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K&L GATES

# A different *beat*

K&L Gates outlines the subtle differences in copyright law between jurisdictions.

**A** COPYRIGHT ACTION THAT may be defensible in one jurisdiction may not be in another jurisdiction. Jeanswest learnt this lesson the hard way when it was sued by G-Star in New Zealand for copying G-Star's iconic Elwood jean design.

In this case, the Australian based Jeanswest companies, Jeanswest Corporation Pty Ltd and Jeanswest Wholesale Pty Ltd (collectively Jeanswest Australia), designed a pair of jeans which they named the Dean Biker jean. Once the design was complete, Jeanswest Australia ordered 374 pairs of the Dean Biker jean from its Chinese manufacturer. Jeanswest Australia explained that the relatively small production run represented a 'talker'. Jeanswest Australia explained at trial that a 'talker' is a small production run which is then sold to gauge if the market is interested in the design. Jeanswest Australia exported 63 pairs of the Dean Biker jean to New Zealand on 14 January 2010 and Jeanswest NZ arranged for these jeans to be sold from Jeanswest stores.

In July 2010, G-Star discovered the sale of the Dean Biker jean in New Zealand and its lawyers sent a letter of demand to Jeanswest NZ alleging that the Dean Biker jean infringed G-Star's copyright in its iconic 'Elwood' design. The 'Elwood' design was first released on to the market in

1996 and approximately 13 million units of the Elwood design in different fits and fabrics had been sold around the world. The G-Star Elwood design is an iconic jean for G-Star. Jeanswest NZ advised G-Star that it had only sold 63 pairs of the Dean Biker jean and that it would not sell any further jeans. Jeanswest denied that it had breached G-Star's copyright as alleged.

G-Star issued proceedings against Jeanswest NZ in the High Court of New Zealand for breach of copyright in May 2011.

During the course of discovery, Jeanswest NZ produced a critical document being the 'Sample Order'. The Sample Order document detailed the design process for the Dean Biker jean and this document contained instructions which indicated that the Dean Biker jean was based on another pair of jeans. The trial judge found that the Dean Biker jean was substantially copied from G-Star's 'Anniversary' Elwood jean which was issued to celebrate the design's 10 years' anniversary.

Despite finding that Jeanswest NZ had copied the Anniversary jean, the trial judge did not award additional damages to G-Star. This was largely due to evidence presented by Jeanswest NZ that, while Jeanswest Australia's legal advisor had correctly educated its Australian designers that it had a complete defence to a claim of this nature in Australia, the different legal position in New Zealand was not brought to the attention of the design and production team. The trial judge, therefore, concluded that, while this was not an excuse, the infringement occurred through ignorance

of New Zealand law not because Jeanswest wilfully did not consider New Zealand law. G-Star was only awarded NZ\$325 in damages given the small number of the Dean Biker jeans that were sold in New Zealand.

Jeanswest NZ appealed the decision to the New Zealand Court of Appeal and G-Star filed a cross-appeal seeking that an award of additional damages be made. The New Zealand Court of Appeal allowed G-Star's cross-appeal and awarded G-Star NZ\$50,000 in additional damages. The Court of Appeal stated that Jeanswest NZ lacked an effective system for establishing whether this importation breached New Zealand copyright law and it should have been a simple matter to obtain the required legal advice.

This case shows that if you are selling products into multiple jurisdictions, then you need to understand the laws in each jurisdiction into which you are selling and make sure that you comply with these different laws. In the case of intellectual property infringements, at least, this case shows that ignorance is no excuse and that the infringement of an intellectual property right, albeit mistakenly, can result in a significant damages award being made against you. ■

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