

**A Paper for the Bills Committee
on Copyright (Suspension of Amendments) Bill 2001**

Analysis of s.118(1)(d) of the Copyright Ordinance (Cap. 528)

Purpose of Paper

This paper sets out the Legal Service Division's analysis of section 118 (1)(d) of the Copyright Ordinance (Cap. 528). If the Copyright (Suspension of Amendments) Bill 2001 is enacted, for all copyright works, other than the four categories of works provided in Clause 2(2) of the Bill, s. 118(1)(d) will have to be read as if the amendments effected by the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 (64 of 2000) (Amendment Ordinance 2000) had not been enacted. In relation to the four categories of works, i.e. computer program, movie, television drama, and sound recording or film consisting mainly of a musical work or any related literary work, s. 118 will have to be read as amended by the Amendment Ordinance 2000.

For all copyright works, other than the four categories of works

2. For all copyright works, other than the four categories of work, s. 118 (1)(d) shall be read as:

"A person commits an offence if he, without the licence of the copyright owner[1] possesses[2] for the purpose of trade or business[3] with a view to committing any act infringing the copyright[4], an infringing copy of a copyright work[5]".

3. The prosecution has to prove the elements [1] to [5] of the offence beyond reasonable doubt. The five elements are analysed as follows:

[1] ***"without the licence of the copyright owner"***

As a matter of general principle, the prosecution has to prove that the defendant did not have the relevant licence. However, there may be an argument that s. 94A of the Criminal Procedure Ordinance (Cap. 221) applies to this provision. Under s. 94A, it is not necessary in a charge

alleging an offence to negative any exception or exemption from or qualification to the operation of the law creating the offence. In criminal proceedings, it is not necessary for the prosecution to negative by evidence any matter such as licence, permit, certificate, exception etc. The burden of proving the same lies on the person seeking to avail himself thereof. This is an important point on burden of proof which merits further scrutiny with the assistance of the Administration.

[2] ***"possesses"***

Possession is a complex legal concept. "It is a word of ambiguous meaning. It may mean effective, physical or manual control or may mean legal possession, e.g. the owner has legal possession of an article temporarily in the custody of his employee."(*Words and Phrases Legally Defined*). Whether a person possesses an infringing copy of a copyright work at a particular point in time should depend on the facts on each case and the state of mind of the person at the material time.

[3] ***"for the purpose of trade or business"***

- (i) This expression has not been judicially interpreted in Hong Kong.
- (ii) According to the Administration, it has been interpreting this expression narrowly to mean that a person would commit an offence only if he was engaged in dealing in the infringing copy concerned.
- (iii) For the term "business", it is defined in s. 198 as to "include a trade or profession". The *New Shorter Oxford English Dictionary* defines "business" as, inter alia, "an activity, a habitual occupation, a profession, a trade". In its narrower sense, it is confined to mean "trade, commercial transactions or engagements". The Administration explains in the LegCo Brief that "the term 'business' is not confined to commercial activities. It can also cover educational, charitable or government activities.". Further clarification of the basis for this view held by the Administration has to be sought.

- (iv) The term "for any purpose of trade" has been judicially interpreted in *Secretary for Justice v. Li Lap Chun* [2000] 1 HKC 227¹. It was held by Pang J. in October 1999 that a wide interpretation should be given to the words "for any purpose of trade" in s. 9(2) of the Trade Descriptions Ordinance (Cap. 362)². "Had it been the intention of the legislature that it is for the purpose of the defendant's own trade, it would have resorted to specific words. The section is drafted in such a way that it covers a wide range of activities and not merely confined to the trade of a person who was in possession of the goods for the time being."
- (v) Further examination on the proper meaning of this key expression is warranted as our initial view is that "trade or business" should be confined to commercial activities and in the light of the judicial decision referred to in (iv) above, the expression may be interpreted to mean any trade or business rather than confining to the defendant's own trade or business.

[4] ***"with a view to committing any act infringing the copyright"***

(i) As for the meaning of "an act infringing the copyright", ss.22 to 34 are referred. An infringement act may be a primary infringement act or a secondary infringement act. A person may commit a primary infringement act if he copies, performs, broadcasts, makes an adaptation of the copyright work, issues, rents or makes available copies of the copyright work to the public. A person may commit a secondary infringement act if he -

- makes for sale or hire, imports into or exports from Hong Kong, transmits an infringing copy;

¹ In this case, the respondent, a lorry driver was charged with an offence of possession for the purpose of any trade goods to which a forged trade mark was applied, contrary to s.9(2) of the Trade Descriptions Ordinance (Cap. 362). The respondent claimed that he was transporting goods without knowing that they were infringing items. The magistrate acquitted the respondent on the ground that the goods, not being for the respondent's own trade, therefore even though the defendant was in possession of the infringing goods, he was not in possession of those goods for the purpose of trading in them. The Secretary for Justice appealed by way of case stated to the Court of First Instance. Pang J. allowed the appeal and held that for the words "for any purpose of trade" in section 9(2), "a wider interpretation of the section is necessary so that no one can take advantage and say that he was only involved in a relatively minor role in the chain of activities whereby infringing goods are distributed The inescapable conclusion was that the respondent did possess the goods for either his trade or for the trade of another person. The section is drafted sufficiently wide to cover both situation".

² S. 9(2) of the Trade Descriptions Ordinance provides that " ...any person who sells or exposes or has in his possession for sale or for any purpose of trade or manufacture, any goods to which any forged trade mark is applied,...commits an offence".

- possesses, offers for sale or hires, distributes, exhibits in public an infringing copy for the purpose of trade or business;
- makes, imports into or exports from Hong Kong, possesses, sells or let for hire, an article specifically designed or adapted for making copies of that work;
- permits his premises to be used for infringing performance; or
- provides apparatus for infringing performance.

(ii) In the context of s.118(1)(d), the act infringing copyright which the defendant has in mind to commit at the time of possession may, in theory, be the same act of possession which is in continuation or any infringing acts other than the act of possession, for example, to hire, rent, distribute or to sell an infringing copy which the defendant is in possession.

[5] ***"an infringing copy of a copyright work"***

"An infringing copy" is defined in s. 35. S.35(2) provides that "(A) copy of a work is an infringing copy if its making constituted an infringement of the copyright in the work in question."

For the four excepted categories of works

4. All elements of the s. 118(1)(d) offence, except for the element described in [3] and [5] above, are the same. The expression "for the purpose of trade or business" in [3] is substituted by the expression "***for the purpose of, in the course of, or in connection with any trade or business***". As for element [5], instead of "an infringing copy of a copyright work", it is to be substituted by "an infringing copy of the four categories of works".

5. The expression "in the course of a business" is used in the U.K. Copyright, Designs and Patents Act 1988. This expression has also been adopted in the Irish Copyright and Related Rights Act 2000 and the New Zealand Copyright Act 1994. Hong Kong has not adopted this expression when enacting the Ordinance in 1997 but adds this expression to s.118(1)(d) in the Amendment Ordinance 2000 as an amendment to clarify the law. In U.K., it has been held that the concept of "in the course of business" conveys the idea of some degree of regularity of dealing and does

not cover a one-off adventure in the way of trade³.

6. As for the expression "in connection with any trade or business", it has not been adopted in other jurisdictions such as in the U.K., Ireland, New Zealand. In ordinary dictionary meaning, "in connection with" means "causal or logical relationship or association".

Statutory defence

7. Under s. 118(3), it is a defence for the person charged with an offence under subsection (1) to prove that he did not know (*the first limb*) and had no reason to believe (*the second limb*) that the copy in question was an infringing copy of the copyright work. This subsection was discussed in *HKSAR v. Tan Say Seng* [2000] 3 HKC 237⁴. It was held by the Court of Appeal that an objective test to the second limb of the statutory defence should be applied.

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³ In *London Borough of Havering v. Stevenson* [1970] 3 All ER 609, the respondent carried on a car - hire business and as a normal practice, he would sell his cars after being used for two years. When selling one of his cars, he falsely represented to the purchaser of the car that the mileage it had travelled was substantially less than actually was the case. He was charged under section 1(1) of the Trade Descriptions Act 1968 that he, in the course of a trade or business, applied a false trade description to his car. It was held that the selling of a car and the application of a trade description in the course of that sale, was an integral part of the business carried on as a car-hire firm. He was convicted. In *Davis v. Sumner* [1984] 3 All ER 831, a self-employed courier traded in his old used car to a car dealer showing a false mileage. It was held by the House of Lords that this 'one-off' adventure would not be a regular dealing in the course of a trade and s.1 (1) of the Trade Descriptions Act is not intended to cast such a wide net as this.

"Section 1(1) of the 1968 Act provides:

'Any person who, in the course of a trade or business, -(a) applies a false trade description to any goods; or (b) supplies or offers to supply any goods to which a false trade description is applied; shall, subject to the provisions of this Act, be guilty of an offence.'

⁴ In this case, the appellant, a general manager of a Hong Kong company which manufactured VCDs, was convicted by a magistrate of importing 10,000 infringing copies of VCDs into Hong Kong, contrary to ss.118(1)(b), 119(1) of the Ordinance. In defence, the appellant claimed that he had done all he could reasonably be expected to do to check the copyright position of the VCDs by obtaining 'a certificate of licence to copy' issued by the official authority in China, which dealt with copyright matters. It transpired that the certificate was not genuine. The appellant appealed against conviction, contending that the test for each limb of the statutory defence under s.118(3) was subjective. The appeal was referred to the Court of Appeal by the judge hearing the appeal who considered that an important point of law arose. Appeal was dismissed and it was held that the magistrate correctly applied an objective test to the second limb of the statutory defence. "Having accepted that the appellant had no knowledge that the copies infringed copyright provisions, he had to consider, whether, on the balance of probabilities, the appellant had shown further that he had no reason to believe that the copies were infringing copies. In deciding that, the magistrate had to look at what enquiries the appellant made and assess whether on an objective standard he had done that which in the circumstances reasonably could be required of him."