



4th July, 2006

Clerk to the Bills Committee
Bills Committee on the proposed Copyright (Amendment) Bill 2006
Legislative Council Building
8 Jackson Road
Central,
Hong Kong

via email: slchan@legco.gov.hk

Dear Sir,

Re : The Removal of Section 44 (2) & the Copyright (Amendment) Bill 2006

It is a clear and basic principle of our copyright law that any exception must be confined to certain special cases which do not conflict with the normal exploitation of the work and do not cause any unreasonable prejudice to the legitimate interest of the right holders¹. Hong Kong has enshrined the three-step test of the TRIPS² and of Berne³ with respect to the exceptions to the copyright infringement.

We submit that the Administration cannot be free to create any new exception or limitation to rights, regardless of its scope and effects, without compromising the very object of protecting copyright, namely to enable copyright owners to control the use of their works and to obtain proper economic rewards, as mandated by the international treaties and conventions. If they cannot control the use of their works, the net result is that there is no incentive for further creativity and investment.

We suggest in this submission that the Administration ought to follow the international norms and obligations with respect to the copyright exceptions.

In the context of our social, economic and political development, there is no justification whatsoever for the proposed exceptions for education and in particular, the proposed removal of Section 44 (2) and of Section 45 (2) of the Copyright Ordinance under any circumstances.

Hong Kong does not have a litigious culture and the lawyers in Hong Kong are not allowed to take on a case on contingency basis. Hong Kong is now striving to build a harmonious society. The removal of any licensing scheme and let the court to decide fair dealing issues is a design for fostering the creation of conflicts between the education sector and the content creators/ providers with millions of dollars of legal fees at stake which could have been well spent for good cause.

¹ Section 37 (3) of the Copyright Ordinance

² Article 13 of the TRIPS Agreement

³ Article 9 (2) of Berne

The welfare effects of the exceptions on our economic and social development are negative. The education sector, students and the contents industry (and people engaged in the industry) are all losers of the proposed exceptions for education.

We wish to set out our grounds as follows:-

A. The International Legal Framework of Exception:

I. The Berne Convention

1. In the copyright law, the Berne Convention For The Protection Of Literary And Artistic Works (“Berne”) is the basic international treaty which requires each member state to provide the **minimum level of copyright protection**. Hong Kong deserves much higher level of copyright protection as its social and economic status has been characterised as one of the highly developed economic entities among the nations in the world.

2. The subject matter of the copyright protection under Berne:

Article 2 (1) of Berne defines “Literary and Artistic Works” shall include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression, such as books,dramatic or dramatic-musical works.....musical composition with or without words, cinematographic works... maps, plans, sketches, three-dimensional works relative to geography, topography, architecture or science.”

3. Article 14 *bis* (1) of Berne provides that **a cinematographic work shall be protected as an original work.**

II. Berne Convention And The TRIPS Agreement

4. As regards the relationship of Berne and the TRIPS Agreement, Article 9 (1) of the TRIPS Agreement provides that members shall comply with Articles 1-21⁴ of Berne.

5. Article 2 (2) of the TRIPS further provides, among other things, that nothing in the Agreement shall derogate from existing obligations that members may have to each other under Berne.

6. In addition, the TRIPS Agreement also contains provisions of the protection of the related rights:

⁴ except Article 6 bis which relates to moral rights of the author

- (i) Protection of the Performers⁵;
- (ii) Protection of the Producers of the Phonograms⁶; and
- (iii) Broadcasting Organisations⁷.

III. The Exception Under Berne And the TRIPS Agreement

- 7. Hong Kong is a founder member of WTO (therefore a signatory to the TRIPS Agreement) and a member of Berne. Any breach of Berne amounts to the breach of the Article 2 (2) of the TRIPS Agreement for derogation from the existing obligations that members may have towards each other under Berne and also of Article 9 (1) of the TRIPS for non-compliance.
- 8. Article 9 (2)⁸ of Berne provides a 3-step test for the exception for any **reproduction** of a copyright work. It relates to the exception to the making of copies of a work.
- 9. Section 44 of the Copyright Ordinance is related to the making of a recording of a broadcast or a cable programme **including any copyright works embodied in it** by an educational establishment⁹ for the educational purposes of that establishment.

There are other exceptions¹⁰ as may be allowed under Berne but it is imperative to note that **Berne does not allow for the granting of exception in relation to a public performance**¹¹. We wish to draw your special attention to the most relevant ones as related to Section 44 of the Hong Kong Copyright Ordinance as follows:

⁵ Article 14 (1) of Berne

⁶ Article 14 (2) of Berne

⁷ Article 14 (3) of Berne

⁸ P. Goldstein International Copyright, Principles, Law and Practice, Oxford University Press, 2001, page 295

⁹ Section 44 (1) of the Copyright Ordinance

¹⁰ For other exceptions of Berne:

- i. Article 2A (4) - official text of a legislative administrative and legal nature.
- ii. Article 2 (8) - news of the day or to miscellaneous facts having the character of mere items of press information.
- iii. Article 2 *bis* (1) - political speech and speech in the course of the judicial proceedings.
- iv. Article 2 *bis* (2) - lectures delivered in public if such use is justified by the informative purpose.
- v. Article 10 (1) - quotation of all works to the extent justified by the purpose and in accordance with the fair practice.
- vi. 10 *bis* (1) - If the right is not expressly reserved, the reproduction of article on current economic, political economic or religious topics or broadcasts of the same character as long as the source must be clearly indicated. It deals with the incidental inclusion of works.
- vii. Article 11 *bis* (3) - ephemeral recording for used in the broadcast.
- viii. Article 13 (1) - reservation and conditions on the exclusive recording right of the author but must not be prejudicial to the rights of the author to obtain equitable remuneration. This excludes any free recording of works.
- ix. Article 14 *bis* (2) (b) - facilitate the exploitation of the cinematographic work as a whole which may be objected by co-authors of the work who have made comparatively on minor contribution to the completion of the whole work.
- x. Article 17 - State power to control collecting society etc.

¹¹ Para 9-96 at page 520 of the Copinger and Skone James on Copyright Vol I, 15th Edition. Sweet & Maxwell 2005

- (i) Article 10 (2) – Illustration of literary or artistic works for the purpose of teaching provided that it is compatible with fair practice, and
- (ii) Article 11 *bis* (1) of Berne provides for the protection of the broadcasting rights of an author. The broadcasting rights include the right to (1) broadcast, (2) re-broadcast and (3) playing of the broadcast of the work in public.

Article 11 *bis* (2) – It is up to the national legislation to determine the condition as how the broadcasting right of the artistic and literary works may be exercised **but under no circumstances any exception of use may be prejudicial to the moral rights of the author nor to his right to obtain equitable remuneration.**

- 10. Article 13 of TRIPS adopts the similar Berne’s three-step test but it applies to all the economic rights protected under Berne as the words “exclusive rights” are used rather than the word “reproduction” as found in the text of Article 9 (2) of Berne. **For the purposes of the TRIPS compliance, it does not envisage that members can create a new exception or limitation that falls outside what is allowed by Berne.**

IV. **Article 10 (2) of Berne – Exception For Teaching**

- 11. Article 10 (2) of Berne provides that it is a matter for an individual country to permit the utilization, **to the extent justified by purpose,** of all works protected by Berne **by way of illustration** in publications, broadcasts, sound recordings or visual recordings **for teaching,** provided this is compatible with “fair practice”.
- 12. This means that for the purpose of illustration for teaching, the limitation of any utilization of a work must be subject to and limited by the words “by way of illustration” and the extent of use must not exceed that justified by the purpose provided that such utilization is compatible with “fair practice”.

Obviously, it does not apply if the utilization competes with the normal exploitation of a work by the author and unreasonably prejudices his legitimate interests as it amounts to the violation of the three-step test.

- 13. Furthermore, **any distribution of a work either as part of an original programme or as part of a broadcast over a cable system is not referred to in this Article 10 (2).** The omission must be regarded as deliberately intended as the exception is found in Article 10 *bis* (1) and (2).

V. **Fair Practice and the Three-Step Test**

- 14. The imposition of “fair practice” on the utilization of works for the purpose of illustration for teaching indicates that even if the “teaching” by itself might justify

the use of copyrighted materials without the authorisation of the copyright owners, it does not however necessarily imply that a school might utilize the works without any payment of a fair compensation to the copyright owners.

15. This point has been well acknowledged and taken by the Administration as it has proposed that the Administration will encourage the schools to negotiate with the copyright owners for licensing arrangement. The issue of concern is that what happens if the copyright owners do not agree to grant any licence or if the terms and conditions of the licence are not acceptable to the schools. As it is not in a form of a licensing scheme, the Copyright Tribunal has no jurisdictions over the matter which must be referred to the court for determination if the school insists that it has the right to use the copyrighted materials under the fair dealing defence.
16. **The requirements for schools to apply digital rights management system for any use of the copyrighted materials in the on-line environment under an exemption is compatible with the fair practice.** Also the payment of fair remuneration to the copyright owners for any use of copyrighted materials in the educational establishments will make the use more “compatible with fair practice”. It is understandable as the size and volume of use of copyrighted materials in an education system (student body represents about 10% of our population) even of a small percentage point will be enormous and any exception of the use of which will (highly likely) unreasonably prejudice the legitimate interest of the copyright owners. In fact, it is perceived that the **imposition of licence will be the most effective way of preventing any abuse of the use of copyrighted materials beyond the scope of an exception by an educational establishment**¹².
17. A number of countries have chosen to regulate the use of works by educational establishments through the implementation of a licence scheme¹³. This reflects that the international bench mark is that remuneration for **the use of works under a licence may make the use more “compatible with fair practice” and also avoid any unnecessary litigations on such use of works.**
18. In U.S., the fair use doctrine¹⁴ allows the use of the copyrighted materials without the authorisation from the right owners in education. However, the stakeholders consider that it was practical sensible and necessary to establish the guidelines for the clarification of the boundaries of the fair use in education which were reached between the copyright owners and educators in 1976 during the

¹² CITB in the Administration's response column at page 9 of its submission to the Legco in respect of copyright exemption for schools dated 19th June, 2006 said that “ we note the concerns over possible abuse. As pointed out above, we will undertake public education activities together with the Education and Manpower Bureau in order to provide education sector with guidance on the coverage and implication of fair dealing provision”. This reflects and supports our concern that it is the illiteracy in copyright which will make the fair dealing defence as an excuse for abuse and that school will be the safest haven for piracy in the world under the proposed exemption.

¹³ Belgium, Germany, Denmark, Finland, Sweden, Norway, United Kingdom, Australia, New Zealand.

¹⁴ Article 107 of the U.S. Copyright Act 1976.

enactment of the U.S. Copyright Act 1976. Such guidelines were approved by the Congress of the United States¹⁵.

The guidelines provide the educators with some certainty as to what is acceptable under the fair use doctrine for classroom copying and it also avoids any unnecessary litigations for the most common form of the use of copyrighted materials in schools.

19. In this connection, we wish to refer you to a **U.S. fair use case** of American Geophysical Union et al v Texaco Inc.¹⁶ in which **the court opined that the availability of means for paying right holders for the use of their works would reduce or even eliminate the need to refer to the fair use defence** and ruled in favour of the Plaintiff on the basis of the first and fourth fair use factors. In other words, unless any particular use of copyrighted materials by the educational establishments, libraries, archives etc qualifies for fair use, they must obtain licence from the right holders.
20. The reference to being “compatible with fair practice” as stated in Article 10 (2) of Berne would correspond to the second and third steps of the three-step test of Article 13 of TRIPS three-step test as long as the limited scope of the proposed exception is in line with this provision of Berne, which would bring the proposed exception within the first step. Therefore **any exempted use of the materials for the purpose of illustration in teaching which is unreasonable prejudice to the right holder requires the payment of fair compensation.**

VI. Article 11 bis of Berne – Broadcasting Rights of an Author

21. Hong Kong Government may have a strong interest in broadcasting because of its powerful informatory, educational and entertainment roles. Any recording, performing, or playing of a broadcast embodying any works in it is governed by Article 11 *bis* of Berne.
22. The fundamental requirement is that any use of the broadcast embodying any of the works protected by Berne under Article 11 *bis* (1) shall **not** in any circumstances be prejudicial to the moral rights of the author of that work and **his right to obtain equitable remuneration**, which in the absence of agreement shall be fixed by competent authority.

Therefore **any aforesaid restriction of the exercise of the broadcasting rights of the authors may be permitted without the authorization of the authors but such use must be done against payment of an equitable remuneration.**

¹⁵ House Committee Report on the 1976 Copyright bill, House Report No. 94-1476, 94th Congress, 2nd Sessions, September 3, 1976 pp 66-72.

¹⁶ 37 F.3d. 881 (2nd Cir. 1994 and the decision was affirmed by the Court of Appeals for the Second Circuit, 60 F. 3d 913 (2nd Cir. 1995).

23. This means that, **unlike Article 13 of the TRIPS Agreement, Article 11 bis (2) of Berne would not in any case justify any free use**¹⁷. It was so held in the WTO case on the U.S. Homestyle Exemption case that, in the context of Article 13 of TRIPS Agreement, Article 13 had no application to Article 11 bis (2)¹⁸.
24. Therefore, any recording, playing and showing of a broadcast embodying any of the works protected by Berne must be justified within the scope of the exception (for illustration for teaching purpose) and must be compatible with the fair practice (payment of fair compensation) under Article 10 (2) and also subject to the three-step test as laid down in Article (9) of Berne. Any scope falls within the ambit of Article 11 bis (2) will require payment of equitable remuneration.

One may argue that public interest consideration may outweigh consideration of an economic kind, however, it is an international norm that any unreasonable prejudice to the right holder might require the payment of fair compensation or at the very least, the imposition of strict conditions on the kind of use that is allowed¹⁹.

25. In this connection, we wish to point out that Article 14 (3) of the TRIPS Agreement provides that broadcasting organizations are granted the right to prohibit the fixation, the reproduction of fixations, and the re-broadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same.

Where members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcast with the possibility of the above acts subject to the provisions of Berne. This means that licensing scheme may be implemented in certain special circumstances as stipulated under Sections 11 bis (2) (equitable remuneration) and 10 (2) (fair compensation) of Berne.

26. Therefore, an author of the work included in a broadcast must be entitled to receive the payment of an equitable remuneration from the educational

¹⁷ Minor exceptions or minor reservations based on a de minimis principle with respect to performing, recitation and broadcasting rights. There is no public interest justification for a minor reservation that extends it beyond a de minimis use. Article 11 bis (2) expressly contemplate that the usage in question can take place on the place of remuneration. For detailed analysis, please refer to the report of the WTO panel in relation to "homestyle" and business exemption dated 15th June, 2000. See note 18 below.

¹⁸ WTO Panel Report on United States –Section 110 (5) of the US Copyright Act, 15th June 2000, WTO/DS/160/R, Paragraph 6.87. The report said that "Article 11 bis (2) authorizes members to determine the conditions under which the rights conferred by Article 11 bis (1) (i)-(iii) may be exercised. The imposition of such conditions may completely replace the free exercise of the exclusive right of authorizing the use of the rights embodied in sub-paragraphs (i)-(iii) provided that equitable remuneration and the author's moral rights are not prejudiced. However, unlike Article 13 of the TRIPS Agreement, Article 11 bis (2) of Berne (1971) would not in any case justify the use free of charge."

¹⁹ See for example, the TEACH Act of the United States.

establishments. This has been so provided in many countries such as Australia²⁰, United Kingdom²¹, New Zealand²², Canada²³ etc.

B. The Hong Kong Copyright Ordinance And Berne

27. Section 44 of the Copyright Ordinance is drafted wider than the scope of Article 10 (2) of Berne presumably the Administration has also sought the exemption under Article 9 (2) of Berne.
28. However, as the works included in a broadcast is also the subject matter of the purported exemption under Section 44, there is no justification whatsoever to remove Section 44 (2) of the Copyright Ordinance because of the requirement of Berne and of the TRIPS Agreement.
29. For the sake of completeness, we submit that the current **Section 76²⁴ of the Hong Kong Copyright Ordinance violates the Berne Convention** (and therefore also violates TRIPS Agreement) as there is no exception with respect to the public performance of all the works protected under Berne²⁵, Hong Kong has created a new exception other than those provided by Berne.
30. It appears that Section 43 (1) and (3) of the Hong Kong Copyright Ordinance are in breach of Berne as the presence of the parent or guardian of a pupil will render the performance in a school from private/domestic to be a public one²⁶.

The proposed amendment to Sections 43 (1) and (3) is clearly in breach of Berne²⁷ as it seeks to include the near relatives or guardian of a student as directly connected with the activities of an educational establishment.

31. Sections 43 (1) and (3) and the current Section 76 fail the justification of the exception under section 37 (3)²⁸.

C. The Licensing Scheme

²⁰ Section 135E (1) of the Australia Copyright Act 1968.

²¹ Section 35 (2) of the United Kingdom Copyright Designs and Patents Act 1988.

²² Section 48 (2) of the New Zealand Copyright Act.

²³ Section 29.5 of the Canadian Copyright Act.

²⁴ Section 76 of the Hong Kong Copyright Ordinance covers all kinds of copyright works (other than a broadcast or a cable programme) which is in breach of Article 11 *bis* (2) of Berne whereas the equivalent Section 67 of the United Kingdom Copyright Designs and Patents Act 1988 applies to sound recordings only.

²⁵ Please refer to Para. 9-96 at page 520 of the Copinger and Skone James on Copyright Vol I, 15th Edition. Sweet & Maxwell 2005.

²⁶ See note 25 above. See also Section 29.5 of the Canadian Copyright Act and Section 28 of the Australia Copyright Act 1968.

²⁷ See note 25 above.

²⁸ See note 18 above. The second and third steps of the three-step test as stipulated in Section 37 (2) must be read in the context of the WTO Panel Report in US Homestyle Case 15th June 2000 as Hong Kong is both the member of the TRIPS Agreement and Berne Convention. Please refer to Paragraph 15 (f) of our submission to the Legco dated 6th June, 2006 under your reference of CB (1)1765/05-06(01)].

32. We are convinced that there are **people among the educators** and our community **believe** that **copyright** ought not to exist or at least the rights of it should be severely limited and that after the publication of a copyright work, it **shall be available to the school as free as the air to its use. The school should be granted with the copying right under the banner of educational objectives.**
33. The basic question is how would our society advance economically, socially and culturally if there is no copyright protection of our intellectual creation in Hong Kong and if our school does not respect, value and protect the intellectual property rights.
- Perhaps it may be the Administration's vision that at the end of the day, the Government shall, at its own expenses and costs (therefore the taxpayers' money), develop all the copyrighted materials (therefore it has the full control of the contents thereof) for use in schools in Hong Kong as they are fully aware that the exceptions will eventually drive publishers and the contents industry out of the business as all the profits made will go to the pockets of the lawyers, who will be the beneficiaries of the fair dealing/defence actions.
34. For **those who do not believe that Hong Kong ought to have copyright**, we invite them to consider, for the sake of our children, that the **licensing scheme is a form of litigation proof insurance scheme** for schools. This will exempt their teachers from any potential liability arising from the abuse of the use of the fair dealing exceptions. We believe that the payment of the licence fee will be far less than the payment of the legal fees and damages to be incurred by the schools in defending their fair dealing actions. The beauty of the "insurance scheme" is that it is worked by and under the care of educators and the copyright owners and is subject to the jurisdiction of a statutory body called the "Copyright Tribunal".
35. For those who believe the value of the creativity of our society, we suggest that we follow what the other well developed jurisdictions do. We put together our heads to work on the draft or guidelines which permits the most common form and manner of the exception, to the extent justified by the purpose, of the free use of the copyrighted materials in our school system. Any use beyond that will be subject to the relevant licensing schemes. They know (not the judge) what are the best, within the realm of sensibility, for and acceptable to their schools.
36. In other words, **every school must have a correct clear and unambiguous choice between permission and prohibition of the use of the copyrighted materials for teaching purpose.**
37. They are not equipped with the legal concept as regards the application of the 4 fair dealing factors of defence against the copyright infringement. We do not have

any litigious culture here in Hong Kong and our interest is to build a harmonious society. Let us keep it that way.

D. Conclusion Remarks

38. **Licensing scheme may be viewed as an insurance scheme** for non-believers of intellectual property rights or teachers who are illiterate in copyright right²⁹; **or as a licensing scheme** for educators, who respect and believe in the true value of education for our children, for the proper use of the copyrighted materials in schools in compliance with the international norms and obligations.

The schools will cultivate educate nourish train and nurture students who may choose to build their career based on their creative power and such creativity will be fostered and encouraged by the investment fund available to them. They will translate their creativity into money (GDP) if we have the right landscape in Hong Kong.

39. We suggest that **there are many good reasons to keep both Sections 44 (2) and 45 (2) and none for the removal**. We should take this opportunity to improve both sections with a view to updating the provisions to cover the use of the copyrighted materials in the digital environment.
40. We are very grateful and highly appreciated for granting us an opportunity to express our view on the proposed amendment to the exceptions for education. We have also urged all the creative industry, publishers, broadcasting organisations, educational copyrighted materials providers, media, films and recording industries, and other contents providers from Hong Kong and overseas should express their views on this subject matter.

For and on behalf of
Hong Kong Video Development Foundation Ltd.



Chu Fung Mui, Clara

- c.c. Ms Mary Chow - Deputy Secretary for Commerce, Industry and Technology
(Commerce & Industry) via email: mary_chow@citb.gov.hk
The Hon SIN Chung-kai, JP, the Chairman of Bills Committee on Copyright
(Amendment) Bill 2006 via email: cksin@sinchungkai.org.hk

²⁹ See note 12 above.