Members Hong Kong Publishing Federation
Anglo-Chinese Textbook Publishers Organisation
Hong Kong Educational Publishers Association
Association of American Publishers, USA
Publishers Association, UK
International Association of Scientific, Technical and Medical Publishers, Netherlands

香 港 及 國 際 出 版 聯 盟
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Ms Sharon Chan
Clerk, Bills Committee
Legislative Council
Hong Kong

Dear Ms Chan

Copyright (Amendment) Bill 2006

Hong Kong and International Publishers' Alliance (HKIPA) appreciates this opportunity to provide its comments on the Copyright (Amendment) Bill 2006 (the Bill). Our comments are focused on three of the six major issue areas identified in the attachment to Mr Woo's letter soliciting submissions. We note that other organizations representing copyright owners are submitting comments that address some of the other three issues areas, and we commend these comments to your attention.

1. Business end-user liability

HKIPA keenly regrets the Administration's decision (reflected in the Bill) that the possession of pirated copies of the works of its member companies for use in a business in Hong Kong will not attract criminal liability. The Administration has taken the position that such conduct is never "willful copyright piracy on a commercial scale." We disagree. We believe that label ought to apply to a commercial enterprise that builds its business upon using infringing copies of our members' publications. To the extent that this is so, enactment of the Bill would risk

putting Hong Kong permanently in violation of its obligations under TRIPS Article 61 to make such commercial scale conduct a criminal violation.

Wholly apart from the Article 61 question, the reason for according journals, reference materials, original databases, and other literary works second class treatment under the copyright law (compared to the treatment of the four "favored classes" of works) has never been satisfactorily explained. This treatment rewards unscrupulous businesses and denigrates the hard work and creativity of honest authors and publishers in Hong Kong. This is not the message that Hong Kong should seek to be sending to its citizens and to the rest of the world.

We recognize that the Bill contains a new criminal offence for copying or distribution of copyright infringing printed works in some circumstances. While this will be of some help in filling the enforcement gap left by the Administration's decision to continue to treat the works of our members as "second class citizens" in the Hong Kong copyright law, it is of limited value, primarily for the following reasons:

a. Coverage of journals. While we commend the Administration for including academic journals within the Bill on the same basis as books, it is essential to clarify that "academic journals" includes all professional, technical and medical journals as well. Journals in the latter group need clear protection because they may be particularly attractive targets for business end-user piracy in the business sectors and professions to which they correspond. This clarification can best be achieved by adding the words "professional, technical and medical" before "academic" in items (a) and (b) on page 1 of Annex C to the LegCo brief.

b. Safe harbor. HKIPA accepts in principle the concept that criminal liability should focus on "regular or frequent" infringements by businesses, rather than on those that are "casual or ad hoc." However we are concerned that the safe harbor criteria in Annex C do not accurately demarcate between "regular" and "casual" infringements. For example, consider a popular financial planning text with seven chapters of equal size, one of them on investment advice for equities markets, one on bond markets, and one on derivatives markets. As we understand the proposed safe harbor, a firm providing financial advice could, without permission, copy and routinely distribute the entire investment chapter to every one of its investment clients in Hong Kong, even if there are thousands of such clients, without

ever risking any criminal liability. Indeed, it could distribute all three chapters to all its clients within a single 180-day period. In this scenario, the retail value of the infringing copies that would be counted against the $8000 semi-annual limit would be zero. The firm would thus be free (as far as criminal liability is concerned) to copy and distribute $7999 worth of other books – including full texts – within the same 180-day period. Clearly such behavior exemplifies "regular and frequent" infringement, and could have a devastating impact on the Hong Kong market for these books; yet it falls short of what is necessary to establish a criminal case under the Administration's proposal.

We are aware that the $8000 retail value limit may have been influenced by the presence in US law, of a US$1000 threshold for criminal liability in certain cases.[1] But that threshold, which appears in 17 USC § 506(a)(1)(B), applies only when the case involves an infringement that is carried out for a purpose other than commercial advantage or private financial gain. If either of these motivations is present, the US$1000 retail value threshold does not apply, and a willful infringement involving even a single copy with a value of less than US$1000 can attract criminal liability (17 USC § 506(a)(1)(A)). Virtually by definition, any infringement subject to the proposed new offence would be undertaken for commercial advantage or financial gain. Accordingly, the proposed new provision, which immunizes infringement below the $8000 level, would be far more restricted in scope than comparable US law, and it would be misleading to assert otherwise.

If there is to be a retail value threshold below which willful infringement for business purposes is not a criminal violation in Hong Kong, that threshold should be set much lower than $8000 per 180-day period, and all such copying that is more than de minimis should count against that threshold.

c. Statutory defences. Criminal liability for intentional, massive copying for business purposes should not be forfeited simply because the copyright owner failed to respond to a licensing request in a fashion later determined to be "timely", or because the licensing terms that it offered to a user are later deemed not to be "commercially reasonable." Indeed, a copyright owner must retain the right to refuse to license a particular use at all, and it should not forfeit criminal enforcement for doing so.

[1] HK$8000 = US$1032.

d. Educational exception. HKIPA accepts that some accommodation for the purpose of classroom teaching is warranted. But we do not agree it is justified to confer blanket immunity from all criminal liability on all non-profit and state-subvented schools, regardless of whether they engage in massive unauthorized copying for business purposes of books and periodicals. Instead, an exemption should --

(i) expire after a finite time period, to give schools time to enter into licensing arrangements;

(ii) be accompanied by a government review of the practices of educational establishments and the extent to which they have entered into available licensing arrangements;

(iii) apply only to bona fide uses in the course of instruction; and

(iv) not apply to infringement of textbooks or other materials marketed primarily for instructional uses.

Such a tailored exemption would have no impact on classroom teaching so long as copying was confined to publications not directed to instructional uses (eg, textbooks), or so long as schools began to take advantage of available licensing opportunities. We believe that these are very reasonable conditions to impose. Conversely, it is unreasonable to grant schools permanent immunity from criminal liability even for unlimited copying of textbooks and similar materials that could destroy the market for these items in Hong Kong. We are disappointed that the Bill reflects the unreasonable option.

We urge LegCo to correct the flaws we have identified in the new offence. We also look forward to the upcoming consultation process on protection of works in the digital environment, in which we hope to ensure that our members' works will enjoy comprehensive and non-discriminatory protection in all formats, including print, digital and online.

2. Copyright exemptions

a. Educational fair dealing

HKIPA appreciates the motivation for adopting non-exhaustive fair dealing provisions in the educational environment. Such an approach has the advantage of

flexibility; but it brings with it disadvantages of uncertainty, especially since Hong Kong courts have never had to apply such an open-ended exception in this setting. We question whether the provisions of the Bill are sufficiently detailed to provide the guidance needed to reduce this uncertainty to a tolerable level.

Fair dealing provisions should be drafted in a way that encourages voluntary agreements between right holders and schools. Thus the exception should be inapplicable when the user knew or ought to have been aware that licenses were available that covered the activity in question. At the very least the law should specify that a detrimental effect on the potential market for or value of the work may be presumed whenever it is shown that such licenses were available.

Furthermore, any new exception should explicitly recognize the fact that a school's unauthorized use for instructional purposes of any substantial portion of a textbook or other material marketed for instructional purposes will ordinarily have a significant detrimental effect on the potential market for such a work.

Finally, the application of fair dealing (or any other exception) in the educational environment becomes much more complex if it is applied to making copyrighted material accessible over a network. Not only are exclusive rights beyond the reproduction right implicated, but the danger that an initial limited use will spiral out of control is much greater. The applicability of a fair use exception in this context should be conditioned on the use of technological safeguards to ensure that the exception remains within carefully defined boundaries that meet international standards. These safeguards, which could be subject to standards promulgated by appropriate educational authorities, should include both access controls – so that access to the material may be restricted, e.g., to students enrolled in a particular course – and use controls, to prevent or inhibit unauthorized downloading, printing, or further dissemination. Without such safeguards, the "exception" provided by an educational fair dealing provision could easily swallow the "rule" of copyright protection in the online environment.

Publishers should not be required to bear the entire risk of how courts might apply the new exception in the online environment. Requiring schools to adopt and implement reasonable procedures and safeguards to prevent such abuses is the minimum that should be done to manage this risk.

b. Fair dealing by public bodies

We question whether an adequate justification has been shown for extending the fair dealing approach to the use of copyright works by public bodies. A sweeping exception in this area could cripple the Hong Kong market for legal materials, medical publications, and many reference works for which public bodies constitute a significant share of the market. The Bill's attempt to restrict the scope of this exception to the conduct of "urgent business" provides little comfort since that phrase is left entirely undefined. In our view, this aspect of the bill may require further safeguards to ensure compliance with Hong Kong's international obligations. At a minimum a narrow definition of "urgent business" ought to be provided.

c. Section 45(2)

HKIPA strongly opposes the proposed repeal of Section 45(2) of the Copyright Ordinance, which limits the scope of the reprographic copying exception for schools whenever licenses allowing such copying are available. Hong Kong should continue to recognize that the best and most efficient way to manage educational uses is to encourage voluntary agreements between right holders and schools. Repeal of section 45(2) is completely antithetical to this goal and would replace market forces with a government dictate. The fact that copying by educational institutions to an "unreasonable" extent would still be infringing is of very little comfort once the main mechanism for defining what is "reasonable" in these circumstances – voluntary licensing between publishers and educational users --- has been undermined. Similarly, the fact that existing license agreements would be preserved unchanged is of little value for the future, if the incentives to renew or extend these license agreements have been substantially eliminated.

If Section 45(2) is to be repealed, the law that replaces it must include clear guidelines about the volume and kind of copying that will be permitted under the expanded exception. Otherwise, the increased uncertainty about what is and is not permissible would be harmful to publishers and users alike. We note that such guidelines have already been agreed upon by user groups and rightholders under the existing legal regime and therefore provide a good model for legislation or subsidiary regulation in this area.

3. Parallel importation

HKIPA opposes the reduction of the applicable time period for protection against parallel importation from 18 months to 9 months and the decriminalization of many business uses of copyright product imported in violation of the parallel import provisions. Distributors, businesses and the local economy as a whole have been well served by the current system and could be significantly harmed by reducing these protections as proposed in the Bill.

Thank you for considering the views of HKIPA on this important legislation.

Respectfully submitted

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Convenor (Hong Kong)

(no signature via electronic transmission)