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**COMMENTS BY THE INTELLECTUAL PROPERTY COMMITTEE
OF THE LAW SOCIETY OF HONG KONG ON
COPYRIGHT (AMENDMENT) BILL 2006**

1. INTRODUCTION

- 1.1 We have been invited to provide views on the major proposals of the Bill as set out in a list attached to the Bills Committee's letter of 12 April 2006. The Bill itself runs to over 120 page and we clearly have not had time to review all its provisions. We are aware that policy considerations are involved and that there has been extensive lobbying from interested industry groups and some users (in particular the educational sector).
- 1.2 The HKSAR government is committed to providing a strong and respected intellectual property regime in Hong Kong. As specialist practitioners we benefit (as indeed do all Hong Kong citizens) from Hong Kong's historically good reputation in this respect as a reflection of the one country two systems policy and adherence to the rule of law. The idea to some that copyright protection is in some sense anti-consumer or contrary to free trade displays great ignorance of the overall benefit to Hong Kong's economy.
- 1.3 The intention behind the Bill (in so far as it is achieved) to strengthen copyright protection and to signal respect for the creativity of others is something we broadly support. However, the effect of diluting the so-called business end user criminal provisions, the broadening of the fair dealing provisions and the enlargement of exceptions to infringement appear to open up a number of loopholes which will undoubtedly be exploited by the counterfeiters. This is a retrograde step.
- 1.4 We will in the short time available limit our views to the broad issues but note our wish to add further comments when we have reviewed all the proposed amendments. Addressing these issues in turn:

2. PARALLEL IMPORTS (Clause 8)

- 2.1 In proposed Section 35B(1) and elsewhere in the existing Ordinance, references to "lawfully made" as a means of defining parallel imports causes concern. The words are not defined. Impliedly they mean lawfully made by the copyright owner but could be extended to mean lawfully made overseas by someone who is neither the copyright owner nor authorised by the copyright owner. These are not parallel imports but infringing copies. To cover parallel imports we suggest the definition:

"Lawfully made" in relation to a work means made whether in Hong Kong or elsewhere either by the owner, or a person expressly or impliedly authorised by the owner, of copyright in the work in question"

- 2.2 Shortening the criminal liability period from 18 months to 9 months seems arbitrary and will presumably have an adverse effect on local distributors who are only authorised to deal in copyright works from approved sources.
3. **FAIR DEALING AND OTHER COPYRIGHT EXEMPTIONS**
- 3.1 It should be noted that there is no definition of "fair dealing" in the Ordinance. It seems to refer to the act of dealing in copies (eg in academic papers or critical reviews) as opposed to the permitted making of copies or recordings and performances – eg in the course of instruction.
- 3.2 There are three different definitions of "dealing" applicable to specific sections, but none are applicable to "fair dealing". Even with the proposed amendments there is still an ambiguity as to what is meant by dealing (eg in the expression "the amount and substantiality of the portion dealt with...."). Is this meant to cover copying and/or subsequent dealing and is distribution dealing?
- 3.3 The definition of "dealing in" in Section 198(2) includes distributing, whereas the same expression in proposed Section 118(10) includes distributing for profit or reward. "Dealt with" in existing section 41(5), for the purpose of treating subsequently dealt with copies as infringing copies, does not include distribution at all. These contrary definitions do not help.
- 3.4 The proposal to include a subsequent dealing with copies provision in Section 41A (5) and (6) causes confusion and is inappropriate for a "fair dealing" provision (it is not in any of the other fair dealing provisions). We suspect that in its eagerness to introduce a fair use exception (which was dropped) the draftsman has overlooked the fact that fair dealing is a narrower concept confined by its own definition (ie research, private study, criticism or review) and for the purpose of fair dealing in education no subsequent dealings (including distribution) can be envisaged. Accordingly Sections 41A (5) and (6) should be omitted.
- 3.5 **Clause 10.** We note the proposal to amend Section 38(3) and add Sections 41A and 54A specifying the non-exhaustive factors taken into account in determining fair dealing for the purpose of research, private study, education and public administration. Since these introduce commercial considerations (eg "whether the dealing is of a commercial nature" and "the effect of the dealing on the potential market for or value of the work"), it should be clarified that any fair use of a work must not conflict with the normal exploitation of the work by the copyright owner or unreasonably prejudice its legitimate interests, as provided by Section 37.
- 3.6 **Clause 12.** The fair dealing exemptions for education in Section 41A overlap with the existing (permitted copying) exemptions in Section 41 to 45. As mentioned above, there is a distinction between fair dealing and permitted copying. However, the activities (eg giving or receiving instruction) do in this case overlap and the overlap should be clarified to avoid difficulties in interpretation.

- 3.7 **Clause 13.** The definition of 'near relative' is peculiar and arbitrary (no uncles or aunts, no domestic helpers etc). We feel that if the provision is to remain it should be to allow any audience attending a performance by teachers and pupils at an educational establishment. However we do now query whether this is right and that in fact licences should be granted at reasonable rates for such performances, unless they come within Section 76 which already allows performances as part of the activities of or for the benefit of a club, society or other not for profit organization including educational organizations and proceeds are applied solely for its own purposes.
- 3.8 **Sections 14 and 15.** Repealing Sections 44(2) & 45(2) means that a 'reasonable' extent of reprographic copying can be made without the requirement for a licence even where a licensing scheme is in place? This cannot be right.
- 3.9 **Section 16.** In proposed Section 54A (1), the meaning of "efficient administration of urgent business" is not clear and should be more precisely defined. In determining fair dealing, section 54A (2) the court should in addition take into account the urgency and necessity for the dealing since this is an inherent quality of the exemption.
- 3.10 The same comment as regards Section 54A (3) and (4) applies since fair dealing should not involve any subsequent dealing.
- 3.11 **Section 18.** Clarifying that a driver can privately listen to a sound broadcast is unnecessary since it is not a public broadcast. It is another matter if the broadcast is in public. It is not clear whether this exemption will allow otherwise public broadcasts played in public vehicles to be exempt merely because the purpose is to allow the driver to have access to public information. The exemption should apply only "to the extent necessary" rather than based on some notional purpose.

4. CRIMINAL LIABILITY

- 4.1 The Bill proposes generally to delete the words "in connection with" in the phrase "for the purpose of, in the course of or in connection with, any trade or business" wherever it appears in the Copyright Ordinance (ie in both civil and criminal provisions and not just in relation to the act of possession). The original provision was intended to cover all business related infringing activities so as to avoid the loophole commonly exploited by counterfeiters claiming that the sale or other dealing was not actually done in the course of or for the purpose of a particular business (eg tailoring).
- 4.2 This improvement in the law was further strengthened by adding in Section 118(8A) that it was immaterial whether or not the business consisted of dealing in infringing copies. It is now proposed to repeal that section also and so restore the loophole.
- 4.3 Furthermore it is proposed in Clause 22(1) expressly to define exhibition and distribution in the proposed amended Section 118(1) (e) and (f) specifically by reference to a business which consists of dealing in infringing copies. "Dealing in" is defined for this purpose in Clause 22(11) as "selling, letting for hire, or distributing for profit or reward". This is again narrower than the existing law which extends to any business and any form of distribution and will make it much harder to convict counterfeiting activities which operate through other possibly legitimate businesses (as is often the case) or distribute infringing goods from place to place to avoid detection.

4.4 Whilst no doubt concerned to limit the scope of business end user liability it seems that the drafters of the Bill have intentionally or otherwise taken a step back with regard to enforcement of counterfeiting generally in Hong Kong. One way in which Clause 22(1) may be improved is by providing that the business does at least to some extent directly or indirectly involve infringing activities, ie "any trade or business which to any extent directly or indirectly consists of dealing in infringing copies of copyright works".

5. BUSINESS END USER CRIMINAL LIABILITY

5.1 The so-called business end user provision in Clause 22(3) limits the offence to possession of an infringing copy of certain works (computer program, movie, television drama, sound or visual musical recording) for the purpose of or in the course of any trade or business with a view to its being used by any person for the purpose of or in the course of that trade or business.

5.2 This is a significant dilution of the existing law (even prior to the 2000 Amendment and the current UK law for example) which covers possession for the purpose or in the course of trade or business with a view committing any act infringing copyright. It will reduce the ability to convict counterfeiters merely in possession of counterfeit goods in an unrelated business (eg a tailoring business).

5.3 We suggest amending Section 118(2A) to revert to its original scope (which has not in practice caused any difficulty to users) by being limited to possession of an infringing copy for the purpose of or in the course of any trade or business or for any other purpose so as to affect prejudicially the copyright owner.

6. DIRECTORS, PARTNERS AND EMPLOYEES

6.1 Noting that the liability of directors and partners is already provided by Section 125, we support the proposal under Clause 22(4) of the Bill to introduce certain presumptions which may be rebutted. However, as presently drafted, under Section 118(2G) a defendant need only raise an issue and we doubt this is sufficient. We do think that evidence to raise at least a triable issue should be raised.

6.2 Further, the employee defence proposed under Section 118(3A) might be open to abuse, unless the person charged is required to identify who actually provided the infringing copy to him and proves that he was in fact an employee within the meaning of the Employment Ordinance at the relevant time.

7. SECTION 121 AFFIDAVITS (CLAUSE 27)

7.1 We are broadly supportive of the proposal to clarify what information regarding the author is required to be provided

7.2 As regards the provision facilitating proof of the absence of a licence, we suggest referring to the absence of authorisation rather than a licence which has technical connotations and might not, for example, cover a sub-licence

7.3 Section 121(2)(a)(i) should refer to a Copyright Register prescribed under sub-section (16) instead of sub-section (14)

7.4 We understand that draft Copyright Prescription of Copyright Registers (Regulations) were published as long ago as 2003 and suggest that these now be passed.

8. CIRCUMVENTION AND RIGHTS MANAGEMENT

- 8.1 We note that some provisions are based on existing UK and US law (the latter in particular as regards exceptions to infringement). UK law has long provided criminal remedies for circumvention without the proposed range of exceptions and we are not wholly convinced that such exceptions are necessary in so far as the activities may already be impliedly licensed or constitute fair dealing under the existing law and it has never been necessary in the past to spell out every single exempted activity. We fear that it will open up defences based on activities that fall partially within the exempted class and used to cloak otherwise illegitimate acts.
- 8.2 We make the same comment with regard to the loopholes created by requiring distribution to be for the purpose of or in the course of any trade or business and to consist of dealing in circumvention devices.
- 8.3 Furthermore the provision of defences and exceptions from UK and US law are not necessarily mirrored by corresponding offences under these laws relating to infringement and circumvention of digital rights and technological measures.
- 8.4 We note the proposed power under Section 273H for the Secretary for Commerce, Industry and Technology to exclude these provisions if satisfied that any use or dealing does not constitute or lead to an infringement and that any such use or dealing has been adversely impaired or affected as a result of the application of the provisions. We consider this to be excessive and note that it does not follow the equivalent UK provision (Section 296ZE of the UK Act) that empowers the Secretary to give appropriate directions upon a complaint from the public that a technological measure prevents a person from carrying out a permitted act.
- 8.5 Proposed Sections 273A and 273B relate to acts of circumvention and the making, dealing, possession, etc of circumvention devices. They require knowledge not only that the act circumvents the measure or the device will be used to circumvent the measure but in addition knowledge that it will involve an infringement of copyright. Knowledge of copyright infringement is not required by UK law nor is it a requirement for the corresponding criminal offences. Under the proposed definitions, a circumvention device and technological measure must control use of a copyright work and the wrongful act is circumvention of the measure rather than infringement of copyright. Accordingly we see no reason why knowledge of infringement of copyright should also be required to establish liability and it will in practice be very difficult to prove.
- 8.6 The way in which this requirement (if it is one) is drafted in section 273B (1) is also strange (.. knowing that it will be used to circumvent the measure to induce enable, etc. infringement) since the measure does not induce infringement (quite the opposite) and whether knowledge of this is required is not clear. As we say, we do not think knowledge of infringement should be a requirement
- 8.7 Section 273B(2), concerning civil liability, covers any circumvention device that only has a "limited commercially significant purpose or use other than to circumvent the measure".

The basis of this is unclear since it is a requirement of liability that the person knows that the relevant device will be used to circumvent the measure, whether or not it has any other purpose, commercially significant or otherwise.

- 8.8 Section 273C(2), concerning criminal liability, covers any circumvention device "primarily designed, produced or adapted for the purpose of enabling or facilitating circumvention". Again the basis for this is unclear if in fact the device circumvents.
- 8.9 Section 273F(12) exempting criminal liability for circumvention devices allowing the recording upon reception or for subsequent viewing or listening of a broadcast or cable program is too broad as it goes beyond the time shifting exception of S79 of the Copyright Ordinance and opens a loophole for those seeking to avoid controls relating for example to the digital distribution of works.

9. **OTHER PROVISIONS**

- 9.1 Where applicable our comments apply equally to the proposed amendments to the fixation rights provisions.
- 9.2 We also note the amendments to provide a new offence for printed works and to expand rental rights to films and comics and moral rights for performers.
- 9.3 We are finally pleased to note the inclusion of miscellaneous amendments to clarify the position on defences and groundless threats for "lawfully made" copies (though continuing to note that this remains a defective terminology)

**The Intellectual Property Committee
The Law Society of Hong Kong
4 May 2006**