

**The Hong Kong
Institute of
Trade Mark
Practitioners**
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3rd July 2003

BY FAX (2869 6794) &
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Ms. Christina Shiu
Clerk to Bills Committee
Legislative Council Secretariat
3rd Floor Citibank Tower
3 Garden Road
Central
Hong Kong

Dear Sirs,

Re : Bills Committee on
(1) Copyright (Amendment) Bill 2001
(2) Copyright (Amendment) Bill 2003

We refer to your letter of 22nd May 2003 inviting our Institute to comment on the above. We attach our submission, and will be grateful if it could be tabled for the next Bills Committee hearing or meeting, which we understand is 4th July 2003.

Although no general meeting was called for tabling, discussing, debating and resolving on a position to be taken by the Institute members, and the submission cannot be treated as our members' official position, it is based on the views of our Copyright Committee which consist of practitioners with long standing experience in this field.

Please note we do not wish to make oral representations on 4th July.

Yours faithfully

Steven Birt
for and on behalf of
The Hong Kong Institute of Trade Mark Practitioners

Enc.

3rd July 2003

Submission to Legislative Council Copyright Bills Committee

Copyright (Amendment) Bill 2001
(Draft Committee Stage Amendments June 2003)
AND
Copyright (Amendment) Bill 2003

1. The Institute of Trade Mark Practitioners ("the Institute") consists of over 120 members who represent nearly every law firm in Hong Kong engaged in trade mark, copyright and other intellectual property work. This paper is submitted by the Copyright Committee of the Institute.
2. The Institute has been monitoring developments in the drafting of the Copyright (Amendment) Bill 2001 ("Bill 2001") and Copyright (Amendment) Bill 2003 ("Bill 2003"), although we have not previously submitted representations to the Bills Committee. We note that the Commerce, Industry and Technology Bureau have submitted a Committee Stage Amendments Draft of the Bill 2001 in June 2003 and our comments in this paper are limited to issues that arise out of the latest draft Bill 2001, and the Bill 2003.
3. We are not commenting upon policy issues in this paper as our members represent both copyright owners and those who benefit from relaxation of copyright laws. Our comments are therefore limited to drafting and other important issues.

Merge 2 Bills into 1

4. By way of initial comment, we believe the Bill 2001 and Bill 2003 should be combined into one Bill, rather than having 2 further changes to the law. This is particularly as there appear to be conflicts and inconsistencies between the 2 Bills, the drafting is complex and cumbersome, and, as lawyers, we are confused by the 2 Bills.

Definition of "lawfully made"

5. The proposed section 35A (2) states that a copy of a work that applies to Section 35A is not an infringing copy for the purpose of Section 35 (3) (which makes parallel imports unlawful) if it was *lawfully made in the country, territory or area where it was made* (emphasis added). However, there is no definition of what is "lawfully made", and this potentially has an impact upon the criminal provisions also, as Section 35 (4) excludes copies that are "lawfully made" for the purpose of Sections 118 to 133 (criminal provisions). Further, Section 35 (9) refers to two specific incidences where a product is deemed not to be lawfully made.

6. Whilst "lawfully made" is presumably intended to cover situations where the work is made by or with the consent of the copyright owner for the territory in which the product is made, there may be contractual restrictions imposed by the copyright owner upon the actual maker in particular territories. If the maker of the work breaches those contractual restrictions, then the work in question is arguably unlawful. Indeed, it is often the case that parallel imports are available in Hong Kong due to a breach of a contract in the supply chain.
7. In view of this, we believe the Copyright Ordinance will benefit from a definition of "lawfully made", and we suggest the following wording to be inserted in Section 198 (1):

""Lawfully made" () means, in relation to the copyright work in question, the work was made by or with the consent of the copyright owner in the country, territory or area in which the work is made, irrespective of whether the actual sale or other disposal of the copyright work is in contravention of any restriction or prohibition relating to the sale or other disposal of the copyright work, as between the copyright owner and the actual maker of the copyright work."

Consequential amendment to Section 35 (9) / New Section 198 (3)

8. As mentioned above, Section 35 (9) currently refers to two situations where a work is deemed not to be lawfully made, namely, where there is no law protecting copyright in the work or where the copyright in the work has expired.
9. It is conceivable that there may still exist a lawful producer of copyright works in such a country, and we see no reason why such copyright works should not therefore be "lawfully made" in accordance with the definition provided in paragraph 7 above. We suggest that a suitable clarification is made to the proposed new Section 198 (3) or Section 198 (3) could be deleted, as if something is "lawfully made" in accordance with our proposed definition, the two situations covered by Section 198 (3) become academic.

Schedule 6 - Transitional provisions and its savings

Application of Section 35A to previously imported copies

10. The proposed Schedule 6, Section 2 (2) provides that for the purpose of any acts done after the commencement of the Amendment Ordinance of 2003 (being the definition of the changes introduced by the Bill 2001) in respect of the parallel import of copies, Section 35A shall have effect as if it had been enacted before the occurrence of the importation. This is effectively exempting from civil liability parallel importers of computer programs who imported before the enactment of the Bill 2001.

11. However, Schedule 6 Section 2 (3) states that nothing in Section 2 affects any right of action in relation to an infringement of copyright that occurred before the commencement of the Bill 2001. Schedule 6 Section 2 therefore appears to create the anomaly:
 - (a) There can be no action taken after enactment of the Bill 2001 in respect of computer programs that were imported and effectively unlawful prior to the enactment of the Bill 2001; but
 - (b) Importers prior to the commencement of the Bill 2001 and who are currently being sued remain liable for their importing activities for computer programs, and can still be sued.
12. The Institute was under the impression that the Government wishes to retrospectively release all importers from liability. This does not appear to be the case.
13. A similar situation exists in respect of Schedule 6, Section 3 for criminal prosecutions, and any convictions prior to the commencement of the Bill 2001 will remain in place. However, we are not aware of any prosecutions having been brought, and of course, it appears to be contrary to the Government's public policy to bring any prosecution, hence the wording here is of less concern.

Conflict between the Bill 2001 and Bill 2003

Parallel Imports

14. We understand that the impact of the Bill 2001 is that parallel importation of computer software is permitted, and this includes where the import is by a wholesaler/retailer for the purpose of subsequent sale and distribution.
15. However, under the Bill 2003, the proposed amendments to Section 30 (importing or exporting infringing copy) and Section 31 (possessing or dealing with infringing copy), requires that any parallel imported copies must be for a purpose *other than selling or letting for hire, or distributing for profit or financial reward or to such an extent as would effect prejudicially the owner of the copyright*. This would appear to prevent wholesalers/retailers from importing and selling computer software, and which was the whole purpose of the Bill 2001.

s118A

16. The Bill 2001 inserts a provision in Section 118A whereby activities under Sections 60 and 61 are rendered lawful in respect of a copy of a work as specified in the new Section 35A (1) (b).
17. The Bill 2003 purports to delete the entirety of Section 118 and, as the new Section 118 of the Bill 2003 incorporates Section 118, 118A, 118B, 118C and 118D, we

presume that the 118A inserted by the Bill 2001 is to be deleted/repealed. However, the contents of the Bill 2001 Section 118A are, we believe, still relevant and should be included in any further changes under the Bill 2003.

Vital to have certainty and avoid conflicting provisions

18. The uncertainty and handling of the changes brought about by the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 and the subsequent Copyright (Suspension of Amendments) Ordinance 2000 ("the Suspension Ordinance") was a huge embarrassment for the Hong Kong Government both locally and internationally. That embarrassment was also felt by our members who are engaged in advising copyright owners locally and overseas, as the law also became so confused. You may wish to know that it is currently impossible to advise upon the civil and criminal infringement provisions with one copy of the relevant provisions, as it is necessary to mark up changes to the law to deal with the different types of copyright works, namely, the four copyright works "carved" out by the Suspension Ordinance (movies, dramas, sound recordings and computer programs) and copyright works generally. It seems that the proposed changes will be carving up the copyright law even further.
19. Irrespective of the carving up of the copyright law (which is a policy decision we will not comment upon), it is preferable to have one round of changes rather than two rounds. This should ensure that the objectives of the changes to be brought in are actually being achieved (and avoids the inconsistencies highlighted above) and that any changes brought in by the Bill 2001 are not thereafter removed and not replaced by the Bill 2003, which also appears to be taking place.

We trust these observations are of assistance. We will be pleased to provide any clarification on the above if required.

Yours faithfully

Steven Birt
For and on behalf of
Copyright Committee
The Hong Kong Institute of Trade Mark Practitioners

Other Committee Members:
Barry Yen, Winnie Yue