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UNION INTERNATIONALE DES ÉDITEURS
INTERNATIONALE VERLEGER-UNION

INTERNATIONAL PUBLISHERS ASSOCIATION
UNION INTERNACIONAL DE EDITORES

The Hon. SIN Chung-kai
Chairman of the Bills Committee
c/o: Clerk to Bills Committee
(Attn: Ms Christina SHIU)
Legislative Council Secretariat
3rd floor Citibank Tower
3 Garden Road
Central
Hong Kong

(Fax No.: 2869 6794)

Your Ref: CB1/BC/4/01

Your Excellency, the Honourable Sin Chung-kai,

RE: Copyright (Amendment) Bill 2003

First of all, we would like to express our gratitude to you for inviting us to comment and for receiving our submission.

The International Publishers Association (IPA) is a Non-Governmental Organisation with consultative relations to the United Nations. IPA also has observer status at the World Trade Organisation (WTO). IPA's constituency comprises book and journal publishers world-wide, assembled into 78 publishers' associations at national, regional and specialised levels in over 65 countries.

One of IPA's central objectives is to promote and defend strong copyright protection in all parts of the world. Copyright is essential to publishing; it is the legal protection of the livelihood of authors and publishers.

We have provided, on separate occasions, comments regarding:

(i) The Copyright Amendment Bill 2001, which suspended the application of certain criminal provisions, in April 2001, as well as on 20 November 2001;

(ii) The partial lifting of restrictions concerning parallel imports, on 25 November 2002.

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We understand that the Copyright Amendment Bill 2003 combines the two distinct proposals to which our earlier comments applied and we now comment as follows:

- IPA strongly agrees with the introduction of strong criminal deterrents in respect of illicit photocopying and reprography. Copy-shops that engage in piracy and "making-to-order" copying which in large parts substitutes for the legitimate book, textbook and journal trade, must face stiff penalties. In this regard, IPA welcomes the proposed tightening of Section 118(1)(a) of the Copyright Ordinance, by introducing Section 118C. We also believe the sanction of up to four years in prison and $50,000 per infringing copy to be an adequate deterrent if effectively enforced. However, IPA believes that the proposed defence in Section 118C(4)(b) of the Bill, that exempts from liability anyone inserting a copy of a document into a "principal work" at least five times its length, is entirely misplaced. This would have the effect of encouraging users to copy entire works into coursepacks and anthologies, decimating one of the primary markets for educational publishers. This defence should be reformulated such that it is based on the percentage taken of the work otherwise *infringed*, not the percentage of the resulting "principal work," and the permissible percentage should be no more than ten percent.

- IPA continues to believe that the suspension of certain criminal provisions in relation to literary works sends the wrong signal, namely, that piracy of these works – unlike others - is condoned in Hong Kong. There is no reason why literary works should be given any less protection than any other works, especially not less than software. In our view, this is not permitted under TRIPS as "computer programs" have to be protected "as literary works" (Art. 10(1) TRIPS). It is therefore not possible to apply a lower standard of protection to a literary work than to a computer program. We strongly oppose that the Amending Ordinance should be made permanent so that possession of an infringing copy of a literary work would not be a criminal offence, but that it would be an offence in relation to other works.

- IPA opposes for the reasons set out in our letter of 25 November 2002 the lifting of restrictions on end-user criminal liability of parallel imports. Moreover, IPA disagrees with the view expressed in paragraph 24 of the legislative council brief (Ref CIB/07/09/5/2) suggesting that parallel imports should be permitted even in the case of non-end-users if such parallel import is made for the purpose of promoting culture or of a few copies for classroom use. This is not acceptable, as the expression "for the promotion of culture" is vague and would permit practically any commercial parallel import. Likewise, there is no reason why an importer of educational textbooks should be allowed to engage in parallel imports, just because the materials are use in class. This would have an adverse impact on Hong Kong rights holders and Hong Kong-based sub-publishers and licensees of such materials.

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- IPA expresses its gratitude that the Bill takes some comments made earlier into account, for instance, the redefinition of "business" so as to include business conducted not for profit, and – notwithstanding our opposition to the notion of legalising parallel imports - the proposed clarification in section 198 of the Ordinance that copies of a work are not "lawfully made" if made in a country that does not accord sufficient copyright protection or a shorter term of copyright than that applicable in Hong Kong.

We would like to thank you again for the opportunity to comment and we are at your disposal should you require further information or wish to clarify a particular point.

Yours faithfully,

For and on behalf of the International Publishers Association:

[submitted electronically, therefore not signed]

Carlo Scollo Lavizzari
Legal Counsel

cc: Geoffrey Yu, Assistant Director-General, Copyright Sector, World Intellectual Property Organisation (WIPO), Geneva, Switzerland

Hannu Wager, Counselor, Intellectual Property and Investment Division, World Trade Organisation (WTO), Geneva, Switzerland

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Ms Laura Tsoi
Assistant Secretary for Commerce and Industry
Commerce and Industry Bureau
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20 December 2001

RE: CONSULTATION ON CERTAIN PROVISIONS OF COPYRIGHT ORDINANCE: SUBMISSION ON CHAPTERS 1-7

The International Publishers Association (IPA) is a Non-Governmental Organisation with consultative relations to the United Nations. IPA also has observer status at the World Trade Organisation (WTO). IPA's constituency comprises book, journal and music publishers world-wide, assembled into 77 publishers' associations at national, regional and specialised level.

One of IPA's central objectives is to promote and defend strong copyright protection in all parts of the world. Copyright is essential to publishing; it is the legal protection of the livelihood of authors and publishers.

Thus, we make the following general observations regarding the situation in Hong Kong:

- Before its partial suspension, the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 recognised that there was significant economic harm to copyright owners from infringement by photocopying and book piracy in areas other than businesses built on the sale of infringing products (eg provision of the service of making a copy, as opposed to selling a copy).

- The suspension of certain criminal provisions in relation to literary works sent the wrong signal, namely, that piracy of these works – unlike others - is condoned in Hong Kong. There is no reason why literary works should be given any less protection than any other works. We strongly oppose the suggestion (Chapter 1 of the consultation paper at 1.8) that the Amending Ordinance should be made permanent so that possession of an infringing copy of a literary work would not be a criminal offence, but that it would be an offence in relation to all other works.

- While the suspension of certain criminal provisions was driven by a concern to avoid unjustified criminal proceedings against innocent parties, the suspension was unnecessary. Adequate safeguards exist in fact under Hong Kong law to protect "innocent" infringers and those inadvertently in possession of an infringing copy.

- In the information age, the licensing of educational materials over a network, such as an intranet, constitutes increasingly the normal exploitation of a work on the part of authors and publishers. In addition, unlike the making of a plain paper copy, a digital copy represents a far greater danger to the rightsholder as a source for infringing use of the work in question, even if originally made under a license. Thus, the making available of works or portions thereof on a computer network such as an intranet should not be permissible without authorisation from the rightsholder.

- The permitted acts for educational purposes should not be amended. In today's world and as practised internationally, collective licensing of copyrighted works constitutes one form of the normal exploitation of a work. Thus, any amendment of the abovementioned provisions should not result in the destruction of the collective licensing market existing in the educational field. As collective licensing of literary works in Hong Kong is only just starting, no amendment should be passed that makes licensing schemes less attractive.

We welcome the opportunity to provide you with our submission regarding the above as follows (for ease of reference, the numbering of each Chapter of the consultation paper is adhered to below):

1. Criminal Provisions related to End-user Piracy (Chapter 1)

1.11(a) Criminal sanction applicable to the possession of an infringing copy of a copyright work in 'business' activities of a non-profit-making nature:

As a matter of principle, we see no reason to exempt or treat differently a person possessing an infringing copy of a copyrighted work in the course of educational, charitable or government activities. Rather, there are strong arguments that educational or government agencies should set a good example of respect for the law. As mentioned above, sufficient safeguards exist under Hong Kong law to prevent unjustified prosecutions.

1.11(b) Employees criminally liable:

Criminal law should apply to everyone. In our view there is no sound reason to exempt employees generally from criminal liability. Criminal conduct should not be excused by reason of the activity in question being undertaken on the instruction of an employer or in the course of employment, although it may be a mitigating factor in some circumstances (when the employer would also be liable).

1.11(c) Whether end-user criminal liability should apply only to copyright works afflicted by rampant piracy:

In principle, criminal liability should not lightly be imposed. However, infringing copyrighted works is a form of theft, like shop-lifting. To impose criminal liability in respect of only some copyrighted works sends the wrong message, namely that infringing other copyrighted works is condoned. In fact, piracy of literary works is every bit as "rampant" as piracy of other works, perhaps more so. What in Chapter 1, 1.10 (c), is described as a "practical need" for timely dissemination of information, cannot justify piracy, much less piracy of a "state-sponsored" nature.

1.11(d) End-user Piracy without any commercial advantage or private financial gain:

The reason for imposing criminal liability for copyright infringement is not only the severity of the harm caused to the rightsholder, but also the strong message it sends to the public that copyright infringements are not treated lightly. End-user piracy that causes considerable harm to the rightsholder should be criminally punishable irrespective of any gain or commercial motivation on the part of the perpetrator. A commercial motive should be one of the factors considered in sentencing.

1.11(e) Removal of the phrase "in connection with":

The phrase "in connection with" has been introduced for good reasons: the amendment was introduced as the phrase "for the purpose of trade or business" was narrowly construed as meaning only the "dealing in infringing copies", not the use of copies for internal purposes by an enterprise. The use of infringing copies without offering such copies for sale or external distribution does still prejudice the normal exploitation of a copyrighted work by its rightsholder. We therefore are of the view that the phrase "in connection with" should stay.

2. Permitted Acts for Educational Purposes (Chapter 2)

2.13(a) The meaning of "to a reasonable extent" and "passages" in sections 41 and 45 of the Copyright Ordinance:

"To a reasonable extent" should be interpreted narrowly in accordance with international practice. "To a reasonable extent " should furthermore be interpreted in accordance with Article 10(2) of the Berne Convention, ie limiting such copying "to the extent justified by the purpose" – and no more – and only insofar as "compatible with fair practice". "Fair practice" is the term used in national legislation of some jurisdictions and corresponds to what is known as "fair dealing" in the UK and "fair use" in the USA. "Fair practice" is thus understood to rule out commercial use, or use incompatible with the 3-step test of the Berne Convention, Art. 9(2), and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), Art. 13.

2.13 (b)Clarification, if statutory approach is pursued:

Our comments to 2.13(a) are equally applicable.

2.13(c) Recording or copying permissible under sections 44 and 45 of the Copyright Ordinance in the absence of a licensing scheme:

We believe that the "carve-out" where a licensing scheme is available should be retained. Experience has shown that where this system exists, it has worked well. Moreover, the carve-out creates an incentive for both rightsholders and users to develop licensing schemes that provide legal certainty and are tailor-made to their respective needs. Particularly in jurisdictions where licensing must still be regarded as a novelty, the carve-out serves to signal to rightsholders and users how to move forward.

2.13(d) New permitted act should not be provided to facilitate the uploading of copyright works to a school INTRANET for access within the school:

It would be naive to suggest that uploading a literary work to an Intranet for local dissemination should be permitted on the same basis as merely copying a portion thereof. Digital copying and dissemination is a major risk for copyright owners, if only because it is so easy to copy the whole or any part of a work and unlimited (perfect) copies may be made each time. Intranet copying and dissemination can only reliably be permitted under a licence which provides for monitoring of access and use in accordance with copyright law and the terms of the licence.

Accordingly, we strongly oppose the introduction of an exception or limitation of the right of making the work available to the public, in a context in which reliance on the exception concerning the reproduction right would be misplaced and would offend against the 3-step test.

In addition, we encourage the Copyright Ordinance to be amended, if need be, so as to clearly reflect that both the transmission of an electronic copy of a work to a computer server and allowing access to a work by a group or class of persons beyond a narrowly defined family nucleus constitute acts restricted by copyright.

3. Permitted Acts for Visually Impaired Persons (Chapter 3)

3.4(a) and 3.4(b) new permitted acts; under licensing scheme:

Whilst it may be necessary to address the requirements of visually impaired people, the special problems of publishers surrounding uncontrolled copying, transcription and distribution, particularly in the digital environment must be considered.

In our view, there can be no question that rightsholders wish to make their works accessible to all members of the public. Thus, where visually impaired people cannot read works in formats commercially available they will in some cases wish to copy, record or transcribe the works into a format accessible to them. The issue of who may create and distribute copies in different formats, in particular electronic copies, is important to rightsholders. IPA is of the view that the following principles should apply:

(i) As a general rule, what is stated below only applies if no transcription or special format of the work made for the visually impaired is commercially available.

(ii) Generally, permission must be sought by visually impaired readers and by those acting on their behalf. The copyright in the original and that subsisting in any transcription made for visually impaired persons remains with the copyright owner. Rightsholders retain the right to exclude the use of certain formats in special circumstances and permission must be sought for such use from the relevant rightsholders.

(iii) Voluntary arrangements between rightsholders and the visually impaired and those acting on their behalf should be given preference over government regulation. One such voluntary measure is the provision of a licensing scheme.

(iv) It is important to define clearly who is to be regarded as visually impaired. Only visual impairments relevant for literary works should be considered (eg blind and partially

sighted persons, whose sight cannot be improved by the use of corrective lenses). Other disabilities should not be included, such as mental or unrelated disabilities.

(v) In the absence of a voluntary arrangement (such as a licensing scheme), we suggest that visually impaired people who have lawfully obtained a copy of a published work may make whatever transcription, copy or format changes they require to enable personal access to the work, including speech synthesis, Braille, Moon, large print, single voice recording (speech), but excluding an electronic file.

(vi) Careful restrictions on the creation and dissemination of digital copies must be put in place. Consistent with our comments regarding 2.13(d), we believe that the creation and dissemination of digital copies may only be permitted under licence by the rights owner.

(vii) Only designated non-profit institutions may be authorised to create copies on behalf of individuals who would themselves be entitled to do so (see (v) above), provided that no licensing scheme for such institutions is available.

(viii) Visually impaired people must respect the literary and artistic integrity of the work including any copyright notices and any moral rights the author may have in the work. They must not in any way adapt, edit, alter, amend or distort the work, other than as required to enable full access, without the prior permission of the author or his or her designated representative.

In conclusion, and based on the above principles, the answer to 3.4(a) is yes, the answer to 3.4(b) is no.

4. Permitted Acts related to Free Public Showing or Playing of Broadcasts or Cable Programming (Chapter 4)

4.9(a) Extension of statutory exemption to musical compositions and literary works.

In our view the extension of the existing exemption for broadcasts and cable programmes incorporating musical compositions or literary works would be inconsistent with the Berne Convention and the Agreement on Trade Related Aspects of Intellectual Property Rights. In this regard, we refer to a Panel Decision under the auspices of the World Trade Organisation relating to section 110 of the US Copyright Act in relation to musical performances.

4.9(b) Narrowing of exemption to facilities charging elevated fees on goods or services supplied:

Subject to our view expressed in relation to 4.9(a) above, we would welcome the above extension as a step in the right direction.

5. Parallel Importation of Copyright Works other than Computer Software (Chapter 5)

5.13(a) Civil liability and criminal sanction against parallel importation of and subsequent dealing in all types of copyright works:

In our view, there is no reason why software should be treated differently from other copyrighted works, and there is no justification for legalising parallel imports for published works. There is no evidence that the abolition of restrictions on parallel imports would lead to lower prices or better deals for consumers. On the contrary, the abolition of territorial rights through permitting parallel imports would have, at least, two effects:

(i) prejudice to local licensees and impossibility of licensing copyrighted works into the territory of Hong Kong at appropriate prices;

(ii) increasing the difficulties of customs and excise authorities in their law enforcement activities concerning pirated copies. Often pirates claim that their goods are "just" parallel imports or grey goods, not pirated copies. This can hamper border controls.

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

For the reasons stated above, our answers are Yes to the continuation of criminal sanctions and No to the shortening or other reduction of the current 18-month threshold.

5.13(c) Removal of sanctions on imported copies for business use:

We see no reason why copies used in business should be exempt from liability (whether criminal or civil). On the contrary, business importers must be presumed to have a greater actual knowledge of trading standards and regulations, and have a higher responsibility than consumers to understand and obey customs and import laws.

6. Licensing Bodies (Chapter 7)

7.13(a) Whether the Copyright Tribunal should be replaced with an arbitration system to adjudicate disputes between copyright users and licensing bodies:

We are not aware of any evidence of bias in the Copyright Tribunal, and would be surprised to hear if this was the case. We accept the Government's view that any possible conflict of interests would be dealt with in the normal way.

7.13(b) Whether licensing bodies should be mandated to be registered and to publish their scales of royalty charges:

We believe that any requirement of compulsory registration, whether or not involving publication of royalty charges, would be contrary to the provisions against copyright

formalities under the Berne Convention to the extent that such formalities operate as, or have the effect of a pre-condition on the enforcement of a right of copyright. We agree with the Government's view that any compulsory publication of royalty charges would need very careful examination, and would not as a matter of course confer any benefit on users of copyrighted materials, as any licensing scheme remains subject to amendment in the light of changed circumstances.

Yours faithfully

Carlo Scollo Lavizzari
Legal Counsel, IPA

cc: Mr Tung Chee Hwa, Chief Executive, Hong Kong SRA
People's Republic of China

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