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BY ELECTRONIC MAIL (mary_chow@citb.gov.hk) AND FACSIMILE (011 852 2869 4420)
Ms. Mary Chow
Deputy Secretary for Commerce, Industry and Technology
Level 29, One Pacific Place
88 Queensway
Hong Kong

RE: Comments of the Association of American Publishers (AAP) on CITB's Response to Deputations' Views in Relation to Copyright (Amendment) Bill 2003

Dear Ms. Chow:

We would like to take this opportunity to provide you with comments regarding your response to deputations' views in relation to Copyright (Amendment) Bill 2003 ("Response"), on behalf of the Association of American Publishers (AAP). As you now from my earlier letters, AAP is the principal trade association of the book publishing industry, representing over 300 publishers in the United States.

Issue 1.2: Extending the Proposed Section 118A to published materials

TRIPS Article 61 and End-User Piracy of Copyrighted Materials

The Response cites the AAP for pointing out that the proposal may be "inconsistent with Article 61 of TRIPS." We wish to clarify our concern on this point.

The Response correctly points out the TRIPS Article 61 standard requires members to provide for criminal procedures and penalties *to be applied* in cases of copyright piracy on a commercial scale. End-user piracy clearly falls within the purview of Article 61 of the TRIPS Agreement. The term "commercial scale" is not defined in the text of the TRIPS Agreement, but taken in its ordinary meaning, and in the context of other uses of

the word "commercial" in TRIPS, the text supports a meaning that encompasses criteria such as profit motive and the distinction between business and personal activities. Thus, "commercial scale" cannot be limited to the resale scenario, such as a copyshop which makes infringing reproductions for the purpose of selling them to the public, but, for example, would also encompass a company that made infringing copies of a book for use by the company's employees. Companies profit from this form of piracy by using the pirated product as a "free" business tool. It becomes a part of the business process by which the corporation sells its own goods or services, and increases its revenues and profits. There is no reason to distinguish such end-user piracy of published materials with, for example, end-user piracy of software.

It is up to governments to determine how to cover end-user piracy. The Hong Kong government determined that in order to fully cover end-user piracy, it was necessary to amend its law. The Hong Kong government has proposed adding a new section, Section 118A, which is essential to cover those activities that must be criminalized.[1] Section 118A, after the suspension, covers end-user piracy only of certain subject matter. It criminalizes possession of an infringing copy of a computer program, feature film, musical sound recording, musical visual recording, or television drama "for the purpose of or in the course of any trade or business," and "with a view to the copyright work being used in doing any act for the purpose of or in the course of the trade or business." Section 118A successfully covers the commercial end-user piracy scenario, and it dispenses with the need to prove where or by whom the piratical act took place. This is important in the end-user context, because a typical end-user may not have infringed the reproduction right or the distribution right herself (e.g., third parties can make the illegal copies for end-users, or, in the software context, an end-user might be using software that was preloaded onto the personal computer before being installed in/sold to the business). The provision, while covering such end-uses, also applies to cases in which the end-user has directly infringed, e.g., through making a copy when the program is run on a particular computer (or the more obvious case in which a company or the employee has willfully infringed the reproduction right by loading the program onto its/her computer).

[1] Two other proposed additions, Sections 118 and 118C, would cover commercial piracy by copyshops. Section 118 applies to all copyrighted works, and criminalizes, among other things, possession of an infringing copy with intent to sell, to transport or store for profit, or to distribute for profit. This provision ensures, for example, coverage of a copyshop engaging in commercial piracy and, in recognizing the difficulty in proving actual reproduction or sales by the copyshop, covers mere possession with the requisite intent (which would not be required by TRIPS since Article 61 refers to "piracy"). There is no question that criminalizing possession with intent to sell etc. is a vehicle that can be used to criminalize copyshops engaged in commercial piracy. Since TRIPS requires criminal remedies to be "applied" in practice, such a provision, which dispenses with proof of the piratical act (and thus covers some activities beyond that which must be covered to comply with TRIPS), is essential in Hong Kong to fully comply with TRIPS.

Therefore, the Response may not be entirely accurate when it states that "the proposed offence [under Section 118A] for business end-users is already above the standard under Article 61 of TRIPS"; the fact is, while Section 118A may cover some activities beyond what is required under TRIPS, it also is essential to capture end-user piracy which falls squarely under the category of "piracy on a commercial scale." It is therefore necessary to cover other copyrighted materials, namely, publications, in order to ensure that end user piracy of published materials – the commercial and unauthorized use of published materials which enhances the company's profits and displaces legitimate trade in licensed materials. If the Hong Kong government is averse to including published materials in Section 118A, then it may craft a provision regarding end-user piracy of published materials that meets its TRIPS obligations.

Enactment of Section 118A in its current draft form would permanently eliminate the possibility of criminal prosecution for any commercial enterprise that builds its business upon the exploitation of pirate copies of books, journals, original databases, reference works, or similar copyrighted materials. Such an exclusion, simply put, is unfair and unwarranted, and threatens to leave Hong Kong's law deficient in this area.

International Practice in Enforcing Against End-User Piracy

The Response indicates that "there is no standard international practice" regarding "the criminal liability for the use of infringing copies in business." In fact, many countries' government authorities carry out criminal raids against unauthorized use of copyrighted materials in a business setting, e.g., Taiwan, Poland, Korea, Kuwait, etc. However, it is also the case that the situation in Hong Kong with respect to unauthorized end-uses of published materials is far worse than in much of the rest of the world, so that it is incumbent upon the government of Hong Kong to address this serious problem with legal tools that are adequate to eradicate it.

Issue 1.4: Coverage of E-Books

The Response indicates that to the extent e-books contain computer programs, they are covered by proposed Section 118A(1). We are grateful for this clarification.

Issue 2.5: Exception for 118A(5)(a) (printed materials) and (b) (exclusion for certain computer programs)

Given that, to the extent e-books contain computer programs, they are covered by proposed Section 118A(1), it would be incongruous to exclude from coverage an e-book

that was downloaded from the Internet with the software accompanying it. Downloading the e-book without authorization should attract criminal liability under Section 118A(1), and we agree with the comments of the BSA and Amcham. We are appreciative that the government intends to further look into the matter and make amendments necessary to ensure that the scope of the exemption is not wider than that intended.

Issue 3.3: Limitation on Coverage of Works in Section 118C

We continue to believe that there is no sound reason for a cutoff of works (to a "book, magazine or periodical") capable of being reproduced by reprography, and continue to point out that several provisions in the Copyright Ordinance lend strong support to broader inclusion. For example, under Section 45 of the Ordinance ("Reprographic copying made by educational establishments of passages from published works"), reprographic copies of "artistic works or . . . passages from published literary, dramatic or musical works" are all covered. We believe such a listing of the works covered, as opposed to the product configurations in which these works may be embodied (i.e., a "book, magazine or periodical"), is the much sounder formulation. AAP believes that Section 118C should apply to copies of any literary, artistic, or dramatic work capable of reprographic copying.

We also would like to make the following comments on the Response. The Response states that "mere possession of infringing copies of [books, magazines or periodicals] constitutes an offence." We are pleased that the government has stated this, and assume that the government also meant to point out that there is a knowledge requirement (the defendant must have known or had reason to know that the copies in question were infringing copies of the copyright work). We also would like to reiterate our support for the comments of the Hong Kong IPA, and in particular, we would note that the commercial harm to publishers is not diminished depending on whether the copying service is "profit making" or not, and therefore, it would be far preferable to cover copying services regardless of whether they are profit making.

Issue 3.4: 20% Limitation

We are deeply disappointed that the government has not considered revising the 20% limitation so that it is not abused by copying services and users. We know of no precedent for such a percentage in the Hong Kong Ordinance, although other laws have included percentage allowances for permissible copying (albeit at smaller percentages, generally no more than 10%).[2] However, those other laws apply to the permissible copying

[2] See, for example, Sections 10(2) and 10(2A) of the Australian Copyright Act (10 per cent of certain works deemed to be "reasonable portion" for purposes of various limitations and exceptions to exclusive reproduction right).

of a percentage of a work, not, as in the case of this draft, to the inclusion of a work that is copied in its entirety and included in a "principal work" in which the copied work in question appears. The result of the formulation in this draft could be disastrous for publishers. For example, it appears that a copyshop would be able to claim this defense if it copied without authorization an entire 100 page book appearing in a compendium totaling 550 pages. A defense may be appropriate where a copyshop makes copies of a small percentage of the work in question. In this case, Section 118C(4)(b) could read as follows:

> the infringing copy included in the principal copyright work contains no more than 10% of the work infringed.

If necessary, some adjustment to this guideline could be considered in the case of very short works, such as newspaper articles. The Response states that it would be difficult for the copy shops "to ascertain the percentage share of these extracts in the original works." We strongly disagree, and we suggest that it is up to the copyshops to ascertain whether or not they are eligible for an exception. In addition, the Response overstates the extent to which ascertaining percentages of a work will be problematic to enforcement agencies. Quite frankly, ascertaining percentages is not a difficult task, and publishers stand ready to assist the government in any way necessary to ascertain percentages of books.

Issue 3.8: 2 or More Copies

The Response indicates that the making of one copy of a copyright work may not necessarily be an infringing act in Hong Kong, and cites Sections 37(3) and 38 of the Ordinance to support that proposition. Assuming Hong Kong's fair dealing can be viewed as a form of public interest exemption recognized by British case law,[3] then it is clear that there can be no fair dealing if a copy is made for purposes of sale.[4] That principle applies here since the subject of the exception is a "copying service." Therefore, there is no reason and no principle under Hong Kong law that would allow for the making of one copy by a copying service to ever be exempted from the provisions of Section 118C.

Issue 8.2: Concern Over Legislative Council Brief on Exhibiting in Public a Parallel Imported Book

Notwithstanding the explanation in the Response, we remain deeply concerned and disagree with the view expressed in Issue 8.2, and paragraph 24 of the legislative council brief

[3] See Jared R. Margolis, Hong Kong, in Geller and Nimmer, International Copyright Law and Practice (2003), § 8[2].

[4] See Margolis, § 8[2][b][i] (citing University of London Press v. University Tutorial Press [1916] 2 Ch. 601).

(Ref CIB/07/09/5/2) on the Copyright (Amendment) Bill 2003 that "exhibiting in public a parallel imported book for the promotion of culture, or distributing a limited number of parallel imported copies for classroom use, would not attract any civil or criminal liability." From this, the drafters' intent appears to be to remove liability for infringing activity that is not associated with an end-use (i.e., impinging on exhibition or distribution rights).

In closing, AAP appreciates this opportunity to express the views of publishers on the proposed Bill. Please do not hesitate to contact me if I can provide further information or answer any questions.

Respectfully submitted,

President and
Chief Executive Officer

cc: The Honorable Sin Chung-kai, Chairman, Bills Committee, Hong Kong Legislative Council (by electronic mail: cksin@sinchungkai.org.hk)