

Legislative Council Bills Committee

Copyright (Suspension of Amendments) Bill 2001 Issues in relation to “in connection with any trade or business”

At the meeting of the Bills Committee held on 11 May, some Members pointed out that the scope of the expression “in connection with any trade or business” in the amending Ordinance was too wide. It tends to confuse the public in that they may find it difficult to know the circumstances under which an offence would be committed.

2. In the paper prepared for the above meeting (CB (1)1196/00-01 (05) at the Annex), the Government has explained in detail the meaning of the expressions “for the purpose of any trade or business”, “in the course of any trade or business” and “in connection with any trade or business” in the amending Ordinance and illustrated with specific examples of the circumstances under which each expression may or may not apply.

3. From the viewpoint of the legislative intent, the Government proposed in a consultation paper published in 1999 that “possessing an infringing article other than for personal, domestic use” would be considered a criminal offence. The proposal has gained the support of the public and the Legislative Council. In fact, the scope of the expression “in connection with any trade or business” is no wider than that of the proposal.

4. Some Members considered that the expression “in connection with any trade or business” would easily lead to confusion. After deliberation, we were of the view that the deletion of this expression would also give rise to some other new problems. For example, it is difficult to determine whether the cases mentioned in paragraphs 12 to 14 in Paper CB (1)1196/00–01 (05) would involve criminal liability if the above expression is to be deleted. However, all these cases fall within the ambit of the original legislative proposal, and over the past six months, the Government has publicized that such cases would incur criminal liability. Deletion of the expression will create even greater confusion among the public.

Long-term Solution

5. The Government plans to conduct wide public consultation upon the enactment of the Bill in order to work out a widely acceptable solution. Regarding the areas to be reviewed, the Government has an open-mind and is prepared to listen to views of various sectors. Careful deliberation and detailed

discussion will be made in the review which includes, inter alia, the criminal and civil provisions related to infringement of copyright under the Copyright Ordinance.

Commerce and Industry Bureau
May 2001

Bills Committee

Copyright (Suspension of Amendments) Bill 2001

Meaning of the expression “for the purpose of, in the course of and in connection with any trade or business” used in Copyright Ordinance

Background

The Intellectual Property (Miscellaneous Amendments) Ordinance 2000 (“Amendment Ordinance”) amended the Copyright Ordinance by, inter alia, deleting the expression “for the purpose of trade or business” and replacing it by “for the purpose of, in the course of, or in connection with, any trade or business”.

Purpose

2. This paper explains the meaning of the above expressions in the Copyright Ordinance, particularly as they are used in sections 31(a) and 118(1)(d) of the Copyright Ordinance before and after the commencement of the Amendment Ordinance. Sections 31(a) and 118(1)(d) read as follows –

Before commencement

31(a)

The copyright in a work is infringed by a person who, without the licence of the copyright owner, possesses *for the purpose of trade or business*, a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

118(1)(d)

A person commits an offence, if he, without the licence of the copyright owner, possesses *for the purpose of trade or business* with a view to committing any act infringing the copyright, an infringing copy of a copyright work.

After commencement

31(1)(a)

The copyright in a work is infringed by a person who, without the licence of the copyright owner, possesses *for the purpose of, in the course of, or in connection with, any trade or business*, a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

31(2) (New subsection added)

It is immaterial for the purpose of subsection (1)(a) and (c) whether or not the trade or business consists of dealing in infringing copies of copyright works.

118(1)(d)

A person commits an offence, if he, without the licence of the copyright owner, possesses *for the purpose of, in the course of, or in connection with, any trade or business* with a view to committing any act infringing the copyright, an infringing copy of a copyright work.

118(8A) (New subsection added)

It is immaterial for the purpose of subsections (1)(d) and (e), (4) and (8) whether or not the trade or business consists of dealing in infringing copies of copyright works.

3. We also analyze the position after enactment of the Copyright (Suspension of Amendments) Bill 2001 (“Suspension Bill”).

Meaning of the expressions

“For the purpose of trade or business” (before commencement)

4. Before the commencement of the Amendment Ordinance on 1 April, this expression has been interpreted narrowly to mean that an enterprise will only be prosecuted if it is dealing in (i.e. buying, selling, distributing, importing or exporting otherwise than for private and domestic purposes) infringing copies of copyright works¹. After the Suspension Bill is enacted, we will adopt this interpretation for those copyright works covered by the Suspension Bill.

¹ The expression “any purpose of trade” under the Trade Descriptions Ordinance was interpreted to carry a broader meaning in *Secretary for Justice v Li Lap Chun* 2000-1 HKC 227. However, the expression is slightly different from the expression under consideration. The defendant in that case was involved in parts of a chain of activities which eventually led to commercial distribution of infringing articles.

“For the purpose of any trade or business” (after commencement)

5. After the commencement of the Amendment Ordinance, by virtue of the insertion of the word ‘any’ and the clarification that it is immaterial whether the trade or business consists of dealing in infringing copies of copyright works, the expression will cover any trade or business.

“In the course of any trade or business”

6. An act is done in the course of a business if it forms an integral part of the business². If the act in question is merely incidental to the carrying on of a business, a degree of regularity has to be established before it can be said that the act forms an integral part of the business and so carried on in the course of a business³.

“In connection with any trade or business”⁴

7. An act is done in connection with a business if it is connected with, subserving or ancillary to the business⁵. There must be some nexus between the act and the carrying on of the business⁶. Furthermore, one must look at the main purpose of the act⁷. Of the three expressions under consideration, this is the widest in scope.

² Interpretation under the UK Copyright, Designs and Patents Act 1988 –
a. Pensher Security Door Co. Ltd. v Sunderland City Council [2000] RPC 249 (UK Court of Appeal)
b. Havering London Borough v Stevenson [1970] 3 ALL ER 609 (UK Divisional Court)

³ a. Interpretation under the UK Trade Descriptions Act 1968 -
Davies v Summer [1984] 3 ALL ER 831 (UK House of Lords)
b. Interpretation under the Unfair Contract Terms Act 1977 -
R & B Customs Brokers Co Ltd v United Dominions Trust Ltd. [1988] 1 WLR 321 (UK Court of Appeal)

⁴ This expression is not used in intellectual property legislation. Reference is made to other legislation and cases where the expression is interpreted.

⁵ Hatrick (A) & Co. v R [1923] AC 213 (New Zealand decision)
Aslan Imaging Ltd. v Commissioners of Custom & Excise [1989] VATTR 54 (London VAT Tribunal)

⁶ ITP (London) Ltd. v Winstanley [1947] 1 ALL ER 177 (UK decision)

⁷ R v Tam Ming Chu [1991] 1 HKC 505 (Hong Kong High Court)

Examples for illustration

“For the purpose of”

8. A retailer who sells pirated computer programs will be in possession of infringing copies of the computer programs for the purpose of its business. If the retailer knows or has reason to believe that the copies being sold are infringing copies (s.31(a)), it will commit a criminal offence (s.118(1)(d)) both before and after the commencement of the Amendment Ordinance. The position will remain the same after enactment of the Suspension Bill.

9. Another example is a company whose business is to provide its clients on a regular basis with photocopies of newspaper cuttings on certain agreed subjects. This company has obtained no authorisation from the newspaper publishers concerned. The company is considered to be dealing in infringing copies of newspaper articles. By virtue of sections 31(a) and 118(1)(d), the company may commit an offence by possessing infringing copies for the purpose of its business both before and after the commencement of the Amendment Ordinance. The position will remain unchanged after enactment of the Suspension Bill.

“In the course of”

10. Take the example of a company engaged in designing computer games. In the course of research and development, it needs to study and analyse the latest computer games in the market. To save money, it has bought a wide range of pirated computer games for this purpose.

11. This company will be considered as possessing infringing copies of computer programs in the course of its business and may be criminally liable under section 118(1)(d) after the commencement of the Amendment Ordinance. The position will remain the same after enactment of the Suspension Bill, which does not cover computer programs.

“In connection with”

12. The company in paragraph 10 above is also considered to be possessing infringing copies of computer programs in connection with its business. An employee of that company who takes home pirated

computer games bought by the company to continue research work after office hours will similarly be considered to be possessing infringing copies in connection with his business.

13. In another example, a clothing company in preparing its advertising materials, needs to use a specialised computer program for creating some special effects. In order to save money, the general manager borrows this computer program from his friend and installs it in the company's computer for use by its staff. The computer program will be deleted after use. The company will be considered to be possessing an infringing copy of the computer program in connection with its business although the infringing copy is used only once and is then deleted. The main reason for its installation is to enable the company to prepare advertising materials which will help to increase sales.

14. In a further example, a barber shop plays music from a pirated music CD for the enjoyment of its customers. This shop will be considered to be possessing an infringing copy of the music CD in connection with its business and may be criminally liable. The position will remain the same after enactment of the Suspension Bill, which does not cover sound recordings of musical works.

Infringing acts outside the ambit of the above expressions

15. An employee of a cleaning services company has installed a pirated computer game in his office computer for personal entertainment during and after office hours. As the pirated game is not used "for the purpose of, in the course of, or in connection with" the business of the company, he will not be criminally liable under section 118(1)(d) both before and after the commencement of the Amendment Ordinance.

16. Other infringing acts which may be considered as not being "for the purpose of, in the course of, or in connection with" a business include, for example –

- an employee listening to music from pirated sound recordings for private enjoyment during office hours
- an employee using an infringing picture from a movie as 'wall paper' in an office computer
- an employee installing a pirated computer program in an office computer to manage his own personal finances

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