HKVDF
香港影視發展基金有限公司
hong kong video development foundation ltd.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

6th June, 2006

Ms Mary Chow
Deputy Secretary for Commerce, Industry and Technology
(Commerce & Industry)
Level 29, One Pacific Place
88 Queensway, Hong Kong via email: mary_chow@citb.gov.hk
and by fax: 2840 1621

Dear Ms Chow,

Re: Copyright (Amendment) Bill 2006

We are very grateful for your kind invitation to attend the 17th May meeting at your office for exchanging views and positions regarding of the Copyright (Amendment) bill 2006.

Your great and hard work in making the proposed amendments to the most difficult and controversial provisions of the Copyright Ordinance is highly appreciated and no doubt, the outcome of the amendment will shape the future landscape of the creative industry in Hong Kong. Hopefully, the creative industry will survive and prosper and e-commerce takes off eventually which very much depends on the policy and political will power of the Hong Kong SAR Government.

We have recapitulated the main issues of contention raised and discussed in the said 17th May CITB meeting as follows:

A. Background of Section 296 of the United Kingdom Copyright Designs and Patents Act 1988

1. Pre -1989 Position

a. The prevalence of private copying of audio and digital sound recordings; audiovisual materials and computer program in the 80's had led to the development of the copy control devices aimed at controlling unauthorized copying of such audio and visual recordings and computer program. However, the availability of the circumvention devices in the market had undermined such copying control devices.

b. Therefore Section 296 was included in the Copyright Designs and Patents Act, which received Royal Assent on 15th November 1988. The new

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

Section 296 applied where copies of a copyright work were issued to the public by or with the licence of the copyright owner in an electronic form which is copy-protected[1]. The protection was largely based on analogue mode of distribution of copyright works as Internet was still at its infancy stage of development.

c. Offences under Section 296 were committed by a person who, knowing or having reason to believe that it would be used to make infringing copies, either made, sold or let for hire, offered for sale etc or published information intended to enable or assist persons to circumvent copy-protection[2].

2. 1989-1993 Period

a. Unlike other copyright works, the computer program which **is inevitably copied** in the ordinary course of their use or operation, the Copyright Designs and Patents Act 1988 was amended on 1st January 1993[3] in order to implement the E.C. Software Directive[4].

b. The 1993 amendments provided, among other things, the new Section 296A to void any agreement insofar as it purported to prohibit or restrict the right to make back up copies, the right to decompile a program or the use of any device or method to analyze the ideas and principles which underlie any element of the program.

c. The new Section 296 (2A)[5] provides that the prohibited acts in respect of the computer program work include possessing in the course of a business or device or means designed to circumvent copy-protection.

d. As you may note, the original Section 296 was mainly dealt with the issue on copy-protection mechanism based on the analogue mode of exploitation of copyright works. Computer program had a different protection regime due to its unique nature of ordinary use and operation.

3. 1993- 2002 Period

a. The rapid development of digital technology in the 90's had provided the copyright industry with new copy-protection devices and technology which were capable of identifying works, of providing metadata information, and of

[1] Section 296 (1) as enacted in 1988.
[2] Section 296 (2) as enacted in 1988.
[3] Copyright (Computer Programs) Regulations 1992 (S.I 1992 N 3233).
[4] E.C. 91/250/EEC on the Legal Protection of Computer Programs.
[5] Implementing Article 7 (1) of E.C. 91/250/EEC.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

imposing the terms and conditions of use of the works in the digital environment.

b. The need to provide the protection for such new technological measures and rights management information system used by the copyright owners to protect their works in the digital environment were recognized at the international level with the last minute inclusion of the provisions to that effect in the WIPO Internet Treaties.

c. U.S. enacted the Digital Millennium Copyright Act implementing WIPO Internet Treaties on 28th October 1998 which came into force in October 2000 in order to address those treaty obligations that were not adequately addressed under existing U.S. law such as the provision of "adequate legal protection and effective legal remedies" against circumvention of technological protection measures and against the removal or alteration of copyright management information **adjuncts** to copyright protection.

d. On 22nd May 2001, The European Parliament and of the Council issued a directive (2001/29/EC) on the harmonization of certain aspects of copyright and related rights in the information society ("Information Society Directive").

e. Paragraph 15 of the Preamble of the Information Society Directive stipulates that the Directive also serves to implement a number of the new international obligations under WIPO Internet Treaties.

f. It is imperative to appreciate that the obligation of providing protection of technological protection measures under Article 6 of the Information Society Directive does not apply to COMPUTER PROGRAM[6]. Computer Program remains governed by Article 7 (1) (c) of E.C. Software Directive 91/250 which is drafted differently to Article 6.

g. Although U.K did raise the concern about the application of two separate schemes for the protection of the seemingly the same technological protection measures used by the copyright owner to protect the work[7], however, the Commissioner and most EC states felt it is inappropriate to seek a unified approach at this stage.

h. It is understandable as computer programs haven been widely used and applied in our daily activity such as embedding in computer printers and tone cartridges which can control interoperation and functions of the printer and tone cartridges. Furthermore, computer programs may embed in a machine or device that control the operation of that machine or device but

[6] Paragraph 50 of the Preamble and Article 1 (2) (a) of the Information Society Directive refer.
[7] Paragraph 6.3 of the Consultation on U.K. Implementation of Directive 2001/29/EC on copyright and related rights in the information Society: Analysis of Responses and Government Conclusions.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

do not otherwise control the performance, display or reproduction of copyright works, and that the computer program itself may be a technological protection measure.

i. Computer program is evolving all the time and may be decompilated in order to achieve the interoperability of an independently created computer program with other programs[8]. Furthermore, the exceptions to the restricted acts in respect of the computer program are not applicable to those of other copyright works[9].

j. In summary, the unique nature of computer program in the ordinary course of its use and operation deserves different scheme of protection of technological protection measures to that of the other copyright works. It may well worthwhile to note that, unlike other copyright works, any **access to the computer program will necessarily involve copying**. Therefore, copy-protection will be the key and the most important technological protection measure in the case of computer program. On the other hand, access control may block the legitimate use of the computer program under the exceptions or exemptions of the use thereof.

4. Copyright and Related Rights Regulations 2003 (SI 2003/2498)

a. The United Kingdom has enacted Copyright and Related Rights Regulations 2003 (SI 2003/2498) implementing the E.C. Information Society Directive on 31st October 2003.

b. Although it was of the view that Section 296 (as amended in January1993) had already provided the protection for Technological Protection Measures for computer program and other works, such protection fell short of what are needed under WIPO Internet Treaties and Article 6 of E.C. Information Society Directive.

c. Section 296 has now been amended to cover COMPUTER PROGRAM only and not other works in compliance of Article 7 (1) (c) of E.C. Software Directive 91/250.

d. New sections 296ZA-296ZF have now been introduced in order to provide “adequate protection and effective remedies” against any circumvention of the technological protection measures used by the copyright owner to protect his work. This serves as a second layer of copyright protection.

[8] Article 6 of the E.U. Software Directive 91/250/EEC.
[9] Article 5 of the E.U. Software Directive 91/250/EEC.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

e. In summary, it may be tempting to unify all the sections relating to all the copyright works, however the wisdom of the international communities indicate that owing to the unique nature of the computer program, it is highly undesirable if exemptions or exceptions to restricted acts in relation to computer program be extended directly to those of other copyright works, such exceptions and exemptions will invariably and unreasonably be highly **prejudicial to the legitimate interest of the copyright owner of a work other than computer program and will necessarily conflict with the normal exploitation of that work by the copyright owner.**

B. Section 273 of the Copyright Ordinance

5. Section 273 is modeled on Section 296 of the United Kingdom Copyright Designs and Patents Act 1988 as originally enacted in 1988 without making any special reference to a computer program. It aims at the copy-protection for the analogue mode of exploitation. The provision of "making copy available to the public" seems to suggest that it includes on-line environment, however the fact that Section 273 does not include any act of circumventions will render the protection of on-line copy highly inadequate and ineffective.

6. We respectfully submit that for the reasons as stated in paragraphs 1- 4 above, Hong Kong should borrow the wisdom of the international communities and any exceptions or exemptions granted under the proposed amendments to Section 273 must be taken the consideration in respect of the computer program into account. In short, there should be two different protection and exception treatments for computer program and for other copyright works.

C. Parallel Importation Of Films

7. As we have mentioned in our previous submissions, we, together with other copyright organizations, have always adopted the position of the United Kingdom on this issue. For all intents and purposes, **it is not relevant to consider whether it was legitimately made outside Hong Kong as long as its making was an infringement of the copyright owner of Hong Kong in respect of the work**[10]**.**

8. We are of the view that Section 22 (1) (a) of the Copyright Ordinance protects the owner of a copyright work who has the exclusive rights of reproduction in Hong Kong. Any purported liberalization of the parallel import will amount to the protection of the reproduction right of the owner of copyright of the same work in

[10] Paragraph 12-009 of Intellectual Property 2nd Edition by W.R. Cornish 1989.

HKVDF 香港影視發展基金有限公司 hong kong video development foundation ltd.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

the country from which the copies of parallel import of that work are exported to Hong Kong.

9. **The** Exclusive **Licensee in the Context of Parallel Imports**

a. Section 103(1) of the Copyright Ordinance provides that In this Part and an "exclusive licence" means a **licence in writing signed by or on behalf of the copyright owner** authorizing the licensee to the **exclusivity of all other** persons **including the person granting the licence**, to exercise a right which would otherwise be exercisable exclusively by the copyright owner.

b. This means that the terms of the statutory exclusive licence dictate that the owner of the copyright work, who has the exclusive right of reproduction in Hong Kong, is excluded from the exercise of such right if he grants an exclusive right of reproduction to an exclusive licensee in Hong Kong. The person who has an exclusive right of reproduction in Hong Kong will be the exclusive licensee and not the owner of the copyright work in Hong Kong.

c. Section 112 (1) further provides that an exclusive licensee has, except against the copyright owner, the same rights and remedies in respect of matters occurring after the grant of the licence **as if the licence had been an assignment**.

d. Section 112 (2) provides that **the rights and remedies of an exclusive licensee are concurrent with those of the copyright owner**; and references in the relevant provisions of this Part to the copyright owner shall be construed accordingly.

e. Therefore we respectfully submit that the exclusive licensee who has the exclusive right of reproduction ought to have the same copyright protection in the same manner as the copyright owner in Hong Kong. This is the position of our copyright law[11].

f. Therefore any person who considers the parallel imports are the disputes involving disputes between exclusive licensees in different jurisdictions is misconceived in the context and concept of the copyright law.

10. **The Corporate Endusers' Criminal Liability**

[11] Sections 35 (3) (4) and (5) of the Copyright Ordinance.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

For the above reasons and for the grounds as we have submitted previously, we are of the strong view that, for all intents and purposes, the ingredients of the offence and liability for using pirated copy and parallel imported copy in the course of any trade or business must be the same. We suggest that **the "dealing in" provision as proposed in the Copyright (Amendment) Bill for criminal sanction against corporate endusers must be deleted in its entirety**. The fact that **the criminal offences exclude the incidental use of the copyright materials in the course of any business or trade should obviate some concern of the business entities.**

D. The Technological Protection Measures and the Copyright Infringement

11. The Technological Protection Measures for Computer Program and the Copyright Infringement

a. As regards the computer program, the technological protection measures should be limited to copy-protection measures and not access control due to the unique nature of the computer program in the ordinary course of its operation as the computer program may be embedded in hardware or software which control the functionality of our daily operation system such as switches in our telecommunication system, home appliances, office equipment, medical devices, business accounting system, logistic operation and management/data system of our business, on-line commercial transactions, e-commerce activity which is not related to or involve copyright materials. All these have nothing to do with any of the other copyright works.

b. Because of the wide spread use of the software in our daily activities and the exceptions or exemptions for the use thereof are different from those for other copyright works, we suggest that a new and separate section for providing different protection scheme for computer program. Perhaps you may wish to consider Section 296 of the United Kingdom Copyright Designs and Patents Act 1988 as the starting point.

c. In any event, the exceptions or exemptions for the permitted use of the computer program must be different from those of the technological protection measures as applied by the copyright owner of copyright work other than computer program.

12. The Technological Protection Measures for Copyright Works Other Than Computer Program and the Copyright Infringement

HKVDF
香港影視發展基金有限公司
hong kong video development foundation ltd.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

a. As we mentioned in the 17th May meeting with you, we have a very strong view as to how your interpret the words " *in connection with the exercise of* the authors' rights under the treaty… and that restricted acts, in respect of their works, which are not authorized by the authors concerned or permitted by law " under the WIPO Internet Treaties[12].

b. With the greatest respect, it appears that you have interpreted the meaning of these words according to the plain and ordinary understanding of the text of the WIPO Internet Treaties. We believe that other copyright organizations have pointed out the erroneous approach taken by your good self.

c. Perhaps, if we may be allowed to do so, we would suggest that any interpretation of the WIPO Internet Treaties must be based on the international accepted rules or cannons of treaty construction or customary public international law or treaties[13].

d. In short, the **primary task of interpretation is to determine the ordinary meaning of the term of the treaty in the context and in the light of its object and purpose,** and that the object and purpose of a treaty may be ascertained from the text, preamble[14] and annexes and any agreement or conclusion reached among the parties prior to the finalization of the text of the treaty in question.

e. **The intention of international communities** in relation to their implementation of the provisions of the "adequate protection and effective remedies" against circumvention of the technological protection measures under the WIPO Internet Treaties **is to provide protection of technological protection measures adjuncts to the copyright protection**. **A violation of the anti-circumvention provisions is separated from act of copyright infringement and any such violation of anti-circumvention must be proved on its own[15]**.

f. We therefore reiterate our view that **it is inappropriate and unnecessary to connect the violation of anti-circumvention of technological protection measures with any act of the copyright infringement. This intention is clearly reflected from the relevant legislations in the leading developed countries**.

[12] Article 11 of the WIPO Copyright Treaty and Article 18 of the WIPO Performances and Phonograms Treaty.
[13] Articles 31 and 32 of Vienna Convention on the Law of Treaties
[14] Sinclair L., the Vienna Convention on the Law of Treaties, Manchester University Press, 2nd Edition 1984 at page 131 in which the learned author stated that "it is the expression of the parties intentions that one must first look".
[15] Please refer to Paragraphs 21-26 of our submission to the Bills Committee of 27th April 2006.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

E The Education Exceptions

13. The Use Of Parallel Imports In Education Establishments

We have never attempted to hide our great disappointment and regret for the education sector to raise exceptions in the present form and manner of the proposed amendments in our previous submissions, **we strongly against any thought of allowing the use of parallel imports[16] in our education establishments**. As we have mentioned in paragraph 9 above, the education establishments simply request the copyright owners from other jurisdictions to reproduce copies of copyright works for the purported purpose of giving and receiving instructions in an education establishment and totally disregard whatsoever the legitimate interest of the copyright owner of Hong Kong who has the exclusive rights of reproduction and of distribution guaranteed under our copyright law.

14. The Removal of Criminal Liability For Education Establishments

As we pointed out in our previous submissions, we strongly oppose any removal of criminal liability for education establishments as they are part of our society. **The proper and legitimate way of dealing with the copyright issues at schools is to remove their illiteracy in copyright law**. Otherwise, this will set a very bad message to our children that our society do tolerate or condone the ignorance of our teachers and librarians under the banner of "educational objectives" when these teachers and librarians do need to educate themselves on the subject called "intellectual property rights" which they choose to ignore and/or to disrespect and/or to despise. No doubt, our children will get the same inspiration from our teachers and plagiarism and piracy is a norm rather than a condemned behaviour in our school system.

15. The Four Fair Dealing Factors of Defence in Education and Rights Collecting Society

a. In our Legco meeting before the Bills Committee on 7th May 2006 regarding the proposed Copyright (Amendment) Bill, it transpires that the education sector has harboured a perception that the four fair use factors will be their safe haven provisions for any misuse of copyright materials in

[16] Parallel imports refer those which are not made by a Hong Kong copyright owner or exclusive licensee of that copyright work and the making of these copies in Hong Kong would have constituted a copyright infringement of that work or in breach of the exclusive licence in respect of that work even though such copies are lawfully made and sold in other country, say, United Kingdom, by different copyright owner of the same copyright work from which the copies are subsequently exported into Hong Kong. Sections 35 (2) and (3) and (4) of the Copyright Ordinance refer.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

their teaching and that it is unnecessary for them to clear the rights from the relevant rights collecting societies.

b. They even propose to remove any licensing scheme in place for education by deleting Sections 44 (2) and 45 (2) of the Copyright Ordinance.

c. However, it is the international norms and obligations that in order to take the advantage of the exceptions under Articles 10 (1) –quotation; 10 (2)- illustration in education, 11bis (2) – broadcasting of the Berne Convention, any exceptions must be compatible with fair practice. Remuneration for such uses will make the use more "compatible with fair practice".

d. Contrary to what the Education Sector's own belief, the licensing schemes will only be beneficial to the education as school may refer any terms and conditions of the licensing scheme which it considers unreasonable to the Copyright Tribunal for adjudication. In the absence of such licensing schemes, the copyright owners will take the school to court for any activity which is considered not within the scope of the four fair dealing factors.

e. As Hong Kong is a signatory to TRIPS Agreement, the operation of the four fair dealing factors will be subject to Section 37 (3) (which are in similar term to the second and third steps of the three-step test) which in turn will be interpreted in the context of the WTO panel report on the US "home style" and business exemption" [17]. This WTO panel report is the first judicial interpretation of the application of the three-step test of the Berne Convention by a World Trade Organisation panel.

f. In a nutshell, the second step test, i.e. the exception should not conflict with the normal exploitation of a work, the WTO panel considered that a conflict arises when the exception enters into economic competition with the ways that right holders normally extract economic value from that right to the work and thereby deprives them of significant or tangible commercial gain. The third-step test, i.e. the exception must not be unreasonably prejudice the legitimate interests of the right holder, they concluded that there is unreasonable prejudice where an exception causes or has the potential to cause an unreasonable loss of income to the right holders.

g. We respectfully submit that Hong Kong education must face the music and should not let the exceptions or fair dealings to be decided by way of litigation, criminal or civil, which is time consuming and expensive.

[17] The report of the Panel established under the WTO procedures in: United States –Section 110 (5) of the US Copyright Act (WT/DS160/R), 15th June 2000.

Workshop C&D, 1st Floor, Leroy Plaza,
15 Cheung Shun Street, Cheung Sha Wan
Kowloon, Hong Kong
Tel (852) 2750 5595 Fax: (852) 2750 5609

Appropriate licensing scheme for education sector will be the answer for all the stakeholders and any terms and conditions of the licence may be referred to the Copyright Tribunal who would adjudicate if any of the exceptions or fair dealing falls within the ambit of Section 37 (3) of the Copyright Ordinance.

F. Others

16. For the avoidance of doubt, any issue which we have not covered in this or previous submissions in respect of the Copyright (Amendment) Bill 2006 should not be construed as our consent to such an issue. It simply reflects our priority and our focus of our attention and resource for dealing with the key and vital issues to our industry at this stage. We will make further submissions on the above and other issues when we are working on the actual wordings of the Copyright (Amendment) Bill 2006.

If we may of any further assistance, please do not hesitate to contact us.

For and on behalf of
Hong Kong Video Development Foundation Ltd.

Chu Fung Mui, Clera
Vice Chairman

c.c. The Hon SIN Chung-kai, JP, the Chairman of Bills Committee on Copyright (Amendment) Bill 2006 via email: cksin@sinchungkai.org.hk