

**Submission dated 12 June 2007 on the Copyright (Amendment) Bill 2006
from the Hong Kong Law Society**

Views / Concerns	Administration's Response
<p>The Law Society submitted three proposals to amend the proposed Committee Stage Amendments (CSAs) in relation to the definition of the term “lawfully made”.</p> <p><u>Proposal 1</u> To define “lawfully made”, in relation to a copy of a work made in a country, territory or area, to mean that the copy was made by -</p> <p>(i) a person who is entitled to copyright <u>under this Ordinance</u> in respect of the work that was made in the country, territory or area, as the case may be; or</p> <p>(ii) a person who is authorized by the person referred to in subparagraph (i);</p> <p>but does not include a work that was made in a country, territory or area where there is no law protecting copyright in the work or where the copyright in the work has expired.</p> <p><u>Proposal 2</u> To remove the proposed definition of “lawfully made” and leave the term undefined in the Copyright Ordinance. The Law Society considers that, if Proposal 1 is not accepted, it would prefer to leave it to the court to decide whether “lawfully made” means made by or with the authorization of the copyright owner in Hong Kong, or persons entitled to copyright of the work in the country of making.</p>	<p><u>Proposal 1</u> This proposed CSA will in effect define “lawfully made” to mean copies of a work made in a country, territory or area by, or with the licence of, the Hong Kong copyright owner. This is not consistent with our policy intention which has been clearly stated in the current and previous legislative exercises. Nor is it consistent with prevailing international practice as in the case of Singapore and Australia legislation. We are of the view that parallel imports should refer to copies which are “genuine” in terms of their manufacture. Copies made with the licence of the copyright owner in the place of making should be regarded as “genuine” rather than “pirated”. For further details of our consideration, please refer to the Administration’s paper “Submission dated 5 June 2007 on the Copyright (Amendment) Bill 2006 from the Hong Kong Law Society” [Paper no. : CB(1) 1865/06-07(01)].</p> <p><u>Proposal 2</u> The need to define “lawfully made” in the law to state clearly our policy intention arises in the course of the Bills Committee’s scrutiny of the Copyright (Amendment) Bill 2006, having regard to the Law Society’s representations stating its different interpretations of the term “lawfully made”. In the interest of legal certainty, it is desirable to have an express definition.</p>

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<p><u>Proposal 3</u> To amend clause 27(5) by adding a new section 121 (2D) such that “for the purposes of establishing whether a copy of a work was “lawfully made”, an affidavit which purports to have been made by or on behalf of the copyright owner of a copyright work and states –</p> <ul style="list-style-type: none">(a) the name of the copyright owner;(b) that a copy of the work exhibited to the affidavit is a true copy of the work;(c) that the alleged infringing copy of the work exhibited to the affidavit was not made by the copyright owner or by a person authorized by the copyright owner <p>shall, subject to the conditions contained in subsection (4), be admitted without further proof in any proceedings under this Ordinance and in such case it shall be presumed until the contrary is proved that the alleged infringing copy of the work was not lawfully made.”</p> <p>According to the Law Society, this proposal seeks to enable a copyright owner in Hong Kong, by using the section 121 procedure, to put in as sufficient evidence by affidavit that a copy was not “lawfully made” by stating in an affidavit that it was not made by or with the authorization of the copyright owner. The defendant can rebut the presumption. The Law Society suggests that this proposal should be pursued</p>	<p><u>Proposal 3</u> We understand that the intention of this CSA is to provide facilitation for the prosecution or the plaintiff to negate any argument raised by the defence that the subject matter of the proceedings is in fact a parallel-imported copy, rather than a pirated copy. For example, a defendant may argue that there is no criminal offence committed as the importation was beyond the criminal sanction period for parallel imports. Our view is that the CSA is not appropriate because of the following reasons –</p> <ul style="list-style-type: none">(a) this CSA proposed by the Law Society will in effect create a presumption which reverses the legal burden of proof on the issue as to whether a copy of work was lawfully made (i.e., an element of the offence in proceedings involving pirated copies of copyright works). As the facilitation measure will be applicable in criminal proceedings, we are concerned that the reversal of burden of proof raises an issue regarding the presumption of innocence guaranteed by Article 11(1) of the Hong Kong Bill of Rights, section 8 of the Hong Kong Bill of Rights Ordinance (Cap. 383);(b) if the facilitation measure only places an evidential burden (instead of a legal burden) on the defendant, the issue of presumption of innocence does not arise. However, we doubt if such a facilitation measure will serve any useful purpose. If the defendant argues his case by claiming that the copy in question was lawfully made in the place of manufacture, he would need to adduce evidence to raise an issue that the copy in question was lawfully made. He could not make such a claim without any credible evidence. If he has already adduced evidence to raise an issue for the purpose, any evidential burden imposed by the affidavit evidence would already have been discharged. Insofar as we are aware, no other country, territory or area has such a facilitation provision;(c) an affidavit provision which places an evidential burden on the defendant would not help in cases of split copyright ownership in different geographical locations.

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<p>even if the definition of “lawfully made” proposed by the Administration is not amended. This is because the copyright owner is in no position to say whether or not a copy was made by or with the authorization of an overseas owner if different.</p>	<p>The reason being that the copyright owner in Hong Kong would not have personal knowledge as to whether the copy was made in the place of manufacture with the consent of the copyright owner in that place. The affidavit thus made would be easily challenged; and</p> <p>(d) from the practical point of view, the proposed CSA is not called for. The prosecution/plaintiff's case is that the copies in question are infringing copies rather than parallel imports. According to previous enforcement experience, examiners acting on behalf of copyright owners could act as expert witness to show that the characteristics of the copies in question differ from those of genuine copies and are therefore pirated copies. The courts have in the past had no difficulty in accepting such evidence. As a matter of fact, split copyright ownership in different geographical locations rarely occurs. With global copyright ownership, copyright owners have control over their licensees and understand well the features of the parallel-imported products. The examiners acting on behalf of copyright owners could tell if a certain product is pirated or not.</p> <p><u>Discussion with copyright owners</u></p> <p>Following receipt of the representations from the Law Society dated 5 June 2007, we have sounded out copyright owners in various industries to ascertain if they have any further comments on our proposed CSA on the definition of “lawfully made”. They reiterate that it is extremely rare for copyright ownership of a certain work to be in different hands in different territories. We have not received from the copyright owners any objection to our proposed definition. In the course of our discussion, IFPI (Hong Kong Group) points out that a copy of copyright work made by a licensee who does not have the right to make the copy in the place of manufacture should not be regarded as a copy “lawfully made” in the place of manufacture. We fully agree with this position. Indeed, it has all along been our policy intention. A copy of copyright work is lawfully made in the place of manufacture if the copy is made by (a) the copyright owner in that place or (b) the person who is licensed by</p>

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	<p>the person in (a) to make the copy in that place. We will make some textual amendments to our proposed CSA to put this beyond doubt (please see the marked-up copy attached).</p> <p><u>Concluding remarks</u></p> <p>We would like to reiterate that a product should be regarded as “lawfully made” in its place of manufacture if the making is with the consent of the copyright owner in that place. Our proposed CSA, which seeks to put our policy intention beyond doubt, is in line with the approach adopted in Australia and Singapore. This is consistent with the international norm for delineating pirated products from parallel-imported products in the liberalization exercise for parallel imports.</p> <p>As a matter of policy, the introduction of new affidavit provisions to impose an evidential burden on the defendant should not be pursued lightly. We submit that any such proposal should be supported by the need to address enforcement or operational problem having regard to actual enforcement experience. We note the Law Society’s concern about the enforcement difficulties that our proposed CSA may entail if pirated copies are imported under the guise of parallel imports. As has been explained in item (d) under Proposal (3) above, we do not think that our proposed CSA, which is no more than putting beyond doubt our policy intention hitherto reflected since 1997, would cause added difficulties for owners in enforcing their rights, of the sort raised by the Law Society. That said, the Administration undertakes to closely monitor the enforcement situation and review, in consultation with the stakeholder groups, if any facilitation measure should be introduced as and when we face any practical problem in the future.</p>

Marked-up copy showing textual amendments
to the definition of “lawfully made”

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By adding -

"(5) Section 198(3) is repealed and the following substituted -

"(3) In this Part, "lawfully made"

(合法地製作), in relation to a copy of a work made in a country, territory or area -

(a) means that the copy was made by -

(i) a person who is entitled to the copyright in the work in the country, territory or area, as the case may be; or

(ii) a person who is licensed by the person referred to in subparagraph (i) to make the copy in the country, territory or area, as the case may be; but

(b) does not include a copy that was made in a country, territory or area where there is no law protecting copyright in the work or where the copyright in the work has expired."

By adding -

"(3) Section 229(8) is repealed and the following substituted -

"(8) In subsection (5)(a), "lawfully made" (合法地製作), in relation to a fixation of a performance made in a country, territory or area -

(a) means that the fixation was made

by -

- (i) the performer;
- (ii) a person having fixation rights in relation to the performance in the country, territory or area, as the case may be; or
- (iii) a person having the consent of the performer or the person referred to in subparagraph (ii) to make the fixation in the country,

territory or area, as the

case may be; but

(b) does not include a fixation that was made in a country, territory or area where there is no law protecting rights in performances in the performance or where the rights in performances in the performance has expired."."

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By deleting the proposed section 229A(5) and (6) and substituting

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"(5) Where a fixation of a performance which is not an infringing fixation by virtue of subsection (1) is subsequently dealt in for the purpose of or in the course of any trade or business, it is to be treated, in relation to that dealing and the person who deals in it, as an infringing fixation.

(6) In this section, "lawfully made" (合法地製作), in relation to a fixation of a performance made in a country, territory or area -

- (a) means that the fixation was made by -
- (i) the performer;
 - (ii) a person having fixation rights in relation to the performance in the country, territory or area, as the case may be; or
 - (iii) a person having the consent of the performer or the person referred to in subparagraph (ii) to make the fixation in the country, territory or area, as the case may be; but
- (b) does not include a fixation that was made in a country, territory or area where there is no law protecting rights in performances in the performance or where the rights in performances in the performance has expired."