniversary jean is to be regarded as a 3-dimensional reproduction of that original design.

(c) *Issue 3: Did Jeanswest copy the Anniversary jean to produce the Dean Biker jean?*

[65] Both G-Star and Jeanswest NZ called expert witnesses to express opinions on whether the Anniversary jean could be said to have derived from the original copyright drawings. Both experts have long experience in the denim product market and, in my view, were qualified to give expert evidence on the topic. G-Star's expert, Mr Smith, expressed the opinion that they were so derived, whereas Ms Gregory, called by Jeanswest NZ, was not satisfied that it was.

[66] Mr Smith and Ms Gregory have different areas of expertise. Mr Smith has been involved in the clothing apparel industry for some 35 years. During that time he has worked extensively in the denim industry. In the course of the roles that he has undertaken, he has had significant involvement in the design, development and branding of denim products. He has travelled overseas regularly to find samples and to observe overseas trends.

[67] Ms Gregory has worked in the garment industry for some 40 years. Her experience is primarily in the areas of pattern-making, sample-room management and the co-ordination of off-shore production. She was able to express opinions on the processes undertaken to complete the design and production of a particular garment, to assess accurately measurements of a garment and to comment on whether one garment has been used as the basis for the design and measurement features of another.

[68] It is fair to say that Mr Smith's evidence was focused more on the "look" of the garment. In contrast, by dint of her training and expertise, Ms Gregory was more concerned with matters of detail. As she frankly accepted, someone with her experience is more likely to recognise changes made from garment to garment than a lay consumer, or someone who is focused more on fashion trend or "look".

[69] Both Mr Smith and Ms Gregory gave evidence on whether Jeanswest Australia used the Anniversary jean as its original sample, for the purpose of design and production of its Dean Biker jean. On this topic, Mr Smith expressed a firm view that the two jeans had a similar “look”. Ms Gregory took a different view, saying that, in her opinion, the Anniversary jean was not the original sample. Her opinion was founded on differences in measurement for the original sample, as disclosed in the document that provided instructions to the factory to manufacture the new garment, and the Anniversary jean itself.

[70] G-Star only became aware of the likelihood that the Anniversary jean had been used as the original sample to create the Dean Biker after the original sample document had been provided to it, following further discovery made on 27 August 2013. As the trial was due to begin on 23 September 2013, there was less than one month for G-Star to assess its position. A corollary of the late identification of the Anniversary jean as one that may have been copied by Jeanswest Australia was that Ms Gregory did not take detailed measurements of the Anniversary jean before the trial began.

[71] During the course of the trial, Mr Smith and Ms Gregory conferred to provide an agreed set of measurements for the Anniversary jean that could be compared with those of the original sample, as listed in the sample order. For ease of reference, the relevant portion of the sample order is reproduced below:²⁶

Measurement Points		2009 BP04 S/11429 Harry Slim Straight	Converted from inches to cms	OS Mnts	Final Mnts
A.	Waist Circumference – straight thru centre of WB	36	91.4		91.5
B.	Upper Hip Circumference – 10cm below top edge of WB @ CF, V mnt	40 1/4	102.2		102.5

²⁶ Omitted from this table are various amendments, made by Mrs Garfield, for the first and second samples, and for production. Inclusion of the final measurements table allows comparison with the original sample. The initials “OS” denote the original sample.

C.	Seat Circumference – 18cm below top edge of WB @ CF, V mnt	43 1/2	110.5		108.5
D.	Thigh Circumference – 5 cm below crotch point	25	63.5		61.0
E.	Knee Circumference – 35.5cm below crotch point	17 3/4	45.1		44.0
F.	Front Rise – including WB	10 1/2	26.7		26.5
G.	Back Rise – including WB	15	38.1		38.0
H.	Hem Circumference	16	40.6		40.0
I.	Hem Height	1/2	1.3		1.2
J.	Inseam – unfolded	33 1/2	85.1		85.0
K.	Zip Length	5	12.7		-
L.	Fly Length	6	15.2		15.0
M.	Waistband Height			4.5	4.5
N.	Front Pocket Width – along WB seam			10.5	10.5
O.	Front Pocket Depth – along side seam			11.0	11.5
P.	Back Pocket Width – along top edge			16.5	16.5
Q.	Back Pocket Length – through centre			20.0	20.0
R.	Yoke Height at Side Seam			6.5	6.5
S.	Yoke Height at CB			8.0	5.5
T.	Belt Loop Width			1.5	1.3
U.	Belt Loop Length			7.5	7.0
V.	Watch Pocket Width – along top edge			9.0	7.5
W.	Watch Pocket Depth – along side edge			10.0	7.0

[72] To compare the Anniversary jean with the original sample, I reproduce the agreed set of measurements for the Anniversary jean, noting a difference of opinion as to the manner of measurement in relation to item P, the back pocket width along the top edge of the garment.

Agreed set of measurements – Anniversary Jean		
M	Waistband height	5 cm
N	Front Pocket Width – along WB seam	9.7cm
O	Front Pocket Width – along side seam	11.7
P	Back Pocket Width – along top edge	Ms Gregory measured the cloth of the pocket across the top edge 16.7cm Mr Smith measured the distance between the side edges of the pocket across the top edge 16.1cm
Q	Back Pocket Length – through centre	20.7cm
R	Yoke Height at Side Seam	6.5 cm (visible)
S	Yoke Height at CB	Centre Back Yoke Depth Right 8.2 cm Centre Back Yoke Depth Left 8.5cm
T	Belt Loop Width	1.5–1.6 cm
U	Belt Loop Length	7.8–8.1cm
V	Watch Pocket Width – along top edge	9.1cm
W	Watch Pocket Depth – along side edge	9.3cm

[73] Ms Gregory gave evidence of the tolerances of measurement that she would expect. She also explained the need to adjust for differences in sizes. I have taken both aspects into account. The first represents the degree of tolerance expected between measurements provided by a designer to the factory, because of variations that might occur as a result of different factory practices. As to the second, in this case the original size of the Harry Slim jean used as a block for the Dean Biker was

36 inches whereas the physical sample of the Anniversary jean that Ms Gregory and Mr Smith were able to inspect had a waist measuring 33 inches.

[74] On a balance of probabilities, I am satisfied that the Anniversary jean was used as the original sample by Mrs Garfield when preparing instructions for factory production. In my view, the physical garments look similar, as do the drawings prepared by Mr Morisset and Ms Gregory.²⁷ In addition, I have had regard to the absence of evidence from Mr Zurga-Daddi as to what sample might actually have been used and to the inability of G-Star to test evidence given by Mrs Garfield in any meaningful way, by putting the detail of the sample order to her in an endeavour to establish that the original sample must have been the Anniversary jean.

[75] The similarities between the jeans were discussed fully by Mr Marriott, in his closing submissions. Simply because I cannot readily improve on much of his expression, I have used his written submission as a basis for the views that follow.

[76] So far as the five key features are concerned, the only significant omission is the saddle pad. In her initial instructions to the factory for the first sample, dated 19 August 2009, Mrs Garfield expressly asked that the panel at the centre back seat area, through the middle of the back pockets, be removed, when making the Dean Biker jean. In all other respects, the panel placement, the top stitching design, the three button fly, the horizontal seam across the rear pocket and the number of belt loops are the same, or substantially similar.

[77] Any differences in thread colour can be explained by directions in the sample order. Rivet placements are identical, save for one at the bottom of the fly in the Anniversary jean which Mrs Garfield expressly asked be removed. All but one of the recorded measurements for the original sample are within acceptable tolerances of those measured on the Anniversary jean.

[78] There are references in the sample order that suggest that the original sample used was a version of the Anniversary jean that had been made with a distressed wash and a black twill waistband lining. The exhibits to which Mr Marriott referred

²⁷ Compare paras [8] and [10] above.

demonstrate that there were versions of the Anniversary jean which were sold with those characteristics.

[79] My comparison of the similarities of the look and nature of the garments, taken together with the absence of evidence from those involved in the design process for the Dean Biker jean persuade me that it is more probable than not that the Anniversary jean was used as the original sample.

(e) *Issue 4: Did the Dean Biker jean infringe G-Star's copyright in the drawings?*

[80] Infringement occurs when an unauthorised copy is made and a substantial part of the copyright work has been copied,²⁸ whether the copying is direct or indirect.²⁹ The ultimate issue “concerns derivation, not similarity” even though the degree of similarity between the copyright work and the allegedly infringing work has evidentiary significance. Generally, it will be necessary to infer proof of copying from established facts. The greater the similarity between the two works, the stronger the inference is likely to be that one was copied from the other.³⁰

[81] It is not necessary for a plaintiff to show that a defendant copied the whole of the copyright work, or that the copying was exact. It is enough for a plaintiff to demonstrate that a substantial part of the copyright work was copied. What amounts to a substantial part in an artistic work depends more on “qualitative visual impression, rather than on quantitative analysis”.³¹ Such an assessment is treated, on appeal, in a manner akin to the exercise of a judicial discretion.³²

[82] Ultimately, all that is required, to establish infringement, is a chain of causation linking the copyright works with the alleged infringing copy. In *Wham-O*

²⁸ See paras [87] and [81] below.

²⁹ *Henkel KGaA v Holdfast New Zealand Ltd* [2007] 1 NZLR 577 (SC) at para [42].

³⁰ *Ibid*, at para [43].

³¹ *Ibid*, at para [44]. See also *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 (HL) at 279 (Lord Reid).

³² *Ibid*, at para [44].

MFG Co v Lincoln Industries Ltd,³³ Davison CJ, delivering the judgment of the Court of Appeal, said:³⁴

In order to succeed in a copyright action, a plaintiff must prove that the defendant has directly or indirectly made an unlawful use of the plaintiff's copyright work. It is not necessary to show that the defendant has copied directly from the plaintiff's work. It is sufficient for the plaintiff to establish some chain of causation linking the plaintiff's copyright work with the defendant's alleged infringing copy. The copying need not be direct copying. It may be indirect. What must be shown, however, is that either directly or indirectly the alleged defendant copier has in making his copies appropriated the labours of the plaintiff. That copying has taken place is for the plaintiff to establish and prove as a matter of fact. The beginning of the necessary proof normally lies in the establishment of similarity combined with proof of access to the plaintiff's productions: *LB (Plastics) Ltd v Swish Products Ltd* [1979] RPC 551 per Lord Wilberforce at p 619.

[83] In this case, four of the five key features of the original Elwood design have been copied. They have been arranged in a similar manner. While there are issues concerning departure from the measurements of the Anniversary jean that was put into evidence, on a balance of probabilities I am satisfied that they can be explained by tolerances and the need to adjust to accommodate the differences in sizes of the jean. In addition, there are (what I would term as) cosmetic changes that result in presentation of particular detail in different ways.

[84] I regard the similarity in appearance of the copyright drawings of the original Elwood jean and the Dean Biker as significant, in this regard.³⁵ Coupled with the telling similarities between the Anniversary and Dean Biker jeans to which I referred earlier, I find that Jeanswest Australia copied a substantial part of the copyright works when designing and producing its Dean Biker jean.

(f) *Issue 5: Is Jeanswest NZ liable as a primary or secondary infringer?*

[85] In closing, Mr Marriott put G-Star's case against Jeanswest NZ on the basis of both primary and secondary infringement.

³³ *Wham-O MFG Co v Lincoln Industries Ltd* [1984] 1 NZLR 641 (CA).

³⁴ At 668.

³⁵ See the depictions of the copyright works at para [8] and the drawing of the Dean Biker jean by Ms Gregory, at para [10] above.

[86] The term “infringing copy” is defined by s 12 of the Act. Relevantly, it states:

12 Meaning of “infringing copy”

(1) In this Act, the term infringing copy, in relation to a copyright work, shall be construed in accordance with this section.

(2) An object is an infringing copy if its making constitutes an infringement of the copyright in the work in question.

(3) An object that a person imports, or proposes to import, into New Zealand is an infringing copy if—

- (a) The making of the object constituted an infringement of the copyright in the work in question in the country in which the object was made; or
- (b) The importer would have infringed the copyright in the work in question in New Zealand had the importer made the object in New Zealand, unless the object is one to which subsection (5A) or subsection (6) applies.

(4) Where in any proceedings the question arises whether an object is an infringing copy, and it is shown—

- (a) That the object is a copy of the work in question; and
- (b) That copyright exists in the work or has existed at any time,—

it shall be presumed until the contrary is proved that the object was made at a time when copyright existed in the work.

....

[87] Primary infringement of copyright occurs when an unauthorised copy is made. The embargo against copying relates to the copyright work, or any substantial part of it. Sections 35(1)(a)(ii) and 36(a), (b) and (c) of the Act deal with secondary infringement. Relevantly, they state:

35 Infringement by importation

(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,—

...

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

....

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

....

[88] A person is liable for secondary infringement of copyright if he or she were to import an infringing object into New Zealand,³⁶ or possess, offer for sale or sell, in the course of business, an infringing copy.³⁷ For liability to be established, the alleged secondary infringer must know, or have reason to believe, that the item with which it is dealing is an infringing copy of the work.³⁸

[89] Knowledge that a product is an “infringing copy” can be either actual or constructive in nature. Knowledge may be inferred if there were evidence that a defendant had deliberately turned a blind eye to the obvious.³⁹ Constructive knowledge will require proof that a defendant was armed with all relevant information from which to form that view and had sufficient time for evaluation to conclude that the product was infringing someone else’s copyright.⁴⁰

[90] In *Inverness Medical Innovations Inc v MDS Diagnostics Ltd*,⁴¹ Woodhouse J (on this topic) cited with approval a passage from a leading text:⁴²

³⁶ Copyright Act 1994, s 35(1)(a)(ii).

³⁷ *Ibid*, s 36(a), (b) and (c).

³⁸ *Ibid*, s 35(1)(a)(ii) and 36.

³⁹ *Crystal Glass Industries Ltd v Alwinco Products Ltd* HC Hamilton A 236/78, 15 April 1983 (Prichard J) at 45. Although this judgment went on appeal, no contrary observations were made on this topic in the Court of Appeal: *Alwinco Products Ltd v Crystal Glass Industries Ltd* [1985] 1 NZLR 716 (CA).

⁴⁰ *LA Gear Inc v Hi Tech Sports plc* [1992] FSR 121 (CA) at 129.

⁴¹ *Inverness Medical Innovations Inc v MDS Diagnostics Ltd* (2010) 93 IPR 14 (HC). An appeal against this judgment was subsequently struck out for failure to comply with a timetable and to provide security for costs: *MDS Diagnostics Ltd v Inverness Medical Innovations Inc* [2011]

The words “has reason to believe” should be construed in accordance with their ordinary meaning. In particular:

- (a) “Reason to believe” involves a concept of knowledge of facts from which a reasonable man would arrive at the relevant belief. The test is thus an objective one;
- (b) Facts from which a reasonable man might *suspect* the relevant conclusion are not enough;
- (c) The section promotes the allowance of a period of time to enable the reasonable man to evaluate the facts to convert them into a reasonable belief.⁴³

The reasonable man will be taken to be a reasonable man in the position of the defendant and with his knowledge and experience.⁴⁴ If a defendant has knowledge of relevant facts giving grounds for belief that is all that is necessary; it is no defence that the defendant did not in fact believe the copies to be infringing⁴⁵ or for a defendant to say that although he knew the facts he nevertheless believed that as a matter of law no infringement would be committed, even if this was on the basis of legal advice.⁴⁶

[91] Proof of infringement depends on the application of agency law. In my view, the initial stance taken by Jeanswest NZ, and reflected in the brief of evidence of Ms Marston-Fergusson, was overly simplistic. Jeanswest NZ took the position that because it did not design the Dean Biker jeans, was not involved in the manufacture of the jeans and did not arrange for the supply of the jeans into New Zealand it could not be an infringer. On that approach, no overseas company treating its operations in New Zealand as if it were a branch office could be liable for copyright infringement, simply because its New Zealand based staff had no authority to deal with relevant issues. That, in my view, cannot be right.

[92] The case for primary infringement is not compelling. First, Jeanswest NZ, on any view, took no part in the design or manufacture of the Dean Biker jeans. As a distinct entity, its role was the importation of the jeans into New Zealand and their

NZCA 39.

⁴² Ibid, at para [265], adopting a passage from Kevin Garnett, Gillian Davies, Gwilym Harbottle (eds) *Copinger and Skone James on Copyright* (15th ed, Sweet & Maxwell, London, 2005) para 8–10.

⁴³ *LA Gear and Linpac Mouldings Ltd v Eagleton Direct Export Ltd* [1994] FSR 545 (CA).

⁴⁴ *ZYX Music GmbH v King* [1995] FSR 566 at 578 (knowledge of reasonable record distributor in defendant’s position); *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 37 IPR 417 (regard to be had to “the knowledge, capacity and circumstances of the particular defendant”).

⁴⁵ *Nouveau Fabrics Ltd v Voyage Decoration Ltd* [2004] EWHC 895 (ChD).

⁴⁶ *ZYX Music GmbH v King* [1997] 2 All ER 129 (CA) applying *Cillitoe v McGraw-Hill Book Co* [1983] FSR 545 (decided under the 1956 Act). See also *International Business Machines Corp v Computer Imports Ltd* [1989] 2 NZLR 395 at 418.

subsequent availability for sale. The decision to place the goods in New Zealand was made by senior management of Jeanswest Australia, but for legal purposes on behalf of Jeanswest NZ. That train of events is relevant to secondary infringement but has limited application when one considers whether Jeanswest NZ is a primary infringer.

[93] Mr Marriott submitted that by issuing the Dean Biker jeans to the public for sale in New Zealand, Jeanswest NZ became a primary infringer. That submission rests on the interpretation to be given to a combination of three sections within the Act. In logical sequence of application, ss 29, 16(1) and 9(1) of the Act provide:

29 Infringement of copyright

(1) Copyright in a work is infringed by a person who, other than pursuant to a copyright licence, does any restricted act.

(2) References in this Act to the doing of a restricted act are to the doing of that act—

- (a) In relation to the work as a whole or any substantial part of it; and
- (b) Either directly or indirectly;—

and it is immaterial whether any intervening acts themselves infringe copyright.

(3) This Part of this Act is subject to Parts 3 and 8 of this Act.

16 Acts restricted by copyright

(1) The owner of the copyright in a work has the exclusive right to do, in accordance with sections 30 to 34 of this Act, the following acts in New Zealand:

- (a) To copy the work:
- (b) To issue copies of the work to the public, whether by sale or otherwise:
- (c) To perform the work in public:
- (d) To play the work in public:
- (e) To show the work in public:
- (f) to communicate the work to the public:
- (g) To make an adaptation of the work:

- (h) To do any of the acts referred to in any of paragraphs (a) to (f) of this subsection in relation to an adaptation of the work:
- (i) To authorise another person to do any of the acts referred to in any of paragraphs (a) to (h) of this subsection.

9 Meaning of “issue to the public”

(1) References in this Act to the issue of copies of a work to the public mean the act of putting into circulation copies not previously put into circulation; and do not include the acts of—

- (a) Subsequent distribution or sale of those copies; or
- (b) Subject to subsections (2) and (3) of this section, subsequent hiring or loan of those copies; or
- (c) Subsequent importation of those copies into New Zealand; or
- (d) Distribution of imported copies that are not infringing copies within the meaning of section 12 subsequent to their importation into New Zealand.

[94] By offering the Dean Biker jeans for sale in New Zealand, Jeanswest NZ was undertaking a restricted act.⁴⁷ None of the exceptions to the phrase “issue of copies of a work to the public” apply.⁴⁸ The decision to issue the Dean Biker jeans for sale was made by senior management of Jeanswest Australia, on behalf of Jeanswest NZ. Thus, the argument goes, Jeanswest NZ must be regarded as a primary infringer.

[95] Mr Marriott accepted that if I were to find that Jeanswest NZ did not know that the Dean Biker jeans were infringing copies it might be able to claim the benefit of innocent infringement, thereby limiting the relief that G-Star might obtain to a declaration of infringement, an injunction and costs.⁴⁹

[96] Because I am satisfied that secondary infringement has been proved, it is unnecessary for me to consider the argument based on primary infringement. As Mr Marriott accepted, a finding of secondary liability was preferable from G-Star’s perspective, as it gave it the right to seek damages in the event that innocent infringement were found to exist. Accordingly, I do not decide the point. I have set

⁴⁷ Copyright Act 1994, s 29(1) and 16(1)(b).

⁴⁸ Ibid, s 9(1).

⁴⁹ Ibid, s 121(1).

out the terms of the argument in case the question of liability were to be taken on appeal.

[97] On secondary infringement, it is plain that Jeanswest NZ imported the products into New Zealand. It did so at the behest of representatives of Jeanswest Australia who had authority to do so. The jeans were then placed on the New Zealand market for sale, with authority from the same people. In that situation, assuming that form of agency is available to found a claim for infringement, the elements of ss 12, 35(1)(a)(ii) and 36(a), (b) and (c) have been made out.⁵⁰

[98] On the agency point, Mr Johnson, for Jeanswest NZ, referred me to *Hickman v Turn and Wave Ltd*.⁵¹ It is uncontroversial to say that knowledge acquired by an agent, while acting for a principal, is imputed to the principal. The rationale for that approach is, primarily, the protection of third parties dealing with an agent.⁵²

[99] Knowledge acquired other than during the scope of the agency is not generally imputed to the principal unless the agent is an “agent to know”. In *Jessett Properties Ltd v UDC Finance Ltd* the Court of Appeal said:⁵³

The general principle that notice given to or knowledge acquired by an agent is imputed to his principal only if the agent was at the time employed on the principal’s behalf is recognised in the texts and the cases: see for example *Bowstead on Agency* 15 ed 412-416, *Fridman’s Law of Agency* 6 ed 319, *The Société and Générale de Paris v The Tramways Union Co Ltd* (1884) 14 QBD 424 and *Taylor v The Yorkshire Insurance Co Ltd* [1913] 2 IR 1. This accords with good sense and justice.

...

Whichever be the true basis, for the principle it is apparent that knowledge acquired before the agency began or probably even during its currency but

⁵⁰ Those provisions are set out at paras [86] and [87] above.

⁵¹ *Hickman v Turn and Wave Ltd* [2011] 3 NZLR 318 (CA) at paras [192]–[197].

⁵² For example, *Jessett Properties Ltd v UDC Finance Ltd* [1992] 1 NZLR 138 (CA) at 143. See also the helpful and authoritative discussion of the issue of “imputed knowledge” in Professor Watts QC’s article *Imputed Knowledge in Agency Law – Knowledge Acquired Outside Mandate* [2005] New Zealand Law Review 307; in particular at 316–317, 329–330 and 333.

⁵³ *Jessett Properties Ltd v UDC Finance Ltd* [1992] 1 NZLR 138 (CA). In *Springsteen v Flute International Ltd* [1998] EWHC J1210–8, in the context of secondary infringement of copyright, the Court held that the knowledge of the sole director of the infringing company could be attributed to that company as all of the company’s actions were done exclusively through him (at 50). See also *GSE Group Ltd v Walters Supplies Ltd* HC Auckland CIV-2005-404-3045, 16 July 2008, at para [106] (Winkelmann J).

outside the scope of the engagement, should not in general be imputed to the principal.

In the *Taylor* case, Palles CB noted two exceptions: one where the principal “purchases the previously obtained knowledge of the agent” in relation to the particular subject matter; the other where the agent is “an agent to know”. The latter expression comes from the judgment of Lord Halsbury LC in *Blackburn, Low & Co v Vigors* (1887) 12 AC 531, 537–538 where his Lordship pointed out that the somewhat vague use of the word “agent” leads to confusion and added:

Some agents so far represent the principal that in all respects their acts and intentions and their knowledge may truly be said to be acts, intentions and knowledge of the principal. Other agents may have so limited and narrow an authority both in fact and in the common understanding of their form of employment that it would be quite inaccurate to say that such an agent’s knowledge or intentions are the knowledge or intentions of his principal; and whether his acts are the acts of his principal depends upon the specific authority he has received.

All turns on the nature of the agent’s engagement.

[100] On the evidence, I am satisfied that those people who made the decision to send the Dean Biker jeans to New Zealand were responsible for ensuring that there was no breach of copyright. When Mr Marriott put that specific question to Ms Marston-Fergusson, she answered that Jeanswest Australia would make decisions about the legality of what was being ordered on behalf of Jeanswest NZ on the latter’s behalf. Mr Lloyd’s evidence was to the same effect.⁵⁴ Those persons who made the decisions in Australia had authority to act on behalf of Jeanswest NZ and knowledge, or at the very least reason to believe, that the Dean Biker jeans were an infringing copy of G-Star’s copyright works. That knowledge must be imputed to their principal (for importing and sale purposes in New Zealand), Jeanswest NZ. From an agency law perspective, the Australian actors’ roles come within the principle that “in all respects their acts and intentions and their knowledge may truly be said to be acts, intentions and knowledge of the principal”.⁵⁵

[101] For those reasons, I hold that Jeanswest NZ is liable as a secondary infringer.

⁵⁴ See para [25] above.

⁵⁵ See para [99] above; in particular the extract, set out in *Jessett Properties*, from the judgment of Lord Halsbury LC in *Blackburn, Low*.

(g) *Issue 6: What relief should be granted?*

[102] Mr Poelmann is the Country Manager Australia/New Zealand of G-Star Australia. He gave evidence about G-Star's presence in Australasia and the effect of the alleged infringement of G-Star's copyright.

[103] Mr Poelmann recited the background to the Elwood jean in a manner consistent with the evidence given by Mr Morisset. He added that all versions of the jean "consistently feature the ... [five] distinctive design elements". Mr Poelmann deposed that the jean, as varied to address changing fashion trends and seasonal requirements, had "built up a huge following such that it is now [G-Star's] signature piece with over 13 million items sold world-wide". About 40 of the variations to the Elwood design have been promoted and sold in New Zealand.

[104] G-Star does not have any dedicated retail outlets in New Zealand. Rather, it sells its products through stores that offer multiple brands to customers. It also distributes magazines, "look books" and "house books" in New Zealand. In the period between 6 April 1999 and 2011, the recommended retail price for the various Elwood styles has ranged between \$180 and \$570 per jean. Mr Poelmann estimated that the G-Star brand has a 5% market share of the New Zealand jeans and fashion market.

[105] Mr Poelmann gave evidence about damage to reputation. Although Jeanswest NZ has only sold 63 items in New Zealand, Mr Poelmann suggested that G-Star's reputation was still damaged. While accepting that it was unlikely that anyone intending to purchase jeans from a low-price Jeanswest outlet would have been prepared to pay for the G-Star brand at a significantly higher price, Mr Poelmann pointed to the impact of an imitation product as the primary trigger for reputational loss. G-Star's concern arises out of a possible perception among potential purchasers who have the ability and desire to acquire its product at the prices that it charges that the jean is no longer unique or, in some other way has lost its iconic status.

[106] It appears that G-Star takes an aggressive approach to protection of its copyright. There is a special unit within the Amsterdam head office that deals with

claims of this type. Mr Poelmann gave evidence that similar claims have been brought against other fashion houses; some with a significant market presence, for example Tommy Hilfiger, Ralph Lauren and Benetton.

[107] The relief sought by G-Star is:

- A. Declarations that Jeanswest NZ has infringed G-Star's copyright in the copyright works in breach of ss 29, 30, 35 and 36 of the Copyright Act.
- B. Orders that Jeanswest NZ, its directors, employees, servants or agents howsoever be restrained in trade or commerce from:
 - (a) Directly or indirectly reproducing or substantially reproducing the copyright works;
 - (b) Selling or otherwise distributing, manufacturing, importing, supplying, advertising and promoting the Jeanswest Product;
 - (c) Disposing or dealing with the Jeanswest Product in any other way than in accordance with paragraph (c) below;
- C. An order that Jeanswest NZ, by its directors, employees, servants, agent or howsoever deliver up to G-Star:
 - (a) All the Jeanswest Product in its possession, custody or control; and
 - (b) Any and all brochures, pamphlets, advertising labels, swing tags, promotional or marketing material and the like in its power, possession, custody or control which feature the Jeanswest Product, the use of which would breach the terms of any injunction issued by this Court.

- D. An enquiry as to damages or, at the election of G-Star and G-Star Australia, an account of profits and payment of all sums found to be due upon such enquiry or the taking of such account:
- E. Additional damages under s 121(2) of the Copyright Act.
- F. Interest on profits or damages awarded from such date and at such rate as this Court deems just.
- G. The costs of and incidental to this action.
- H. Such further or other orders as the Court deems fit.

[108] I am satisfied that a declaration of infringement should be made. I am also satisfied that an injunction should issue in terms set out in B of the claim for relief. The injunctive relief is appropriate and goes beyond undertakings that were previously offered.

[109] I am satisfied that there are no remaining Dean Biker jeans held by Jeanswest NZ in New Zealand. Nor is there any promotional material. That being so, I decline to make an order in terms of C of the claim for relief.

[110] As to damages, they are minimal. In the context of a proceeding of this type, brought primarily to protect the reputation of G-Star and the interests of its distributor in Australasia, no more than a nominal order for damages can be justified. The evidence points to loss of between \$216.65 and \$433.30. A detailed analysis is unnecessary, in the context of this case. I take an approximate midpoint for damages of \$325.00. They will be awarded in favour of G-Star and G-Star Australia jointly. No further enquiry as to damages is required.

[111] G-Star also claims aggravated and additional damages. Additional damages are claimable under s 121(2) of the Act:

121 Provisions as to damages in infringement proceedings

...

(2) In proceedings for infringement of copyright, the court may, having regard to all the circumstances and in particular to—

- (a) The flagrancy of the infringement; and
- (b) Any benefit accruing to the defendant by reason of the infringement,—

award such additional damages as the justice of the case may require.

...

[112] In considering whether aggravating or additional damages should be ordered, the motive of any infringer should be taken into account. I have reflected on that issue because it was one that troubled me during the course of the hearing. For much of the hearing, I could not understand why Jeanswest Australia would take the risk of infringement proceedings being issued by an enterprise that was well known for protecting its intellectual property rights, when such a small run had been ordered. The sinister theory I had put to Mr Lloyd was adequately dispelled by his answer about the need to avoid allocating goods to stores where it was likely that the copyright owner would find them.⁵⁶

[113] It was only when I was told, during final submissions, that copying of this type would not infringe Australian copyright laws that I formed a view about how this had happened. The problem, in my view, has stemmed from Jeanswest Australia's treatment of Jeanswest NZ as no more than a branch office.

[114] I infer that when Jeanswest Australia's legal advisor talks to staff in Melbourne about infringement issues, he focuses on Australian law. That being so, the attention of those in the design and production team responsible for ensuring no breach of copyright occurs will not have been drawn to the different legal position in New Zealand. That is the most favourable inference that can be drawn in favour of those who are responsible for directing Jeanswest NZ's business in this country. It is a conclusion which I find to be consistent with Mr Lloyd's view about the business ethics and culture of Jeanswest Australia generally.

⁵⁶ See para [41] above.

[115] Mr Marriott urged me to conclude, even if I were to take that view, that infringement occurred by virtue of Jeanswest Australia shutting its eyes deliberately to the consequences of behaviour of this type under New Zealand law. In my view, such a conclusion would be purely speculative. There being two inferences available, I draw the one most favourable to Jeanswest NZ, namely that the infringement occurred through ignorance of New Zealand law – though that is no excuse.

[116] In those circumstances, I am not prepared to make an award of aggravating or additional damages.

(h) *Issue 7: Was this proceeding unjustified?*

[117] In view of my conclusion on the question of infringement, G-Star was justified in issuing the proceeding. No declaration to the contrary can be made.

Costs

[118] This has been a difficult proceeding. Without apportioning blame, it appears that there were many developments at a late stage that had an impact on the way on which it was necessary for each party to run their respective cases.

[119] Mr Marriott put to me a lengthy list of factors that he submitted justified an uplift to the costs that would ordinarily be ordered in favour of a successful plaintiff. I indicated to counsel that I would not consider those factors at this stage but, if I took the view that they *could* result in an uplift (or a greater uplift) from what I would otherwise have ordered I would reserve costs and provide an opportunity for the parties to file evidence and make further submissions on that question.

[120] Under New Zealand law, there are three broad categories of costs that might be ordered as between parties to litigation in this Court. They were described, in general terms, by the Court of Appeal in *Bradbury v Westpac Banking Corporation*.⁵⁷ Delivering the judgment of the Court, Baragwanath J said:

⁵⁷ *Bradbury v Westpac Banking Corporation* [2009] 3 NZLR 400 (CA).

[27] The distinction among our three broad approaches – standard scale costs, increased costs and indemnity costs – may be summarised broadly:

- (a) standard scale applies by default where cause is not shown to depart from it;
- (b) increased costs may be ordered where there is failure by the paying party to act reasonably; and
- (c) indemnity costs may be ordered where that party has behaved either badly or very unreasonably.

[121] In this case, I consider that there are two factors that justify increased costs being ordered against Jeanswest NZ. In terms of r 14.6(3)(d) of the High Court Rules, reasons exist that justify making an order for increased costs, despite the principle that the determination of costs should be both predictable and expeditious.

[122] The two reasons each stem from unreasonable conduct on the part of Jeanswest NZ:

- (a) The first is the way in which Jeanswest NZ put to this Court and G-Star that Ms Laidlaw would be a “key” witness who would give evidence at trial. That indication was given to the Court in an affidavit sworn on 8 August 2013, about six weeks before the trial was due to begin.⁵⁸ The decision not to call Ms Laidlaw must have contributed to additional cost on the part of G-Star, in preparing for trial.
- (b) The second is the late disclosure of what was the most important document produced: the sample order. This was not made available to G-Star until 27 August 2013, less than one month before the trial was due to begin. The importance of the document was reinforced in Mr Elliott’s closing address. He submitted that I should not put weight on the fact that witnesses had not been called by Jeanswest NZ because the sample order spoke for itself. I would expect that some significant additional cost was incurred by G-Star in having to address such a critical document at a late stage of its preparation.

⁵⁸ See also para [26] above.

[123] In my view, the appropriate course is to award an uplift of 25% on the 2B costs that would otherwise be ordered. In my view, that uplift is sufficient to deal with issues arising out of the conduct of the litigation.

[124] My order for costs excludes those that I ordered to be paid by G-Star in any event when I acceded to its late application to have Mr Morisset's evidence taken by video-link.⁵⁹ They will be set off against the costs ordered in this judgment. Leave is reserved to apply in respect of the apportionment issue, to which I referred in my earlier decision.⁶⁰

Result

[125] For those reasons:

- (a) I make a declaration that Jeanswest NZ has infringed G-Star's copyright in the copyright works defined in para 5 of the Second Amended Statement of Claim.
- (b) I issue an injunction in terms of para B (a) and (b) of the claim for relief in the Second Amended Statement of Claim.
- (c) Damages are awarded in favour of G-Star and G-Star Australia jointly in the sum of \$325.00.
- (d) Jeanswest NZ's counterclaim is dismissed.
- (e) One set of costs is awarded in favour of G-Star and G-Star Australia on a 2B basis, with an uplift of 25%, together with reasonable disbursements. Both costs and disbursements shall be fixed by the Registrar. I certify for second counsel.

⁵⁹ *G-Star Raw C.V. v Jeanswest Corporation (New Zealand) Ltd* [2013] NZHC 2461 (19 September 2013) at paras [31] and [33].

⁶⁰ *Ibid*, at para [32].

- (f) The costs orders I made in my judgment of 19 September 2013 against G-Star remain in place and are to be off-set against other costs awarded.⁶¹

[126] I thank counsel for their assistance.

P R Heath J

Delivered at 4.00pm on 15 October 2013

⁶¹ Ibid, at paras [31] and [33].