

**The Administration's response to the submission dated 20 June 2007
from the Law Society of Hong Kong on the Copyright (Amendment) Bill 2006**

Purpose

This note sets out the Administration's response to the representations made by the Law Society of Hong Kong dated 20 June 2007 ("the representations").

Point 2 in the representations

2. We would like to clarify that the issue of concern is what constitutes "lawfully made" in relation to a copy of copyright work made in a country, territory or area, but not the meaning of "infringing copy" under section 35(2) or (3) of the Copyright Ordinance. The Administration's proposed definition for "lawfully made" seeks to put beyond doubt our policy intention as all along reflected in the Copyright Ordinance. That is, a copy of copyright work was "lawfully made" in a country, territory or area if it was made with the consent of a person who is entitled to the copyright in the work in that country, territory or area, but 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. The reference to "lawfully made" has to be read in conjunction with the ensuing expression of "in the country, territory or area where it was made" whenever it appears in the Copyright Ordinance, the Copyright (Amendment) Bill 2006 or the Administration's proposed Committee Stage Amendments.

3. Defining "lawfully made" in the way as the Administration has proposed would not affect the meaning of "infringing copy" under section 35(3) of the Copyright Ordinance. As section 35(3) also covers "pirated copies" made abroad, the reference to "which was lawfully made in the country, territory or area where it was made" is used to state clearly that the concerned context relates to parallel imports. Insofar as the Hong Kong copyright owner is concerned, the importation into Hong Kong and commercial dealing of copies made outside Hong Kong with the consent of the copyright owner in the place of manufacture (but not the Hong Kong copyright owner under the scenario where copyright ownership is in different hands in these places) may attract civil or even criminal liability under the Copyright Ordinance.

4. The Law Society's position in paragraph 2.4 of the representations appears to have arisen from a misunderstanding of the Administration's position. Products made in Hong Kong without the licence of the Hong Kong copyright owner are infringing copies by virtue of section 35(2) of the Copyright Ordinance. Copies of copyright works made without the licence of the Hong Kong copyright owner in the place of manufacture (which is outside Hong Kong), but with the consent of the copyright owner in the place of manufacture (where the copyright ownership is in different hands in the place of manufacture in question and Hong

Kong) are lawfully made in the place of manufacture. Such copies may, however, constitute infringing copies if they fall under section 35(3) (i.e., the copies are imported into Hong Kong and their hypothetical making in Hong Kong would constitute an infringement of copyright or a breach of an exclusive licence in relation to the work concerned). The Administration's proposed definition for "lawfully made" and the coverage of "infringing copies" under section 35(2) and 35(3) are two different matters.

5. We are perplexed to note the Law Society's allegation that the Administration's position is contradictory. There is no contradiction as the context is about "trade in genuine products in Hong Kong (i.e., the importing territory) outside the channels of distribution approved by the Hong Kong copyright owners". Deregulation of parallel import of copyright articles (as it involves migration away from the criminal regime) necessitates a different treatment for pirated articles made abroad from "genuine" articles made abroad but parallel-imported into Hong Kong. Our proposed delineation of these two categories of articles is on par with the prevailing international legal standard.

Point 3 in the representations

6. The issue is not about transfer of copyright ownership from the author (i.e., the first owner) to subsequent copyright owners (e.g. for a literary work from the author to the publisher). It is about whether copyright ownership for a work is commonly in the hands of different copyright owners in different territories. As we understand from various copyright owners' associations, such split copyright ownership is very rare.

Points 4, 5 and 6 in the representations

7. We maintain our view that whether the affidavit provision proposed by the Law Society is to be provided or otherwise is irrelevant to our international obligations under Articles 3 and 4 of the TRIPS Agreement of the World Trade Organisation (WTO).

8. As a matter of fact, the existing affidavit provisions for adducing evidence of copyright ownership and subsistence, as well as the proposed affidavit provisions for the proof of lack of licence in proceedings under section 118 are available to all persons entitled to copyright in Hong Kong, irrespective of their nationalities. The entitlement of copyright in other places is not relevant in those contexts. For the proof of "lawfully made", we do not consider the affidavit provision proposed by the Law Society would serve any useful purpose. Nor do we consider it necessary from the practical point of view in the light of previous enforcement experience. Our detailed arguments in this respect have been set out in the Administration's previous responses to the Law Society's representations [Paper No. CB(1)1905/06-07(01) and CB(1)1922/06-07(01)]. We maintain this

position insofar as the Hong Kong copyright owner and the person entitled to copyright in the place of manufacture are concerned. We submit with respect that the Law Society's concern about national treatment is irrelevant in the current context.

9. In this context, we also wish to point out that section 121 is a facilitation provision of Hong Kong, China for both criminal and civil enforcement. It does not reflect any international legal requirement at all. In fact, many WTO Members including the US and UK do not have such facilitation provision.

Point 7 in the representations

10. For proceedings involving copies of copyright work of which the copyright in the place of manufacture is not in the hand of the Hong Kong copyright owner, the affidavit under the proposed section 121(2D) for proof that the copies are not lawfully made in the place of manufacture should be made by the person entitled to copyright in the place of manufacture. The wording of the proposed section 121(2D), however, may allow the Hong Kong copyright owner (though not having any copyright entitlement in the place of manufacture) to make the affidavit under the said circumstances. We therefore consider that the drafting would make the provision inconsistent with the Administration's proposed definition of "lawfully made" which, in relation to a copy of a work made in a country, territory or area, means that the copy was made by the copyright owner in the place of manufacture or his licensee.

11. As mentioned in paragraph 4 above, whether a copy of a work is "lawfully made" and whether the copy is an "infringing copy" under section 35(2) or (3) of the Copyright Ordinance are two different matters. Insofar as the proposed section 121(2D)(c) is concerned, if a copy of a work is referred to as "the alleged infringing copy" only because the copy was not made by the Hong Kong copyright owner, the reference is misleading.

12. The Law Society suggests that the Administration should follow the approach in the Law Society's proposed section 121(2D)(c) and amend the Administration's proposed section 121(2AA)(c)(ii). As we consider that the Administration's proposed section 121(2AA)(c)(ii) achieves the policy intent and is consistent with the operation of section 121 and the Ordinance as a whole, it is unnecessary and undesirable to amend the provision in the manner proposed by the Law Society.