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Commerce and Industry Bureau
Government of the Hong Kong SAR
Level 29
One Pacific Place, 88 Queensway
Hong Kong

Attn: Ms Laura Tsoi

Dear Sirs,

Review of Certain Provisions of Copyright Ordinance

A. BACKGROUND

We refer to the Review of Certain Provisions of Copyright Ordinance Consultation Document ("Consultation Document").

Under the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 (the "Amending Ordinance"), which came into effect on 1 April 2001, the criminalisation of the possession of a pirated copy of a copyright work other than for personal and domestic use targets acts of copyright piracy by business end-users. This measure addresses the perceived inadequacy under the then prevailing Copyright Ordinance whereby a person possessing an infringing copy of a copyright work would be prosecuted only if he was found to be "dealing in" the infringing copy.

To address public concerns that the new end-user criminal liability has hampered dissemination of information and teaching activities, the Copyright (Suspension of Amendments) Ordinance 2001 (the "Suspension Bill") was introduced to suspend the relevant provisions except as they apply to computer programs, movies, television dramas and musical recordings.

The Society welcomes the Administration's decision to consult the public widely with a view to formulating a long-term solution before the suspension expires in July 2002. Generally speaking we believe that any legislation should be targeted specifically to deal with what are generally accepted as being significant problem areas. It should avoid introducing a heavy-handed blanket criminalisation of other copyright infringements that, on the one hand, may have little or no material affect on copyright holders and, on the other, may impede the flow of information and, as a result, the process of learning and the quality of debate within the community. The imposition of a broad criminal liability for copyright infringements would serve only the interests of copyright holders without

attempting to find a reasonable balance between these and the wider interests of the community as a whole.

In addition, we have pointed out in submissions to the Legislative Council in relation to the Amending Ordinance and the subsequent Suspension Bill, that copyright also subsists in consultation papers, bills, ordinances, correspondence, and a range of other similar materials, in addition to newspaper commentaries. If any doubt remains about the ability of e.g. professional and trade bodies, lobby groups, even individual firms, to make a limited number of copies of these materials to facilitate consultation and discussion, then this will undermine the free exchange of opinion and ideas that is vital to Hong Kong's reputation as an international city.

Against the above background, we set out below the comments of our Legal Committee on the detailed proposals contained in the Consultation Document. The views of the Committee will be referred to the 15 January 2002 meeting of the Society's Council for approval. If any significant additional or alternative views are expressed by the Council, we will inform you as soon as possible thereafter.

B. THE SUBMISSION

1. Criminal Provisions Related to End-User Piracy

(a) Criminal sanction should not apply to the possession of an infringing copy of a copyright work in "business" activities of a non-profit-making nature.

Since no commercial advantage or private financial gain is involved, the Committee considers that activities of non-profit-making organisations, such as educational and charitable organisations, should for the time being treated on a similar basis to private and domestic purposes. We consider, therefore, that criminal sanctions should not apply to the possession of an infringing copy of a copyright work in "business" activities of a non-profit-making nature. If the situation changes in future and copyright holders can show that there are rampant infringements within the non-profit-making sector that clearly, demonstrably and substantially harm their interests, then the situation could be reviewed again.

(b) Employees in possession of an infringing copy supplied by the employer for use in business should not be criminally liable.

Employees do not necessarily have any knowledge that an infringing act is being committed. Although sometimes they may personally harbour some suspicion, this would not constitute reasonable grounds for making employees criminally liable. Even where an employee possesses actual knowledge, he is unlikely to be in a position to prevent the infringing act from being committed and his only course of action may be to resign. Apart from the fact that this in itself may not exonerate him under the law, particularly where, say, the employee has a period of notice to serve and

the infringement continues during this period, there is also the fundamental question of whether an employee should be put into the position of having to take such extreme action, over what could well be a relatively minor issue. Where an employee is actually a director and decision-maker, then in an action against the company the veil of incorporation may in any event be lifted and the directors may also be held to be liable.

Copyright holders can always resort to any civil remedy that may be available in the circumstances of the case, if they believe that a case can clearly be made against a particular employee for infringing their copyright.

Therefore, the Committee is of the view that criminal sanction should not generally apply to employees for possession of an infringing copy supplied by the employer for use in business.

(c) *End-user criminal liability should apply only to copyright works afflicted by rampant piracy.*

In determining the extent to which the interests of copyright holders should be protected by way of criminal sanction against end-users, due consideration should be given to the need to allow for reasonable dissemination of information and knowledge within the community. As indicated above, therefore, the Society takes the view that criminal sanctions against end-users should be introduced only where there is a serious piracy problem that substantially affects the interests of copyright holders.

(d) *Certain acts of the end-user which infringe copyright but which do not give the end-user any commercial advantage or private financial gain, should be exempt from criminal liability.*

Certain acts, such as photocopying a newspaper article, or printing a picture downloaded from a website for archival purposes, without permission, generally do not conflict with a normal exploitation of the work by copyright owners or unreasonably prejudice their legitimate interests. This is where the issue of striking a reasonable balance that takes into account the needs of the community as a whole and of Hong Kong's overall interests becomes so important. To apply criminal sanction to such acts which give no commercial advantage or private financial gain to the end-user would appear to be disproportionate to the scale of copyright infringement involved. Accordingly, such acts should be exempt from criminal liability. In response to the argument that copyright holders are entitled to exercise their rights regardless of the scale of the infringement, it is of course always open to them to take civil action if they believe this to be necessary to protect legitimate and material interests.

(e) *The expression "for the purpose of, in the course of, or in connection with, any trade or business" introduced by the Amending Ordinance has cast the criminal net too wide.*

Prior to its amendment, the Copyright Ordinance stipulated, inter alia, that an offence would be committed if a person possessed an infringing copy of a copyright work for the purpose of trade or business with a view to committing an infringing act. To avoid the phrase "for the purpose of trade or business" being narrowly interpreted to mean that an enterprise would commit an offence only if it was engaged in dealing in the infringing copy concerned, the Amending Ordinance replaced the phrase "for the purpose of trade or business" with "for the purpose of, in the course of, or in connection with, any trade or business" where it has appeared in the Copyright Ordinance.

The revised provisions extend the scope of the end-user criminal provisions to activities incidental to or marginally related to business. In so doing, we consider that the amendments have extended the reach of the criminal sanctions too far. However, if the words "in connection with" are deleted while the phrase "in the course of" is retained, it is not clear that the scope of the amendments will be confined significantly, as the latter phrase is also capable of a fairly wide interpretation. Accordingly, we would suggest that a broader review of the revised wording be conducted to ensure that the scope of the Ordinance is clearly known, understood and accepted.

2. Permitted Acts for Educational Purposes

(a)&(b) A flexible approach should be adopted for clarification of the meaning of "to a reasonable extent" and "passages" in sections 41 and 45 of the Copyright Ordinance.

There are pros and cons in relation to both the statutory and non-statutory approaches. The statutory approach could introduce more certainty but, at the same time, as the different detailed arrangements in place overseas indicate, it can also be potentially arbitrary and inflexible. The non-statutory approach, on the other hand, could provide for greater flexibility but much would depend, firstly, on all the interested parties on each side of the fence arriving at a common view and, secondly, the ability of copyright holders and end-users to achieve a reasonable and mutually-acceptable position. In this respect, as not all copyright holders are represented by a single body, the non-statutory approach could result in a whole series of long-drawn-out negotiations. In addition, it is not made clear in the Consultation Document what status, if any, would be given to non-statutory guidelines under the law. In principle the objective should be to achieve a reasonable degree of certainty without introducing an arrangement that is overly rigid and unable to deal effectively with real practical circumstances. There are, however, a number of unanswered questions in relation to the

two approaches referred to in the Consultation Document and without knowing the answers to these, then we would find it difficult to come to a firm view one way or the other.

(c) *The act of recording or copying permissible under s44 and s45 of the Copyright Ordinance should be permitted no matter licences under licensing schemes are available or not.*

Currently, the acts of recording by educational establishments of broadcasts and cable programmes, and of reprographic copying made by educational establishments of passages from published works, under s44 and s45 respectively of the Copyright Ordinance, are not permitted if licences under licensing schemes are available authorising the recording or copying in question, and the person making the copies knew or ought to have been aware of that fact. There seems to be no apparent reason for distinguishing these two acts from other acts that are also permitted in relation to copyright works under the Copyright Ordinance notwithstanding the subsistence of copyright, i.e. things done for the purpose of instruction or examination (s41); anthologies for educational use (s42); and performance, playing or showing work in the course of activities of educational establishments (s43), none of which are subject to the said condition.

We also hold the view that the existing carve-out presupposes an equality of bargaining power between the licensors and applicants for licences, which can thus provide a suitable environment to ensure that any licensing regime achieves a fair balance of interests and is flexible, efficient and effective. However, this assumption is not necessarily the case in practice. As noted at paragraph 7.3 of the Consultation Document: "A licensing body representing most or all of the authors in relation to a genre of copyright works is in a very strong position vis-à-vis prospective users in setting the terms of the licence."

Since the recording or copying in question does not conflict with a normal exploitation of the work by the copyright owners, or unreasonably prejudice their legitimate interests, for the sake of consistency we support the removal of the carve-out to reduce teachers' uncertainty and facilitate teaching.

(d) *A new permitted act should be provided under the Copyright Ordinance to facilitate the uploading of copyright works to a school INTRANET for access within the school.*

In the spirit of providing for permitted acts in relation to copying a part of a work for educational purposes, a new permitted act should be introduced under the Copyright Ordinance, which takes account of recent technological developments, to facilitate the uploading of copyright works to a school INTRANET for access within the school.

3. Permitted Acts for Visually Impaired Persons

(a) *A new permitted act should be provided for the transcribing of works in the printed format into Braille, large-print, talking or other specialised formats by non-profit-making bodies for the exclusive use of visually impaired persons where no such transcriptions are commercially available in Hong Kong within a reasonable time or at a reasonable price.*

Designated non-profit-making bodies are permitted under the Copyright Ordinance to make copies of television broadcasts or cable programmes for the purpose of providing people with a physical or mental disability with copies which are sub-titled or otherwise modified for their special needs. Therefore, transcriptions should similarly be permitted under the Copyright Ordinance, that are carried out by non-profit-making bodies for the exclusive use of visual impaired persons, where no such transcriptions are commercially available in Hong Kong within a reasonable time or at a reasonable price. This should be so particularly in view of the limited number of potential beneficiaries.

(b) *The acts mentioned in paragraphs 3.1 and 3.2 of the Consultation Document should be permitted no matter a licensing scheme is available or not for authorising those acts.*

In line with the experience in other jurisdictions, e.g. the United States, Canada and Japan, as noted in the Consultation Document, and given also the issue of possible inequality of bargaining power (see 2(c) above) and the limited number of potential persons affected, the acts in question should be permitted no matter whether or not a licensing scheme is available for authorising those acts.

4. Permitted Acts Related to Free Public Showing or Playing of Broadcast or Cable Programme

(a) *The statutory exemption in paragraph 4.2 of the Consultation Document should be extended to cover all underlying copyright works included in the broadcast or cable programme.*

The Copyright Ordinance provides that the showing or playing in public of a broadcast or cable programme (other than an encrypted programme) to an audience who has not paid for admission to the place where the broadcast or programme is shown or played, does not infringe any copyright in the broadcast or cable programme, or any sound recording or film included in it or infringe any right in relation to the performance included in the sound recording or film. However, this exemption does not extend to other underlying works such as the music and lyrics of a song included in the broadcast or cable programme.

To remedy the anomaly under the current regime, the said statutory exemption with respect to free public showing or playing of a broadcast or cable programme should also apply to all underlying copyright works included in the broadcast or cable programme.

(b) *The exemption should be extended to cover all public places where the broadcast or cable programme is shown or played except where goods or services are supplied at prices which are substantially attributable to the facilities afforded for seeing or hearing the broadcast or programme.*

According to the Consultation Document, the statutory exemption with respect to the showing or playing in public of a broadcast or cable programme to an audience which has not paid for admission may be too restrictive. Based on this condition, for example, the showing of a television broadcast to customers in a restaurant, or the provision of a television set in a hotel room for the use of guests may not qualify for exemption.

In such cases where the admission charge (i.e. charge for food and service in a restaurant, and hotel room charge) is not substantially attributable to the facilities afforded for seeing or hearing the broadcast or programme, the showing or playing of the broadcast or programme does not conflict with a normal exploitation of the related works by the right holders, or unreasonably prejudice their legitimate interests. On the other hand, in situations where goods or services supplied at the premises in which the broadcast or cable programme is shown or played are charged at prices which are substantially attributable to the facilities provided for seeing or hearing the broadcast or programme, it is arguably justifiable for right holders to demand a royalty.

Therefore, we are of the view that the exemption with respect to the showing or playing in public of a broadcast or cable programme should apply to all public places where the programme is shown or played except where goods or services are supplied at prices which are substantially attributable to the facilities afforded for seeing or hearing the broadcast or programme. We note, however, that in practice this may not always be an easy distinction to draw

5. Parallel Importation of Copyright Works Other Than Computer Software

(a) *The civil liability and criminal sanction against parallel importation of and subsequent dealing in all types of copyright work should be removed without exception.*

In considering the issue of whether to impose civil liability and criminal sanction against parallel importation and subsequent dealing in copyright works generally, it is important to balance the rights of the local copyright owners, exclusive licensees and sole distributors against the rights of

consumers. As noted in the Consultation Document, whilst the move to remove the restrictions on parallel importation for all types of copyright work may affect the interests of copyright owners, exclusive licensees and sole distributors, it would facilitate the free flow of goods, increase competition and the availability of products in the market, thus resulting in more choices and lower prices for consumers. In addition, liberalising parallel importation would also be line with technological and commercial developments in relation to the Internet and e-commerce. The fact that the Administration has prepared the necessary legislative amendments for legalising parallel importation of computer software does lend some support to this approach.

We are therefore of the view that the civil liability and criminal sanctions against parallel importation and subsequent dealing in all types of copyright work should be removed. In principle, we consider that this should be without exception. However, provision could be made for exceptions where the copyright holder can argue specific and exceptional circumstances (e.g. if, for example, prices in an overseas market from which goods are sourced are artificially low because they are specifically mandated or limited by the relevant Government without any significant input from the owner of the intellectual property rights).

(b) *If there should continue to be criminal sanction against parallel importation of and subsequent dealing in some types of copyright work, the current 18-month threshold should be reduced.*

As stated above, we believe that the restrictions on parallel importation should be lifted altogether. Reducing the threshold within which the existing sanctions would apply would at most be a second-best approach.

(c) *The civil liability and criminal sanction imposed on end-users of parallel imported copies of copyright works in business should be removed.*

We reiterate our comments in 5(a) above in respect of the need to balance the rights of local copyright owners, etc. against the rights of consumers, and to keep abreast of technological and commercial developments in relation to the Internet and e-commerce. We believe, therefore, that the criminal and civil liabilities of end-users for using parallel imported copies of copyright works in business should be removed, whether or not parallel importation generally is liberalised.

6. Unauthorised Reception of Subscription Television Programmes

(a) *Criminal sanction against fraudulent reception of subscription television programmes should not be introduced.*

As noted in the Consultation Document, the option of criminalising the fraudulent reception of subscription television programmes, which tackles

the problem at source, would have a strong deterrent effect. Also, criminal sanctions against fraudulent abstraction of electricity or fraudulent use of a public telephone with intent to avoid payment are provided for under the Theft Ordinance.

However, the Committee considers that, whilst the unauthorised reception of subscription television programmes may be a wrongdoing against the service provider, it should not be accorded the same gravity as the theft of utilities such as electricity, particularly where the reception is for private and domestic purposes. One significant difference is that a television signal will generally already be available from within the receiver's own private property, whereas electricity is likely to have to be tapped into from outside the user's property. The same is obviously true also of a public telephone. As noted in the Consultation Document, enforcement of any criminal sanction against unauthorised reception of subscription television would entail the use of intrusive powers of entry, which are not actively invoked in the three jurisdictions referred to, i.e. the United Kingdom, the United States and New Zealand, at least in respect of private and domestic premises. The Committee is therefore not convinced that imposing "end-user" criminal liability is appropriate for unauthorised reception of subscription television programmes.

(b) *Civil remedy against fraudulent reception of subscription television programmes should be introduced.*

In view of our comments in 6(a) above, we believe that the introduction of a civil remedy is a more appropriate option than criminalising the fraudulent reception of subscription television programmes.

(c) *Criminal sanction and civil remedy against the possession of an unauthorised decoder for commercial purposes should be introduced.*

According to the Consultation Document, introducing criminal sanctions and civil remedies against the possession of an unauthorised decoder for commercial purposes would be effective against fraudulent reception for commercial purposes. We believe that targeting commercial users in this way would generally be regarded as a more acceptable approach than criminalising fraudulent reception in domestic premises.

7. Licensing Bodies

(a) *The Copyright Tribunal should not be replaced with an arbitration system to adjudicate disputes between copyright users and licensing bodies.*

As noted in the Consultation Document, the acknowledged problem of the substantial legal costs involved with the Copyright Tribunal proceedings cannot be avoided under an arbitration system. Rather than replacing the Copyright Tribunal with an arbitration system which is often expensive for

the parties to the arbitration, the Committee believes that the introduction of an summary procedure for Copyright Tribunal proceedings, under which no legal representation is allowed for cases involving an amount not exceeding a certain limit, would provide a more effective solution to the issue of legal costs.

(b) *Licensing bodies should not be mandated to be registered and to publish their scales of royalty charges.*

According to the Consultation Document, there is the possibility that a mandatory system of registration of licensing bodies might conflict with Hong Kong's international obligation not to subject the exercise of copyright by the right holder to any formality. This issue needs to be examined. Furthermore, the substantial resources needed for managing a regulatory regime may not be commensurate with its potential benefits. The Committee does not see the need at this juncture to introduce a system of mandatory registration of licensing bodies, whereby all licensing bodies are required to publish their scale of charges.

We hope that you find our comments to be constructive. Should you have any comments on them, please do not hesitate either myself or John Tang, Assistant Director (Business and Practice) at the Society.

Yours faithfully,

PETER TISMAN
DEPUTY DIRECTOR
(BUSINESS & PRACTICE)
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