

2 May 2002

Hon Mr. Kenneth Ting Woo-shou, JP
Chairman, Panel on Commerce and Industry
Legislative Council
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Re: Intellectual Property (Miscellaneous Amendments) Ordinance 2000

Dear Mr. Ting,

We appeal to your Panel to support the lifting of the suspension of "end-user criminal liability" for the theft of copyright-protected, printed products from books and journals, by reprographic or electronic means when the suspension period expires in July 2002. These are our reasons:

1) "Equal protection under the law" is a concept inseparable from "Rule of Law" and it is clearly prejudicial to publishers of books and journals to single them out for denial of those very protections you have already enshrined into law for marketers of products on disks or in theatres, such as those of the software, music and film industries.

2) It was argued that print media is inherently different from media on optical disks and computer screens, as the basis for suspending the amendments, citing newspaper articles possibly being "considered as an entire work" as examples. It is a false comparison to equate books and journals to newspapers, when discussing end-user piracy.

We recognise the distinctiveness of "news of the day" publications, which are short-lived in their relevance and usefulness and consequent financial value. But books and journals are not short-lived in value, and the levels of investment in their creation reflect the anticipation of extended "shelf lives," as well as potential follow-on sales to producers of electronic disks, films and in translation.

They are not records of "history in a hurry," as news articles are sometimes called. Each edition of a book or journal is the product of quite large investments of time, talent and money: into research and development, capital production costs, storage and shipping, and marketing.

3) By the general attitude of Customs & Excise officials, and omission from a list of copyright works subject to "rampant piracy" cited in the recent public consultation paper issued by Commerce and Industry Bureau, there appears to be an operating assumption that books and journals suffer few if any losses to copyright theft. This is not true.

Local and international publishers have told our investigators they are losing up to 30% of their sales to illegal photocopying (see Investigator's Report attached). Some of them are Small and Medium Sized Enterprises (SMEs) who can ill afford such enormous financial losses, and whose ability to support themselves and their staff members are being seriously threatened

Meanwhile, some copyshop operators have boasted to our investigators that copying of entire textbooks comprises over 50% of their business!

4) Reluctance to raid and prosecute copyshops, who have made a profitable underground industry of pirated textbook publishing, compounded by public statements of doubts about the intent of the 1997 Ordinance by Customs & Excise officers (see "Notes on the Criminal Enforcement of Laws to Protect Copyrighted Works in Print or Digital Form" in the appendices), demonstrate that existing legislative remedies that criminalise theft of printed products, under very restricted circumstances, are ineffectual, without the lifting of the suspension on the Year 2000 Amendments.

On the one hand, copyshop owners hide behind arguments that they are simply "agents" in the course of their photocopy business, while they knowingly profit by copying entire texts without authorisation, usually making multiple copies at a time. It is so rampant that university students in Hong Kong openly designate a fellow student as "textbook coordinator" (sometimes with the teacher's consent and co-operation), whose job is to buy a single copy of a text, and then take it to a copyshop to be reprinted in its entirety, in multiple copies, for their classmates.

Copyshops argue they are merely taking orders, so as to evade the clause in the original law that criminalises "possession with intent to distribute" pirated work. The currently suspended amendments would instead criminalise, "knowing possession in the course of business," which would provide publishers with legal means to protect their products, without the necessity for new legislation.

If Government refuses to provide published works in print and electronic form the same protection it now offers other kinds of copyright owners, by outright lifting of the suspension of the Year 2000 Amendments, we urge that it recognises publishers' legitimate right to protect their works, which is not met under existing law, and that appropriate amendments are made to rectify the situation

In an effort to assist such an approach, we have asked legal experts from our organisations to provide model language that might be appended to the 1997 Prevention of Copyright Piracy Ordinance (Cap 544). This model language is appended as "Enforcement Tools To Stop Copyshop Piracy.

5) Suspension of the amendments as applied to printed products has also emboldened various self-interested user-groups, such as the universities, to seek means to widen "Fair Use" definitions to such an extent as to make any criminalisation of theft as unenforceable as is the current 1997 Ordinance in its ability to prosecute copyshops.

Relatedly, the licensing negotiating body for the combined universities, HUCOM seek application of the so-called "US Model" in Hong Kong. This model maximises Fair Use definitions for educational establishments. we are concerned that, should that model be applied, all of its qualifying clauses are included (such as the requirement for "spontaneity" in copies made by teachers for their classes and other language that places qualitative limits on the behaviour of those who copy), and that any such application should exclude the textbooks listed by the Hong Kong Education Department.

Hong Kong Reprographic Rights Licensing Society and the representatives of the local and international publishing associations (see the c. c. list below) from Hong Kong, America, United Kingdom and Prance would like to arrange a meeting with you and your panel members, to discuss the above issues in the morning on 30th May 2002.

Please contact Mr Lee Luen Fai (28644896) of L.F. LEE CONSULTANTS LTD to fix a time for the meeting. We look forward to your early and favourable reply.

Yours truly,

Simon Li
Vice Chairman, HKRRLS

cc

Hong Kong Publishing Federation
Anglo-Chinese Textbook Publishers Organisation
Hong, Kong Educational Publishers Association
American Association of Publishers
Publishers Association
Association of Science, Technical and Medical Publishers

Attachments:

- I "Investigator's Report"
- II "Notes on the Criminal Enforcement of Laws to Protect Copyrighted Works in Print or Dioital Form"
- III "Enforcement Tools To Stop Copyshop Piracy"

Investigator's Report

Impact of illegal photocopying and copyright piracy on academic and educational publishing industry in Hong Kong

In order to have an understanding of the impact of illegal photocopying and copyright piracy on academic and educational publishing industry in Hong Kong, a survey was conducted to the 43 publishing members of Hong Kong Reprographic Rights Licensing Society (HKRRLS) in March and April 2002. The objectives of the survey are:

- a) to investigate if the copyright works are subject to rampant piracy,
- b) to report solid piracy cases experienced by members,
- c) to gather estimated financial loss figures from members.

I. College/Tertiary Institution Sector

Among them more than half of the HKRRLS members (23) were interviewed and seven of the respondents occupy over 90% of the total College/Tertiary Institution book market.

1. Estimated Financial Loss

1.1 Direct loss

To summarize, the seven major publishers estimate losses of more than 30% of their income to illegal photocopying it is estimated that the total loss of revenue to the publishers who supply books to universities and tertiary institutes was amounted to more than \$49m in money term and more than 300,000 copies of books in volume term (See table 1)

Table 1. Estimated loss

| | *No. of Enrolment | Book/student/year | Book price HK\$ | Photocopy Rate | Loss of Copies | Loss of Revenue HK\$ |
|--|-------------------|-------------------|-----------------|----------------|-------------------------------|-----------------------------------|
| ₁ Full Time | 87,800 | 8 | 160 | 30% | 210,720 | 33,715,200 |
| ₂ Vocational /Technical Institute | 54,800 | 4 | 160 | 30% | 65760 | 10,521,600 |
| ₃ Distance Learning | 35,000 | 3 | 160 | 30% | 31500 | 5,040,000 |
| | | | | | Total 307980 | Total 49,276,800 |

*The full-time and part-time student numbers are drawn from the Educational Statistics of the Education and Manpower Bureau Statistic (2000-2001).

1. Full-time---Undergraduate/Graduate Full Time Equivalent Courses
Number of Enrolments: 87800 (excluding Open University of Hong Kong, The Academy of Performing Arts)

2. Vocational Training Council and Technical Institutes
Number of Enrolments: 54800
3. Distance Learning (Including Open University of Hong Kong, Government Funded and Private Institutions offering Overseas Undergraduate and Graduate Degree Courses)
Number of Enrolments: 35000 (Open University of Hong Kong: 25000; Others: 10000)

1.2 Indirect Loss

The seven HKRRLS members have also expressed their concern of indirect loss made to their business.

a. Booksellers' loss

It is estimated that booksellers have lost more than HK\$20m of their revenue to illegal photocopying and the total revenue loss to the academic publishing industry will be amounted to HK\$70m. (See table 2).

Table 2 Estimate Loss to Booksellers and Tertiary Publishing Industry due to Illegal Photocopying

| | Loss of Revenue (Publishers)HK\$ | Loss of Revenue* (Booksellers)HK\$ | Total Revenue Loss(HK\$) (Publishing Industry) |
|---------------------------------------|-------------------------------------|---------------------------------------|--|
| Full Time | 33,715,200 | 14,449,371 | 48,164,571 |
| Vocational/ Technical Institute | 10,521,600 | 4,509,275.14 | 15,030,857.14 |
| Distance Learning | 5,040,000 | 2,160,000 | 7200,000 |
| | Total 49,267,800 | Total 21,118,628.14 | Total 70,395,428.14 |

*Booksellers enjoy an average discount of 30%

b. Reputation loss

In the long run, copyright piracy will adversely affect reputation of Hong Kong, which will stop foreign investors from investing into Hong Kong. One publisher said, 'I have been a regional head of a software company before. Yet, I was afraid to bring the product to HK for development as a result of rampant piracy in HK. Even for the packaging of the teaching material, I will not let it publish in HK fearing the piracy.'

c. Project loss

With a decrease in sales, it may result in a decrease in developing new projects.

d. Book price loss

Publishers and booksellers are required to lower the published and retail book prices

to encourage more customers to buy original books instead of making photocopies. The seven publishers told the investigator that the Hong Kong retail prices are 60%-80% lower than the US prices for the same book.

e. Supply/Inventory loss

- Booksellers reduce book orders to reduce the inventory risk. They order 30-40% of stock now when comparing with 80% in the past.
- Due to vicious cycle of book piracy, international publishers may withdraw their investment from Hong Kong. (It is noted that price of imported book is about 20% to 40% of the selling prices in US). In the long run, universities in Hong Kong cannot enjoy the privilege prices and have to purchase foreign education books in full price.

2. Summary of Rampant Piracy Cases

The data collected from the members reveal that illegal photocopying has developed into an intolerant and rampant extent. There are various cases reported. To sum up, basically the 'black market' is operated on a 'organized guerrilla' basis. There are numerous 'copyshop' spots near the universities and tertiary institutions.

It is a well-known phenomenon that college students will organize among themselves for making illegal copies of books. They have a class representative to place orders to the 'copyshop'. Meanwhile copyshop provides efficient ordering and delivery service to cope with their demand. Very often they do not need to wait for the orders but make the photocopies ready for purchase at the beginning of school term. It is known that some copy-shops provide digital photocopying. The campus has become the marketplace for this kind of illegal trading.

Case 1 — Recently (March 2002) it was told that students of the College of International Education in an Institution in Kowloon has posted a notice on the notice board outside the Campus' bookstore. The notice stated that there were second hand photocopied books available for sale, with the price listed for purchase. The selling of pirated works in the Colleges further worsens the situation and has already become the 'sub-culture' among the student, which is intolerant to the public.

Case 2 — Recently a bookshop has imported the wrong version of books. A student came to purchase it. Later while the student came back for exchange of money and the bookshop found that the book was in a bad condition. It revealed that the student has already photocopied the wrong book for ninety classmates. As a result, only four out of 100 books the bookshop ordered were sold.

Case 3 — A book was adopted by an Institution for a class of 90 students studying Humanities, the designated bookshop reported that only a few copies of the book were purchased. More than eighty books were returned to the publisher.

Case 4 — There was a guy represented by copy-shop waiting in front of an institution's bookstore everyday. His task was to take orders from student for photocopying services.

Case 5 — Staff responsible for delivery from bookshops reported that they witness that the volume of photocopied materials was much more than the amount of original books they

sent to the same College. The photocopied works nowadays have sophisticated packages. They have plastic cover with a label on it, indicating the contact numbers of copy-shops. It reveals that the 'black market' has already become a well developed network.

Case 6 — It was discovered that a shop in Causeway Bay selling pirated copies of professional teaching materials at the price of \$300/per set (original price is \$2100 per set). The publisher has filed complaint to the customs. Action was taken to clamp down the shop. Yet, it happened again within two weeks, the pirated copies of the same teaching material can be found in two shops in an IT Mail in Wan Chai.

3. Action taken against Illegal Photocopying

— Last year, there was concerted effort among four international publishers to urge the tertiary institutions to help protect the right of copyright works through educating students not to participate in illegal photocopying. They send notice, poster and FAQ to various departments of the Universities to raise concern to the copyright piracy issue. A meeting was held in November 2001 with the Deputy Vice Chancellor and senior staff from Student Affairs Office of an institution in Kowloon. The concerted effort will continue this year.

— A publisher has sent a secret agent to an institution filming the whole process of 'dealing'. The 'evidence' was shown to the senior staff during a meeting with the institution urging them to educate their students to respect copyright.

— A publisher attempts to provide free on-line supplementary materials for students as a support service to the textbook to encourage students to buy original books.

— Publishers filed complaints to HKRRLS and the Customs hoping that the Customs will take actions against the copyshops.

II. Secondary School Sector

Among the 43 corporate members being interviewed in March and April 2002, there are 25 secondary book publishers. More than 50% (14) have been interviewed.

1. Secondary based curriculum

School-based curriculum has encouraged teachers to compile course materials themselves. All the publishers being interviewed believed that the majority of the course materials compiled by these teachers are copied from various publishers' works.

Data shows that school-based curriculum did cause great financial loss to the educational

publishing industry. For examples, about 70 secondary schools did not use textbooks and compile their own course materials in Chinese Language subject in 2001-02 academic year. The Publishing companies in Hong Kong suffer a loss of HK\$14m in revenue in one Chinese Language subject alone. (See table 3).

Table 3: Estimated Revenue Loss caused by school-based curriculum—taking Chinese Language subject as an example

| <i>Subject</i> | <i>No. of School</i> | <i>Loss of Copies (F.1 to F.5)</i> | <i>Price per Set HK\$</i> | <i>Revenue Loss HK\$(in million)</i> |
|------------------|----------------------|------------------------------------|---------------------------|--------------------------------------|
| Chinese Language | 70 | 1000 | 200 | 14m |
| | | | | |
| | | | | Total 14m |

It is worth noticing that number of schools participating in school-based curriculum of Chinese Language (70) represents close to 15% of total secondary schools in Hong Kong (486, statistics from Education Department). If the trend continues, it will kill the whole educational publishing business in Hong Kong because the school-based curriculum does encourage copyright piracy. There were solid cases revealing that teachers are inclined to compile their school-based course packs by copying materials from various publishers' works without publishers' consent.

2. School-based curriculum related rampant piracy cases

Case 1

Publisher A has received a complaint letter from a from 5 student, disclosing his Chinese History teacher's immoral act of making unauthorized photocopies of the whole Chinese History textbook published by Publisher A. In the letter, the student also enclosed the whole pirated work distributed by his teacher as proof.

Case 2

Publisher B has raised 4 to 5 lawsuits against copyright piracy after collecting solid evidences by the detective agent 'We won in most of the cases,' said the director of Publisher B. She also showed the pirated materials compiled by a teacher. The teaching material has a brand new cover but 100% of the content inside was copied from the original textbook, except the name of the author. It had been used by a secondary school in Mongkok.

3. Rampant Piracy Cases of Illegal Photocopying

Case 1

One publisher found that a chapter from its workbook was copied and put on sale in the form of a test paper in bookshops in 1996. It was found that the "test paper" was 'created' by two to three College students.

Case 2

One publisher revealed their most recent sales figure (28-2-2002) of a title for certificate level to the investigator. The figure shows that they have sold 4000 copies less when comparing with the student enrolment, which represents about 1/3 of the total sales. The average book price of the title is \$150 and so the total revenue loss is \$600,000. The publisher speculated that most probably the losses have gone to illegal photocopying as the title is a newly revised edition and the second hand book factor in this case was not applicable.

Case 3

Another publisher who has run the publishing business in Hong Kong for 23 years, reported another example. They have an English textbook adopted by 115 schools Form 4 students. A total of 18,400 copies should have been purchased. However, after eliminating the factor of second hand book, only 12000 copies were sold. The sales loss is approximately HK\$450,000. It shows that 1/3 of the copies had gone to illegal photocopying.

Case 4

Another case reported by the same publisher in case 3 was to do with a Form 6 English textbook adopted by 76 schools. 4560 copies should have been sold. Yet it resulted in a total sales of 3000 copies only. More than 35% had gone to illegal photocopying. This case also indicated that the illegal copying at the senior form levels is more serious. The loss of revenue was about HK\$150,000. This publisher had lost a total loss of HK\$600,000 revenue for these two titles.

Case 5

Another publisher reported that even though they had gained 20% more school adoptions for their books last year, the sales had dropped by 5%. That means the factors of second hand book and illegal photocopying have been taken away 20% of their sales. They believe that half of the loss had gone to illegal photocopying, which was about HK\$650000.

Illegal photocopying has been prevailing in Hong Kong for decades. The above cases best describe the seriousness of the problem.

Copyshop

One of the key players in photocopier business revealed that the trend of copyright piracy will grow to a more rampant level if there are no effective measures to stop the illegal copying activities at the copyshop level.

Another potential threat is digital photocopying. With digital copying technique, it can produce 80 pages in one minute. It is estimated that among the 300 copyshops in Hong Kong, 30 of them are key players participating in photocopying pirated works. About half of these copyshops will be moving into the digital photocopying business.

He also told the investigator that the key players of the digital copycat business are IT students from tertiary institutions who master the advanced IT knowledge. They are also the key players producing pirated software. Students are free-lancers, scanning the pages

of the book onto the CDR for sale. Some will even print the pirated copies out for higher profit.

Recently there was a pirated CD-Rom including 60 books from a US publisher. It only sells at \$100 for 5 copies! Simply brings the CDR to the copyshop and the whole 'book' can be produced, costing 20 cents per page.

Action Taken

Publishers unanimously say that they feel handicapped in solving the illegal copying problem under existing Copyright Ordinance. The recent suspension of 'end-user criminal liability' for the theft of copyright-protected work from printed products has worsened the situation. They all think that the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 is an effective solution to the illegal copying problem and they all urge that SAR government to lift the suspension and implement this Ordinance by July 2002.

MEMORANDUM

To: Mr Viking Yam – General Manager – HKRRLS

From: Barry Yen/Philip Tsang – SKYS

Date: 30 April 2002

Re: Protection of Literary Copyright Works in Hong Kong

Introduction

In the light of the flagrant intellectual property infringement activities in Hong Kong, serious efforts have been made by copyright owners to protect their legitimate interests. Unfortunately, because of certain constraints and legal requirements copyright owners sometimes find that it is difficult to enforce their rights in Hong Kong. This is particularly the case for owners of literary works. The publishing industry has been facing a serious threat because of the widespread piracy of books and of other literary works.

It was hoped that the enactment of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 (64 of 2000), being legislation to fill the loopholes of the Copyright Ordinance 1997 (Cap.528), would assist the publishing industry to enforce their legitimate copyright. Unfortunately, the amendments regarding, inter alia, infringement of books and other literary works were temporarily suspended. The publishing industry is therefore concerned that the legitimate rights of copyright owners will be seriously jeopardized.

We are instructed to comment on possible deficiencies in copyright related legislation and on other existing problems.

Present constraints

The Copyright Ordinance 1997 has basically included rather extensive provisions regarding enforcement against copyright crime. The common offences which may be committed by photocopying shops follow:

1. under Section 118(1) of the Copyright Ordinance, person commits an offence if he, without the licence of the copyright owner:-
 - (a) makes for sale or hire;
 - (b) ...
 - (c) ...

- (d) possesses for the purpose of trade or business with a view to committing any act infringing the copyright;
 - (e) for the purpose of trade or business-
 - (i) sells or lets for hire;
 - (ii) offers or exposes for sale or hire;
 - (iii) ...
 - (iv) distributes,
an infringing copy of a copyright work;
2. under Section 118(4)(d), a person commits an offence if he possesses an article specifically designed or adapted for making copies of a particular copyright work which article is used or intended to be used to make infringing copies of the copyright work for sale or hire or for use for the purpose of trade or business; and
3. under Section 118(8) , a person commits an offence if he has in his possession an article knowing or having reason to believe that it is used or is intended to be used to make infringing copies of any copyright work for sale or hire or for use for the purpose of, in the course of, or in connection with any trade or business.

Sections 118(3) and 118(5) however provide that it is a defence if the defendants are able to prove that they “did not know and had no reason to believe” that the copy or the article in question was an infringing copy or was used to make infringing copies.

The intellectual Property (Miscellaneous Amendments) Ordinance 2000 amended the expression “for the purpose of trade or business” in Section 118 to “for the purpose of, in the course of, or in connection with, any trade or business”. This has clarified and perhaps widened the scope of Section 118. As mentioned above, those amendments which relate to the protection of literary works have been suspended.

Despite the arguably clear wording of original Section 118, the Hong Kong Customs and Excise Department (“C&E”) has been reluctant to take actions against entities engaged in the piracy of books and other literary works. The main reasons raised by C&E for not taking action follow:

- 1. the copyright owners cannot provide satisfactory proof of their ownership of the copyright works;
- 2. it is arguable that photocopying shops only provide services to their customers and therefore such acts cannot be regarded as making for sale of infringing copies;
- 3. in merely providing photocopying services for customers, it would not be difficult for infringers to raise the defence that they had no knowledge or had no reason to believe that the copies works are infringing copies of copyright works; and

4. in most cases, photocopying, shops provide copying services to students and teachers for educational or research purposes. It is arguable that those activities fall within one of the exceptions which are known as “fair dealing” as set out in Part II Division III of the Copyright Ordinance.

Regarding proof of copyright, it is understandable that C&E must be satisfied that there is concrete proof of copyright ownership so that the cases can be successfully prosecuted and the infringers are eventually convicted. As such, C&E must ensure that the copyright ownership beyond dispute. In a number of VCD piracy cases, defendants appealed against the conviction on the ground that the complainants had not provided sufficient proof of copyright ownership. This requirement has proven to be an onerous barrier to copyright owners enforcing their rights since it is sometimes not easy to provide all the required information and materials to support ownership.

The introduction of a statutory licensing scheme may provide an alternative basis for taking actions against photocopying shops which conduct infringing activities.

We do not regards reasons (2) to (4) as being compelling.

In the recent case of *HKSAR v. Ho Kam Ho (transliteration) TWCC3236/2001*, the counsel for the defendant argued that the defendant only acted as an agent for her customers in photocopying and that such activity could not be regarded as making for sale of infringing copies under Section 118 of the Copyright Ordinance. The learned Magistrate rightly rejected such argument and pointed out that the defendant’s activities were obviously making of infringing copies and therefore the defendant had committed an offence under Section 118.

The argument that infringers may have no knowledge or have no reason to believe that the copied works are infringing copies are unlikely to be accepted. Copyright notices on books provide a clear warning to those who intends to make infringing copies. Sections 118(6) and (7) set out what actions taken by a defendant may be regarded as a proof that he had no reason to believe that the copies are infringing.

Part II Division III of the Copyright Ordinance provided a wide range of exceptions to copyright infringement. C&E appears to be concerned that photocopying shops may raise the argument that the copying services provided are for education purpose only and should therefore be considered as fair dealing under Part II Division III. We do not consider that such argument is reasonable, since Section 38(2)(b) of the Copyright Ordinance provides that copying by a person other than the researcher or student himself is not fair dealing if the person doing the copying knows or has reason to believe that it will result in copies of substantially the same material being provided to more than one person at substantially the same time and for substantially the same purpose. Photocopying shops which make copies of book and sell the same are not in our views fair dealing under Section 38(2)(b).

Section 41 of the Copyright Ordinance also provides that:

- (1) Copyright in a literary, dramatic, musical or artistic work is not infringed by its being copied, to a reasonable extent, in the course of instruction or of preparation for instruction, if the copyright:
 - (a) is done by a person giving or receiving instruction; and
 - (b) is not by means of a reprographic process.

Since photocopying shops are not the persons giving instruction and the copying is by means of a reprographic process, the infringers cannot rely on Section 41 as a defence.

Apparently, there are however gray areas, for example where a single copy is made of several chapters of a book. To clarify this, it is suggested that the HKRRLS issues guidelines on what amounts to fair use to the photocopying industry, educational institutions and students. To the extent that such guidelines are quantitative HKRRLS must ensure that the parties they represent have agreed to such guidelines and that the guidelines only apply to the publications of its members.

Regarding the powers of investigation, search and seizure under the Copyright Ordinance, C&E has a wide discretion in determining what action may be taken. Under Section 122 of the Copyright Ordinance, C&E may break into, enter and search any place in which they reasonably suspects there is an infringing article provided that a search warrant is issued by a Magistrate. Further, Section 122(1)(b) provides that C&E may seize, remove or detain any infringing article and Section 131 provides that infringing articles are liable to forfeiture. As such, we trust that C&E, if willing to take aggressive actions to combat book piracy, would be able to take enforcement steps in a timely and effectively manner.

As such, we are of the view that the existing copyright laws have provided C&E a sufficient basis to take enforcement actions. We recommended that HKRRLS clarify the legal position with C&E and reiterate the recent indications from the government to seriously combat piracy of books and of literary works.

Another obstacle which copyright owners are facing is that the penalties imposed in previous court cases have not apparently had a sufficiently strong deterrent effect. Under section 119 of the Copyright Ordinance, the maximum penalty for:

1. an offence under Section 118(1) is a fine up to HK\$50,000 in respect of each infringing copy and imprisonment up to 4 years;
2. an offence under Section 118(4) or (8) is a fine up to HK\$500,00 and imprisonment up to 8 years.

In the Ho Kam Ha cases, the defendant made 16 copies of a book for sale. The defendant was however only ordered to perform 50 hours of community service and to forfeit the photocopying machine. The Magistrate considered the background of the defendant and believed that the defendant would not commit infringing acts in future. This is contrary to the approach taken by the court when imposing penalties for VCD and CD piracy cases. In most of those cases the court ordered custodial sentences.

Although each case should be considered based on its facts and merits, we are of the view that VCD piracy cases and book piracy cases are equally serious and that as a matter of principle they should be treated the same.

We understand that the government has recently indicated that it recognizes the seriousness of book piracy and that the relevant criminal provisions and enforcement procedures should be reviewed and tightened up. The government and the public should be educated to appreciate that all copyright infringements are equally serious. Whether the court will heavily penalize infringers in the light of the government instructions remains to be seen.

Statutory Licensing

We understand that HKRRLS hopes to introduce a statutory licensing scheme in a form similar to the provisions in the Prevention of Copyright Piracy Ordinance (Cap.544) tailored for combating infringing optical discs.

Under the Prevention of Copyright Piracy Ordinance (Cap.544), no person shall manufacture optical discs in Hong Kong unless he holds a valid licence. C&E is responsible for reviewing applications for and granting licences. There are provisions which provide power to C&E to conduct inspection, search and seizure in licensed premises and other premises where optical discs are manufactured without a licence. Offenders are subject to a maximum penalty of HK\$500,000 and to imprisonment for 2 years.

We believe that the introduction of a statutory licensing scheme for reprographic rights similar to the one for optical discs under the Prevention of Copyright Piracy Ordinance would effectively assist copyright owners to enforce their rights against infringing photocopying shops.

We note from the suggested provisions provided by you that you intend to require all persons to obtain a licence granted by HKRRLS to make reprographic copies. The suggested provisions are however rather broad. Since:

1. the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 provides that it would only be a criminal offence for a person to make infringing copies for the purpose of, in the course of, or in connection with, any trade or business; and
2. the main target is photocopying shops,

we suggest that you restrict the wording such that a licence will be required only if a person makes or reproduces copies of books and literary work for the purpose of, in the course of, or in connection with, any trade or business.

Another problem we note from the problem provisions is that HKRRLS intends to act as the governing authority in respect of the licences. It is arguable as to whether HKRRLS is in a position to issue and regulate all licences since HKRRLS is not acting for all the copyright owners in Hong Kong. Moreover the government previously had a practical concern about whether HKRRLS was able to adequately handle such a scheme. You should review whether you have sufficient resources to introduce and manage such a scheme if the authorities invited you to do so.

It would appear to be more appropriate or any statutory licensing scheme to follow the present Prevention of Copyright Piracy Ordinance, in which case C&E will be responsible for the licences. Of course, whether C&E is willing to assume such responsibility is an open question.

The Prevention of Copyright Piracy Ordinance and the proposed mechanism does not include any provisions for the payment of a fee for applying for a licence. If you wish to adopt this mechanism you will have to liaise with all the licensees separately for the payment of licence fees. Of course, if you wish to include the same in the proposed provision, the amount of licensing fee and other fees to be received by HKRRLS shall be subject to control.

Germany has adopted a statutory licensing scheme. It requires payment to collecting societies for photocopying of copyright work. We attach for your reference Article 54a(1) of the German Copyright Act and the relevant Annex for your reference. You will note that licensing fees are calculated based on the power of the photocopying machine.

We have slightly amended and now attach the proposed provisions to be included in the Prevention of Copyright Piracy Ordinance. If you have any comments please let us know.

Please let us know if you have any question or comments, or if you wish us to discuss further on any aspects.

Best regards

Barry Yen / Philip Tsang.

Enforcement tool to stop piracy

- **Key provisions to be include in the proposed amendments to <Prevention of Copyright Piracy Ordinance>(Cap544)**

1. Licences to reproduce reprographic copies, including print and digital publications.

“No person shall make or reproduce reproduce reprographic copies in Hong Kong for the purpose of, in the course of, or in connection with, any trade or business, unless he holds a licence granted by (the HKRRLS)”

“No licensee shall make or reproduce reprographic copies in any place in Hong Kong other than a licensed premises

2. Application for and grant of licence

“The HKRRLS may grant a licence to any person who makes an application for a licence in accordance with criteria set out in this section”

“Every licence shall be in a form determined by the Commissioner (HKRRLS?) and shall be valid for such period, not exceeding 3 years, as is specified in the licence”

“A licensee shall cause his licence to be displayed at all times in a conspicuous at the licensed premises”

“(HKRRLS) may refuse to grant a licence, or renew a licence, if he is satisfied that the applicant, or a partnership or body corporate managed, owned or controlled by him.

- has been convicted of an offence under this Ordinance or the Copyright Ordinance or under any previous law of Hong Kong relating to copyright;
- has furnished to (the HKRRLS) any false or misleading information in connection with any application made, or notice given, by him under this Ordinance;
- is not, for any other reason satisfactory to the (HKRRLS), fit and proper person to hold a licence”

“The (HKRRLS) may revoke a licence on any of the grounds for which he may refuse to grant or renew a licence under section(*)”

“Any person who is aggrieved by a decision of (HKRRLS) made may appeal the decision to the Copyright Tribunal”

3. Inspection and enforcement

“Authorized officers shall have power to inspect and require the production of any licenece relating to the operation of the licensed premises or the business concerned, whether granted under this section or otherwise”

“Authorized officers shall exercise such other powers as may be necessary for giving effect to the provisions of this section”

4. Offences and penalties

“Any person who contravenes this sections (*) to (*) commits an offence and is liable on a first conviction, to a fine of (\$\$\$) and to imprisonment for (X) years

“

“On a second or subsequent conviction, to a fine of (\$\$\$\$\$) and to imprisonment for (X) years”

“In any proceedings for an offence under this section, it shall be a defence for the person charged to prove that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence”

“Liability of persons other than principal offender, including the officers, partner of a body corporate as they are proved to have been committed with consent or connivance of, or to be attributable to any act commits the like offence”