

COMMENTS ON THE COPYRIGHT (AMENDMENT) BILL 2001

1. DOES THE BILL ACHIEVE ITS OBJECT?

1.1 We understand that the proposal under the draft Bill is to remove civil and criminal liability for copyright infringement in respect of "parallel imports" of computer programs and associated works embodied therein.

1.2 We do not believe the draft Bill succeeds in doing this.

2. "LAWFULLY MADE"

2.1 The principal amendment of Section 35(A)(1) is based on the existing wording of Section 35(4) of the Copyright Ordinance. This purports to exclude criminal liability for works published for more than 18 months and "accessory works" by referring to a copy of a work "lawfully made" in the place in which it was made.

2.2 Amended Section 35A(1) likewise states that a copy of a computer program or associated work is not an infringing copy if it was "lawfully made" in the place in which it was made. In other words, a computer program or associated work is an infringing copy if it is **unlawfully** made.

2.3 "Lawfully made" is not defined. "Lawful" is not limited to lawful under any relevant copyright law. Accordingly, something is unlawfully made if the making of it breaches any law, including the law of contract.

2.4 A manufacturing licence which specifies that a computer program should only be made for sale in an overseas market and not shipped, directly or indirectly, to Hong Kong is breached if it is made for shipment, directly or indirectly, to Hong Kong (ie as a parallel import). Its making for such purpose is in breach of contract. It is not "lawfully made" and it is an infringing copy under the law even after the amendment as proposed.

3. WHEN ARE THE RIGHTS EXHAUSTED?

3.1 Lawfully made is not the same as lawfully **put on the market** (which is the concept adopted for exhaustion of rights under the common law Betts v Wilmot principle). Under the latter concept, goods lawfully put on the market may be exported without restriction, whatever contractual restrictions there may be on subsequent sales elsewhere. If the first sale was lawful, so are subsequent sales.

3.2 In contrast, the concept of "lawfully made" is ambiguous. As presently worded, Section 35(A)(1) clearly allows copyright owners to draft licences in such a way as that products made for sale in Hong Kong are not "lawfully made" and therefore continue to be "infringing copies".

4. **SUGGESTED AMENDMENT**

- 4.1 If on the other hand it is intended to legalize all parallel imports of computer programs and associated works, the provision should be differently worded
- 4.2 It may for example be expressed by reference to contractual restrictions. It may be stated that a copy of a computer program or associated work made outside Hong Kong is not an "infringing copy" by virtue only of any term in any contract with the owner of copyright in the work in Hong Kong restricting or prohibiting the import or sale of such copies in Hong Kong.

5. **ASSOCIATED WORKS**

- 5.1 Under Section 35A(2), a copy of an "associated work" is a copy of a work "embodied" in a computer program. Section 35A(1) provides that an associated work is not an infringing copy if it was "lawfully made".
- 5.2 However, the Section does not require (as presumably it should) that the copy of the associated work was "lawfully embodied". Imports of unlawfully embodied associated works should still be infringing copies.
- 5.3 For the purpose of defining "associated work", it is not clear why films and musical sound recording/visual recording are treated differently from other copyright works.
- 5.4 Moreover a "feature film" does not seem to include a comedy or documentary. Is this intentional?
- 5.5 In relation to Section 35A(3) defining the type of feature film to be excluded, it is difficult to understand how the 20 minutes duration is determined. It seems that this figure is wholly arbitrary.

6. **CRIMINAL LIABILITY AMBIGUITIES**

- 6.1 It is noted that as amended Section 118A removes criminal liability for breach of any contract restricting use of a program or associated work in Hong Kong. However, this only applies to the meaning of "**lawful user**" under section 60(2) and does not apply to the meaning of "**lawfully made**" under Sections 35A and 35(4).
 - 6.2 Moreover, the wording of Section 118A(1) is ambiguous and confusing. Section 118(1) refers to infringement by making for sale or hire, importation and exportation other than for private and domestic use, possession in the course of or for the purpose of trade etc. Section 118A(1) should therefore be clarified to refer only to importation and use of the genuine parallel imported copies in Hong Kong. The provision is only intended to avoid contractual territorial restrictions with respect to genuine, not pirated, copies.
 - 6.3 The same clarification should also apply to associated works under Section 118A(1)(b). We do not believe that it is the intention of the legislation to allow general copying and adaptation of the underlying associated work, such as making a Chinese translation of an English language encyclopedia contained in a computer program.
7. The Section 35A amendment has not been incorporated in S.118. It is not clear why not. As worded it is still a criminal offence to import "parallel imports" within 18 months of publication.

8. **CONTINUING EXCEPTIONS**

- 8.1 Under the existing Section 35(9) of the Ordinance, "lawfully made" does not include the making of a copy in places where there is no copyright law or the copyright has expired. This should be extended to exclude places recognizing exclusions or defences which Hong Kong does not recognize under the Copyright Ordinance (eg exclusions for government use and compulsory licences). These should continue to be infringements in Hong Kong.
- 8.2 The proposed amendments do not cover the situation where a copy is "lawfully made" by the owner of copyright overseas who is different from the owner of copyright in Hong Kong? If this is intended to continue to be an infringement (which it is submitted it should) the provision should be amended by adding "lawfully made by or on behalf of the owner of copyright in the work in Hong Kong".

9. **REASONABLENESS DEFENCE FOR PIRATED GOODS?**

- 9.1 The Law Society has previously noted that the existing Section 36 defences apply to both parallel imports and pirated goods. This is clearly not intended to relate to all defences, in particular reasonableness of supply under the provisions of Section 36(3); otherwise someone who was refused supply on reasonable terms would have a defence to infringement by importing pirated goods.
- 9.2 This point was previously raised with the Intellectual Property Department who agreed that the drafting is defective, but to date no amendment has been proposed.
- 9.3 Section 36(1) It should at least be amended by adding after the reference to Section 35(3) "and which was lawfully made by or on behalf of the owner of copyright in the work in Hong Kong".

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**The Intellectual Property Committee
The Law Society of Hong Kong
11 September 2002**