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工商及科技局
工商科

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22 June 2006

Miss Anita Ho
Assistant Legal Adviser
Legislative Council Building,
8 Jackson Road,
Central, Hong Kong

Dear Miss Ho,

Copyright (Amendment) Bill 2006

Thank you for your letter dated 10 May 2006 seeking clarification on various issues concerning the Copyright (Amendment) Bill 2006. Attached please find the Administration's response to the issues raised in your letter.

Yours sincerely,

(Ms Priscilla TO)
for Secretary for Commerce, Industry and Technology

Encls.

Bills Committee on the Copyright (Amendment) Bill 2006

Administration's response to the issues raised in the letter dated 10 May 2006 from LegCo's Legal Service Division

Clause 4

Would private libraries such as those run by clubs charging membership fees and are currently renting comic books and films to their members be affected by this new right?

Under the existing section 25(2), "rental" means making a copy of the work available for use, on terms that it will or may be returned, for direct or indirect economic or commercial advantage. This interpretation of "rental" applies to the existing rental rights for computer programs and sound recordings under the Copyright Ordinance (Cap. 528). The Copyright (Amendment) Bill 2006 does not seek to amend the existing section 25(2) and hence this interpretation would also apply to the proposed rental rights for comic books and films.

2. If a private library run by a club offers comic books or films to the club's members in return for a fee, the proposed rental rights would apply. If the private library provides free rental, but the club actually uses the rental service to attract more members and hence to generate more revenue from membership income, the concerned copyright owners may be able to argue that the club receives indirect economic or commercial advantage from the rental activities and take civil action against the club if the rental activities are undertaken without their authorization. On the other hand, if the club is not operated with a view to profit and the rental service is only run on altruistic motives, the proposed rental rights may not apply to the concerned rental activities. Whether the proposed rental rights would really apply would need to depend on the circumstances of individual cases.

Clauses 7 and 8

What is the relationship of section 35(3), section 35A and the proposed section 35B? Could the drafting of these three provisions be improved so that the legal position of a parallel-imported copy of a computer program, a musical sound recording or an e-book is made clearer?

3. A parallel imported copyright work is an infringing copy by virtue of section 35(3) of the Copyright Ordinance. The existing section 35A provides for complete liberalization of parallel imported computer programs by offering exceptions to which section 35(3) applies. Such liberalization however does not apply if a parallel imported computer program is in effect a movie, television drama, musical sound recording, musical visual recording or e-book (section 35A(2)-(4)). The proposed section 35B is intended to liberalize the existing liability pertaining to importation and possession of parallel imported copyright works by business end-users except for commercial dealing in purposes, or for public showing or playing of movies, TV dramas, musical sound recordings and musical visual recordings by business end-users (other than educational establishments and libraries).

4. Hence, the existing section 35A and the proposed section 35B set out different situations under which a copy of copyright work will not be an infringing copy for the purposes of section 35(3). A copy of work is not an infringing copy for the purposes of section 35(3) if it is a copy of work to which section 35A applies, or to which section 35B applies, or to which both sections 35A and 35B apply. We will consider how the drafting of the provisions in any of sections 35, 35A and 35B can be improved for the avoidance of doubt.

Clause 11 – the new section 40A

Would a charitable religious body be regarded as a specified body so that it could extract hymns or songs from large books and copy them in large prints for those elderly with poor eye sight or for those who find it difficult to hold heavy books?

5. Under the proposed section 40A, the definition of a "specified body" for the purposes sections 40A to 40F includes an organization whose main objects are charitable. Hence, in general, a religious body whose main objects serve charitable religious purposes would be regarded as a specified body.

6. Under the proposed section 40C, a specified body may make accessible copies of copyright works for the personal use of persons with a print disability under specified circumstances. Persons with a print disability are defined under the proposed section 40A to mean persons with -

(a) blindness;
(b) an impairment of his visual function which cannot be improved by the use of corrective lenses to a level that would normally be acceptable for reading without a special level or kind of light;
(c) inability, through physical disability, to hold or manipulate a book; or
(d) inability, through physical disability, to focus or move his eyes to the extent that would normally be acceptable for reading.

Those elderly with weakened eyesight because of age may come within the definition of "persons with a print disability" if their visual function is so weakened and cannot be improved to an acceptable level by the use of corrective lenses (see (b) above). Charitable religious bodies would be able to rely on the proposed section 40C to make large-print copies for such elderly people. However, for those elderly who do not suffer any print disability (e.g. only have poor eyesight which can be corrected by glasses or find it difficult to hold heavy books due to the aging problem), the proposed section 40C would not apply.

Clause 11 – the new section 40C(4)(a)

If a specified body notifies the copyright owner of its intention to make accessible copies beforehand, can the copyright owner object and refuse the specified body to make such copies? What are the consequences if the specified body does not notify the copyright owner beforehand? What is the policy intent of this proposed provision?

7. Section 40C(4) imposes a notification requirement, rather than a requirement to seek prior consent. Under the proposed section 40C(4)(a) or (b), a specified body must either notify the copyright owner within a reasonable time before or after the accessible copies are made or supplied. The intention of this provision is to provide safeguards against abuse of the proposed permitted act by enabling copyright owners to know which specified bodies make or supply accessible copies to persons with a print disability. Should the copyright owners suspect any abuse of the permitted act, they may take appropriate course of actions (e.g. to contact the specified body to inspect the records kept under section 40E after the copies are made or supplied).

8. There are no prescribed sanctions for a breach of section 40C(4) under the Copyright (Amendment) Bill 2006 and it should be actionable as a breach of statutory duty. That is, the concerned copyright owner may sue the specified body for breach of statutory duty as an action in tort arising under the common law.

Clause 12

What is the relationship of section 37(3) with the newly added fair dealing provision? Which section is to prevail?

9. Like the existing permitted act provisions in Division III of Part II of the Copyright Ordinance (Cap. 528), the proposed fair dealing provisions (i.e., sections 41A and 54A) are subject to the primary consideration as set out in section 37(3) of the Copyright Ordinance.

Clause 13

Under the new section 43(1), would a performance at an educational establishment before persons such as guests of honour be regarded as a "public performance"?

10. Section 43 of the Copyright Ordinance provides that the performance of a literary, dramatic or musical work for specified purposes before a specific audience at an educational establishment is not a public performance for the purposes of infringement of copyright. The Copyright (Amendment) Bill 2006 seeks to extend the composition of audience from teachers, pupils, and parents/guardians of pupils to include near relatives of pupils. We do not intend to extend the composition of audience to include guests of honours of schools having balanced the interests of copyright owners.

Clause 16

Would the new section 54A have the effect of prejudicing section 54(1) in relation to the Legislative Council or the Judiciary?

11. Section 37(5) of the Copyright Ordinance stipulates that the provisions of permitted acts in Division III, Part II of the Copyright Ordinance are to be construed independently of each other, so that the fact that an act does not fall within one provision does not mean that it is not covered by another provision. Hence, the proposed section 54A on fair dealing for public administration would not prejudice the operation of the existing section 54(1) of the Copyright Ordinance.

Clause 22 – new section 118(1)(f)

Would the wording "by any person" under the proposed section 118(1)(f)(i) be interpreted to mean by any other person and the person who possesses an infringing copy and who intends to sell that copy be excluded? Will the prosecution be required to identify that other person and prove that other person is going to sell that infringing copy? The words "by any person" are also added to the new sections 118(1)(f)(ii), 118(1B) and (2A).

12. The wording "by any person" in the proposed section 118(1)(f)(i) includes the person who possesses the infringing copy and intends to sell that copy, as well as any other person who intends to sell that copy. It may not be necessary for the prosecution to identify the person who is going to sell the infringing copy. Depending on the circumstances of the case, the prosecution may prove that the copies are intended for sale by relying on a large quantity of infringing copies found to give a strong inference that the copies are for sale, without the need to identify the actual person who intends to sell the copies.

As the phrase "for the purpose of or in the course of any trade or business" is placed right after the words "any person", would it be interpreted to just refer to "any person" and not the person who possesses the infringing copy? Does it mean that an individual not in business possessing an infringing copy will be held criminally liable if someone else in business is going to sell that copy? Is there a change in policy intent?

13. The existing section 118(1)(d) of the Copyright Ordinance is intended to combat two types of unlawful activities: first, possession of an infringing copy of copyright work with a view to the copy being sold, let for hire or distributed in the course of a "dealing in" (i.e. selling, letting for hire, or distributing for profit or reward) business, and second, possession of an infringing copy of a copyright work for use in business which does not consist of dealing in infringing copies of copyright works (i.e. a business end-user). We have redrafted section 118(1) in the Copyright (Amendment) Bill 2006 so that these two types of unlawful acts will be caught under two separate provisions. That is, the new section 118(1)(f) tackles the former act (i.e. possession for "dealing in") and applies to all categories of copyright works, whereas the new section 118(2A) tackles the latter act (i.e. possession for business end-use)

and applies to the four categories of copyright works only, namely, computer programs, movies, TV dramas and musical recordings.

14. All along the possession offence relating to dealing in infringing copies of copyright works is intended to target at pirates engaged in dealing in infringing copies of copyright works in business context. Persons who assist in the process should also be caught, namely, those engaged in transporting infringing copies from one location to another as well as those who provide storage facilities for such infringing copies. Vigorous enforcement actions have been taken against these activities under the existing section 118(1)(d). We would like to point out that the phrase "for the purpose of trade or business" under the existing section 118(1)(d) as read together with the Copyright (Suspension of Amendments) Ordinance 2001 (Cap. 568) against dealing in infringing copies of copyright works does not require that the "purpose" should refer to the defendant's purpose. Hence, under the existing Copyright Ordinance, a person will attract criminal liability if he possesses an infringing copy of copyright work for another person's dealing in business. The Copyright (Amendment) Bill 2006 does not seek to change the existing scope of criminal provisions against activities related to dealing in infringing copies of copyright works.

15. In the new section 118(1)(f), the phrase "for the purpose of or in the course of any trade or business" would be interpreted to refer to "any person" and not the person who possesses the infringing copy only. This reflects the operation of the existing section 118(1)(d) insofar as it applies to offences relating to dealing in infringing copies of copyright works.

Clause 22 – new section 118(1)(g)

"Distribute" means "deal out in portions or shares among a number or recipients; give a share of to each of a number of people, spread generally" (The New Shorter Oxford Dictionary). Should one distribute not just "an infringing copy" but "copies" to a number of people? What is the meaning of "distributes an infringing copy of the work to such an extent as to affect prejudicially the copyright owner" and the scenario contemplated in this provision.

16. The existing section 118(1)(e)(iii) and (iv) of the Copyright Ordinance are to tackle infringing acts involving exhibiting in public or distributing an infringing copy of a copyright work in the course of a "dealing in" business only rather than by any business end-users. We have redrafted these subsections as the new section 118(1)(e) to make this intention clear. The new section 118(1)(g) is redrafted based on the existing section 118(1)(f) against prejudicial distribution of an infringing copy of copyright work, with modifications consequential to the redrafting of the existing section 118(1)(e)(iii) and (iv). It should be noted that the phrase "distributes … to such an extent to affect prejudicially the owner of the copyright an infringing copy" already exists in the existing section 118(1)(f) of the Copyright Ordinance. Enforcement actions have been taken under this subsection against uploading of an infringing copy of copyright work on the Internet. The Copyright (Amendment) Bill 2006 does not seek to change the existing scope of the criminal offence against prejudicial distribution of copyright works. It has to be noted that according to

section 7(2) of the Interpretation and General Clauses Ordinance (Cap 1), the term "an infringing copy" in its singular includes the plural.

Clause 22 – new section 118(2F)

In a firm, it is quite common to have a number of partners and mangers responsible for internal management. If an infringing copy of a computer program is found in a secretary's computer of such a firm, who will be charged under the new section 118(2F) and under the existing section 125?

17. If the responsibilities of internal management are shared by different directors/partners/persons in a body corporate/partnership, the prosecution would base on the facts and evidence of the case to determine on whom the charge would be laid under the proposed sections 118(2F). As regards the existing section 125 of the Copyright Ordinance, a charge would be laid on the director(s)/partner(s)/person(s) who has/have given consent or connivance to the offence committed by the concerned body corporate or a partner in the concerned partnership. Depending on the evidence, the prosecution would decide on which of the offences are appropriate for the particular circumstances of a case and there could be none or more than one persons charged for either of the offences.

The wording in the new section 118(2F) ("shall be presumed also to have done an act unless he proves that he did not authorize the act to be done") is different from the new section 118(1A) and (1B) where the words "unless there is evidence to the contrary" are used to specify that the defendant bears only an evidential burden. Please explain the inconsistency adopted in describing the evidential burden in the new sections 118(2F) and 119B(6) as well.

18. There is no doubt that the new s.118(2F) as presently drafted (when read together with the new s.118(2G)) imposes an evidential burden on a defendant. For the sake of consistency, we will consider whether and how similar wording can be adopted in sections 118(2F) and 119B(6).

Clause 24 – new section 119B(1) and (2)

Would a company only commit an offence if it copies the same newspaper regularly and frequently under the new section 119B(1) and (2)? If a company makes copies of different articles from different newspapers on different days, would it commit an offence? Is the prosecution required to prove that such act results in actual or substantial financial loss to the copyright owner?

19. The policy intent of the proposed criminal offence under section 119B(1) and (2) is to combat regular or frequent infringing acts undertaken by business end-users which involve the act of copying for distribution or distributing infringing copies of copyright works in newspapers, magazines, periodicals or books, resulting in financial loss to the copyright owners. A company which makes copies of different articles from different newspapers on different days may also commit the offence if the infringing acts are conducted on a regular or frequent basis resulting in financial loss to copyright owners and the extent of copying/distribution exceeds the

numeric limits to be prescribed by regulations under section 119B(14). We will consider if amendments to section 119B(1) and (2) are necessary to clearly reflect this intent.

20. Apart from the other elements of the offence (viz regular or frequent and beyond the numeric limit to be prescribed by regulations), the prosecution would need to prove that the infringing act in question results in financial loss to the copyright owner. However, the wording of the proposed section 119B(1) does not require that the financial loss to the copyright owner should be substantial.

Clause 24 – new section 119B(4)

Subsection 1 does not apply to an educational establishment. Does it mean that an educational establishment can make copies without any numeric limit?

21. The proposed section 119B(4) seeks to exempt educational establishments which are owned and operated by the Government, exempted from tax under section 88 of the Inland Revenue Ordinance (Cap. 112), or receive direct recurrent subvention from the Government from the proposed offence under section 119B(1) so as to ensure that classroom teaching would not be impeded. We fully agree that schools should not commit copyright infringements. Schools exempted from the proposed offence would still attract the existing civil liability for copyright infringements. If any school distributes an infringing copy of copyright work to the extent that affects prejudicially the copyright owner, the school may attract criminal liability under the existing and future provisions against prejudicial distribution of infringing copies of copyright works.

Clause 24 – new section 119B(9)(b)

At what price or under what term will a rare book out of print be regarded as "reasonable commercial terms" when determining whether a defendant can invoke the defence under the new section 119B(9)(b)? How can the court determine what are "reasonable commercial terms"?

22. The term "reasonable commercial terms" is not defined in the Bill. The court will likely interpret it literally to mean terms which are reasonable in the commercial context, having regard to all relevant circumstances in the case. The same term is also used in the Patents Ordinance (Cap. 514) (section 64(5)) and also in the corresponding provision in the UK Patent Act 1977 (section 48A(2)(a)) in the context of compulsory licensing. Under those provisions, it is a pre-condition for an application for a compulsory licence that the applicant must have already sought a licence from the patentee "on reasonable commercial terms and conditions" and that such a licence had not been successful within a reasonable period.

Clause 55 – new section 273A(2)(c)

Should persons issuing to the public copies of a work be authorized by the copyright owner to take civil action under the new section 273A(2) or else would there be multiple proceedings?

23. It is our intention that the proposed section 273A(3)(c) should only cover persons who are authorized by the copyright owner to issue, make available, broadcast the work or include the work in a cable programme. We will consider making amendments to this subsection to make the intention clear.

Commerce and Industry Branch
Commerce, Industry and Technology Bureau
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