

FAX: 2869 6794

24 September 2002

Ms. Connie Szeto
Clerk to the Bills Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Hong Kong

Dear Ms. Szeto,

Re: Bills Committee on Copyright (Amendment) Bill 2001

Thank you for your letter of 17 September 2002 regarding the deliberations of the above Committee on the above Bill at which comments were made regarding the possible price implications in the market for computer software, following implementation of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 (the Amendment Ordinance) in April 2001.

The letter notes that some organizations observed that prices of software had gone up since April 2002 when the criminal liability on use of pirated computer software was introduced, and restriction on parallel imports was in place. As such, the Bill Committee sought information or survey results from the Council on

- the impact of the implementation of the Amendment Ordinance on prices of computer software; and
- the possible impact of liberalization of parallel imports of computer software on prices.

With regard to survey results, the Council has not conducted a price survey on the effect of the Amendment Ordinance following its introduction in April 2001. We therefore cannot provide any quantitative survey material for the Committee's reference on this issue.

If in fact prices for computer software rose following April 2001 the Council considers the rise may be attributable to either:

- the fact that those persons who were using pirated software at the time had to purchase legitimate versions of the software that they were at the time locked into using, to support their information management systems; or

- new customers who might have purchased pirated software before the criminal provisions were introduced were sufficiently persuaded to purchase legitimate software instead.

In this case, authorised software distributors would have been in a position of facing increased demand for their product, with many consumers locked into specific software required by their business or other applications. The suppliers would conceivably have recognised the opportunity to extract higher prices due to the market power the vendor has for their software.

As to the possible impact of parallel imports of computer software on prices in the future, this would depend on the extent to which competition will arise between authorised distributors of software, and the extent to which vendors will be able to obtain imports of parallel product. Allowing parallel imports of computer software will provide the opportunity for competition to develop.

Yours sincerely,

Mrs. CHAN WONG Shui
Chief Executive

CWS/RC