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Your Ref : CB1/BC4/01

2nd July 2003

Mr. S. C. Tsang
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TOP URGENT
By Fax, By E-mail & By Post
(2869 6794)
(cshiu@legco.gov.hk)

Dear Sirs,

Re : Bills Committee on Copyright (Amendment) Bill 2001 and Copyright (Amendment) Bill 2003

We thank you for your letter of 22nd May 2003 inviting views from our organisation and enclose our response for your attention. The response paper was produced by our Copyright Committee consisting of Mr. Gilbert Collins, Mr. Tan Loke Khoon and Mr. Tim Hancock.

We hope our input is of assistance to the Administration. We shall not be sending our representative along for the meeting on the 4th July, 2003.

Yours faithfully,

C. K. Kwong
Hong Kong Group President
Asian Patent Attorneys Association
Encl.

cc Members of the Copyright Committee
Councillors

HONG KONG GROUP ASIAN PATENT ATTORNEY ASSOCIATION
COMMENTS ON THE COPYRIGHT (AMENDMENT) BILLS 2001 AND 2003

GENERAL COMMENTS

1. The 2001 Bill has been substantially amended since we last reviewed the Bill in September 2002. The revised 2001 Bill introduces a new test for defining the scope of liberalization of parallel imports of computer software, taking into account of "e-books", as a further exclusion to liberalization in addition to movie, television drama and musical sound or visual recording.

2. It is a challenge to define "e-book", which is essentially a composite suite of different copyright works made interactive by software. On the one hand, the Government wishes to liberalize the parallel import of educational software and games software. On the other hand, the Government wishes to protect e-book and exclude it from liberalization. We do not think this is a tenable position. We ask the Government to consider again the "all or nothing" approach in its policy on parallel imports.

3. The issues raised in the revised 2001 and 2003 Bills are complex and difficult to understand. The Bills are confusing to read even for practitioners. The definitions are circular and hard to apply – e.g. definitions for "movies", "television dramas" and "for the purpose of or in the course of trade or business".

4. It also appears that there is a lack of coordination in the preparation of the 2001 and 2003 Bills – there is a different Section 118A under each Bill; references to "feature film" are not replaced by "movie"; and references to e-book are not included in the 2003 Bill.

5. Given the complexity of the issues involved, we propose that the two Bills should be merged and considered as a single bill. This will also allow a more thorough examination of the proposed changes to the Copyright Ordinance.

SPECIFIC COMMENTS ON THE 2001 BILL

"Lawfully Made"

6. Section 35A(2) – This section provides that a copy of a work to which Section 35A applies is not an infringing copy for the purposes of Section 35(3) if it was *lawfully made* in the country where it was made. We believe that "lawfully made" refers to the fact that the copy in question was made by or with authorisation from the copyright owner *in Hong Kong*. Otherwise, Section 198(3) will not make sense. On the other hand, if "lawfully made" is defined clearly as outlined above, Section 198(3) may no longer be necessary.

Test of Scope of Liberalization

7. Section 35A(3) – We have previously commented that the threshold of the duration of a movie or a television drama is arbitrary, but we understand that the Bill has taken into views submitted by the relevant industries. On the other hand, we fail to understand why this subsection does not include musical sound or visual recording.

8. In the earlier draft of the 2001 Bill, the "economic value" test is used in determining the scope of liberalisation, i.e. whether the economic value of the article is predominantly attributable to the economic value of the copy of the associated work (referring to movie, television drama and musical sound or visual recording) embodied in the article. We find this test to be more objective and easier to apply than the test now proposed under Section 35A(4)(b), namely the test of "likely purpose of acquisition".

9. Bearing in mind the proposed changes to Sections 30 and 31 under the 2003 Bill, it is clear that only *importers and traders* dealing with parallel imports on a commercial basis will be considered as infringing the copyright of the right holders. However, it has been suggested that the test of likely purpose of acquisition should be applied from the objective prospective of a hypothetical *user*. If the hypothetical user means the actual end user of the article, it will be difficult for prosecutors and copyright owners to establish the infringement claims against importers and traders when the applicable test is based on the mindset of the hypothetical user.

10. This test of likely purpose of acquisition may also lead to odd results. Consider a case where a distributor parallel imports a CD player that comes with a set of complimentary audio CDs, which are also parallel imports. Clearly, the distributor (and even the purchasers) is only interested in acquiring the CD player, not the discs. In such a case, how should the test of likely purpose of acquisition be applied? Using a similar example of a DVD player and complimentary DVD discs, the outcome may be different, as the DVD discs with movies are covered under Section 35(3). Thus, we maintain that the economic value test should be used.

Definition of "e-book"

11. Section 35A(5) – As mentioned above, the definition of "e-book" should take into account of other interactive software products. It is not clear how useful it is to distinguish a software from an e-book purely by suggesting that the latter is "presented in the form of an electronic version of a book, magazine or periodical", the meaning of which is ambiguous.

Application of Sections 60 and 61

12. Section 118A(b) – We are concerned about the scope of this subsection. Sections 60 and 61 deal with the right of a lawful user of a computer program to make back-up copies and copy or adapt the program for his lawful use. This new subsection suggests that the lawful user of an article that contains both a computer program and another underlying work may also make copies and/or adapt that underlying work without infringing the copyright therein. We do not follow why this should be the case, and no justification has been provided. We consider that this proposed change may have unnecessarily diluted the right of the copyright owner of the underlying work and should be reconsidered.

SPECIFIC COMMENTS ON THE 2003 BILL

"For the purpose of or in the course of any trade or business" / "For profit or financial reward"

13. Sections 118(1)(d) and 118(1) (e) – The reference to trade or business is omitted in these subsections and replaced with the notion of "for profit or financial reward" in an attempt to clarify the meaning of "for the purpose of or in the course of any trade or business". However, there may be circumstances where an infringer commits the infringing acts for ulterior motives other than for profit or financial reward.

14. This notion of "for profit or financial reward" is also inconsistent with the definition of "business" under the new Section 198(1), which includes business conducted otherwise than for profit. The current protection enjoyed by copyright owners is compromised with the new language. We suggest keeping the reference to "for the purpose of or in the course of any trade or business" in these subsections.

15. Section 118(1)(e) – The current offence relating to possession of infringing copies arises if the possession is for the purpose of trade or business with a view to committing *any act infringing the copyright*. The new Section 118(1)(e) only lists out certain specific infringing acts that are done for profit or financial reward. No justification has been provided as to why other infringing acts done without the authorization of copyright owners as listed in Section 22 and other parts of the Ordinance have not be included.

16. Sections 118(1)(d)(iii) and 118(1)(e)(ii) – These subsections as drafted will catch legitimate traders in the transportation or courier industries, who might not even be aware that they were transporting or storing infringing copies. The defence under section 118B(1) is not appropriate, especially when the infringing copies in question relates to parallel imports. We are of the view that the offences under these two sub-sections should only arise if the person transporting, storing or possessing infringing copies *knew or had reason to believe* that he was dealing with infringing copies of copyright works.

End User Liability

17. Section 118A(1) – This subsection is intended to make permanent the end user liability for use of infringing copies of computer program, feature film, music sound recording, musical visual recording or television drama under the Copyright (Suspension of Amendments) Ordinance 2001 (the "Suspension Ordinance"). However, the new Section 118A(1) is convoluted and hard to follow when read together with the new Section 196A (which provides for the meaning of "for the purpose of or in the course of trade or business").

18. The Bill seems to suggest that a company/business will only be held criminally liable for possession of an infringing copy of the 4 categories of works if the infringing copy is intended to be used for the purpose of or in the course of the *specific trade or business* in which the company/business is engaged. This appears contradictory to the intention of the Suspension Ordinance, which treats possession of an infringing copy for any commercial use as illegal and attracts criminal liability. We therefore suggest

that the reference to trade or business in section 118A(1)(b) be amended to "for the purpose of or in the course of trade or business".

19. Section 118A(3) – This statutory defence is problematic and may lead to unfair outcome. As currently proposed, employees who are designated with the specific responsibility to procure the use of the infringing copies may also rely on this defence, so long as such employees are not "concerned in the management of the employer's business" under section 118A(4). This defence may be easily abused by the management and employees who should otherwise be held liable.

20. Section 118A(5) – We note that this subsection was first introduced in the Suspension Ordinance. However, the meaning and application of this subsection has never been clear. If the copy of work being viewed or listened to is a pirated copy, this Section 118A(5) may prevent Customs from taking action against the illegal use of the software distributed with such unauthorised copy.

Copying Service

21. Section 118C(4) – The statutory defence under sub-section 4 of the new Section 118C may be abused. It will be easy for copy shops to avoid liability by suggesting to customers that an order to copy the entire book be broken down into apparently independent orders, each constituting not more than 20% of the contents.

22. Section 118(C)(5) – It is not clear if the statutory defence under sub-section 5 will apply where an electronic version of the book is freely distributed on the internet but the hard copies of which are required to be purchased. Further, making available a book or magazine free of charge does not necessarily mean that the copyright owner is not concerned with unauthorized reproduction. This defence unnecessarily dilutes the right holder's interests and should be removed.