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Tel. no. : 2918 7480
Fax no. : 2869 4420

30 September 2002

Clerk to Bills Committee
Bills Committee on Copyright (Amendment) Bill 2001
Legislative Council Building
8 Jackson Road
Central
Hong Kong

(Attn: Ms Connie Szeto)

Dear Ms Szeto,

Bills Committee on Copyright (Amendment) Bill 2001

Below please find our response to the issues raised in the submissions in your letters of 4, 11, 12 and 23 September 2002.

Definitions of "software" and "making a copy"

2. It has been suggested that the Bill does not provide an accurate technical description for software, as it does not take into account firmware installed on processors or micro-computers. It has also been suggested that copying parts of software may be necessary for the normal operation of software and that if this amounts to "making a copy", it could be problematic.

3. The term "computer program" is currently used in the Copyright Ordinance ("the Ordinance") without a definition, based on a recommendation of the Law Reform Commission Report in 1993. We understand that "firmware" refers to software instructions set permanently or semi-permanently in microchips installed in a computing device. It should fall within the scope of "computer program" and, therefore, the Bill.

4. Section 61 of the Ordinance provides that a lawful user of a computer program may copy or adapt the program without infringing the copyright in the program if the copying or adaptation is necessary for his lawful use. Any such copying is permitted under the Ordinance.

Concept of "lawfully made"

5. It has been suggested that using the concept of "lawfully made" to allow parallel imported computer programs and associated works could not cover copies made in violation of any contractual terms, e.g. those in a manufacturing licence restricting the copies made to be sold in or shipped to Hong Kong.

6. The concept of "lawfully made" is already in use in the Ordinance. Section 35(4) of the Ordinance provides that an infringing copy of a copyright work which was lawfully made outside Hong Kong is not an infringing copy for the purposes of the criminal provisions under s.118 - 133, if inter alia the copyright work has been published for 18 months or more.

7. Where a manufacturing licence prohibits the licensee to import to Hong Kong copies of a computer program made, if at the time of making copies of that computer program, the licensee does not intend to import them to Hong Kong, those copies will be lawfully made even though they are subsequently parallel imported to Hong Kong by a third party.

8. Very often parallel-imported copies of computer programs into Hong Kong are not imported directly by the overseas manufacturers concerned. The scenario described in paragraph 5 above represents a rare case. We consider that, in practice, the Bill will be able to allow parallel importation of computer programs into Hong Kong.

9. It has been proposed that the places referred to in the definition of "lawfully made" under section 35(9) of the Ordinance should exclude places recognizing exclusions or defences which Hong Kong does not recognize under the Ordinance.

10. We do not consider it practicable to compare certain aspects of the copyright law in another jurisdiction with those in Hong Kong before determining whether a certain copy of copyright work was "lawfully made" in that jurisdiction. This will also discourage parallel importation of computer software as it is difficult for a parallel importer to ascertain the legal position of the copies in question.

11. It has been suggested that the Bill has not addressed the situation where an overseas copyright holder who is different from the copyright holder in Hong Kong makes a copy of a work. Our view is that no such distinction should be made. “Lawfully made” covers the situation where copies of a work are made or authorized to be made by the copyright holder in the place where they are made, not matter in Hong Kong or overseas.

Associated works

12. It has been suggested that a non-infringing copy of an associated work should be one which is “lawfully embodied” in the article concerned.

13. We consider adding “lawfully” before “embodied” unnecessary. An associated work does not exist in vacuum but must be fixed on a medium. The medium is referred to as an “article” in the Bill. For a copy of an associated work to be considered as lawfully made, it must be lawfully embodied in the article.

14. The question has been raised as to why films and musical recordings are treated differently from other copyright works in the Bill. Furthermore, the view has been expressed that a feature film does not seem to include a comedy or documentary and that the 20-minute duration is arbitrary.

15. After a recent review of the Ordinance, we have decided to maintain the current restrictions on parallel importation of feature films and musical recordings, other than liability incurred by end-users. Consistent with this policy decision, we have drafted the Bill in such a way as to exclude from the liberalisation feature films and music recordings disguised as computer software.

16. “Feature film” is defined in the Bill to mean a film commonly known as a movie or a television drama. A comedy or documentary may fall within the scope of a movie or a television drama.

17. To avoid unintentionally lifting the restrictions on parallel importation of feature films, we have adopted the “20-minute” test. The effect is to prevent a copy of a full-length movie or television drama disguised as computer software from being lawfully parallel imported into Hong Kong. This approach is modelled on the approach adopted by Australia for a similar purpose.

Section 118A should apply to “lawfully made”

18. It has been suggested that the proposed section 118A should apply not just to the meaning of “lawful user” in section 60(2) of the Ordinance, but also “lawfully made” under the proposed section 35A in the Bill and the existing section 35(4) of the Ordinance.

19. The proposed section 118A applies to cases where there is geographical restriction in the end-user licence agreement. The purpose of this section is to remove criminal liability of a user resulting from the making of back-up copies or other copying or adaptation of computer programs and/or associated works that are necessary for his lawful use. By virtue of the proposed section 118A, back-up copies or other copies or adaptations made in the above scenario will not be considered as infringing copies as they fall within the scope of sections 60 and 61. We do not consider it necessary to relate section 118A to the term "lawfully made" in section 35A of the Bill or section 35(4) of the Ordinance.

Section 118A should apply to legitimate copies of computer program being parallel imported

20. It has been suggested that section 118A(1) should be clarified to refer only to parallel importation and use of legitimate copies of computer program but not to pirated copies.

21. It is clear from the wording of the proposed section 118A(1)(a) that the provision is only targeted at genuine copies of computer software. Section 118A(1)(a) refers to a person who has “a contractual right to use a computer program”. Users of pirated computer programs do not have a contractual right to use the programs.

Copying or adaptation of associated work

22. It has been suggested that clarification should be made to associated works under the proposed section 118A(1)(b) so as to avoid abuse in relation to copying or adaptation of the associated works such as making a Chinese translation of an English encyclopaedia contained in a computer program.

23. The clarification is unnecessary. Section 61 of the Ordinance is limited in scope - the copying or adaptation under this section must be necessary for the lawful use of the program. In the example cited, the making

of a translation of an English encyclopaedia contained in a computer program would not be considered as necessary for the lawful use of the program.

Section 35A amendment should be incorporated in section 118 of the Ordinance

24. It has been suggested that section 35A should be incorporated in section 118 of the Ordinance because if this is not done, the criminal liability in relation to parallel imported copies of computer program will still exist under section 118.

25. We consider the suggested incorporation not necessary. Under section 35A, copies of computer programs and their associated works will not be considered as “infringing copies” if they are lawfully made in the place where they are made. This means that genuine copies of parallel imported computer software will not be infringing copies after the new law takes effect. As a result, the criminal provisions in section 118 will not apply to such copies.

Defence in section 36(1) not to cover pirated goods

26. It has been pointed out that the defence in section 36(1) of the Ordinance as it is presently worded applies to both parallel imported goods and pirated goods. It should be amended to apply only to parallel imported goods.

27. This is a matter outside the scope of the Bill. We agree with the observation and will deal with this aspect together with other amendments to the Ordinance flowing from the review of the Ordinance last year in a separate bill which we plan to introduce to the Legislative Council in 2003.

Civil liability to be retained during the transitional period

28. It has been suggested that any civil liability arising from parallel importation before the new law comes into effect should be removed.

29. We do not propose to remove civil rights as retrospective removal of private rights is a very serious matter and should not be made without strong justifications.

Assessment of impact of the Bill on the computer games industry

30. In relation to the request of assessing the impact of the Bill on the computer games industry, we have asked for views by 19 October 2002 from the Hong Kong Digital Entertainment Association and three local game developers and publishers. We will let the Bills Committee have our assessment in due course.

31. The Chinese translation of this letter is at the Annex.

Yours sincerely,

(Philip Chan)

for Secretary for Commerce, Industry and Technology

c.c. IPD (Attn: Miss Pancy Fung and Miss Maria Ng)
D of J (Attn: Mr Jonothan Abbott and Mr Sunny Chan)
C&ED (Attn: Mr Y K Tam)