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13 July 2009

Ms. Yue Tin Po
Clerk to Bills Committee
Legislative Council
Legislative Council Building
8 Jackson Road, Central, Hong Kong

Dear Ms. Yue,

Re: Bills Committee on Copyright (Amendment) Bill 2009
Invitation for submission

Further to my letter dated 6 July 2009, we are pleased to attach the Law Society's Intellectual Property Committee's submissions on Copyright (Amendment) Bill 2009 for the consideration of the Bills Committee.

Yours sincerely,

Christine Chu
Assistant Director of Practitioners Affairs
e-mail: adpa@hklawsoc.org.hk

cc Secretary for Commerce & Economic Development Bureau
(Attention: Bonnie Yau)
Intellectual Property Committee

THE LAW SOCIETY OF HONG KONG 香港律師會

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COMMENTS ON COPYRIGHT (AMENDMENT) BILL 2009

The Law Society's Intellectual Property Committee has reviewed the Copyright (Amendment) Bill 2009 and has the following preliminary comments.

GENERAL COMMENTS

1. The Committee notes that the purpose of the proposed legislation is to set numeric limits within which the new copying and distribution offences under Section 119B(1) of the Copyright Ordinance ('the offences") will not apply. These offences are already limited in scope. They relate to acts done:

   (a) in relation to works in printed form contained in a book, magazine, periodical or newspaper;

   (b) on a frequent and regular basis for the purpose of or in the course of any trade or business (ie not private or non commercial use);

   (c) consisting of making for distribution or distributing infringing copies; and

   (d) resulting in a financial loss to the copyright owner.

   They do not apply to educational establishments, certain library collections or to distribution over the internet.

2. The Committee further notes that there are existing offences under Section 118(1) applicable to all copyright works including:

   (a) making for sale

   (b) distributing for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works; and

   (c) distributing infringing works (otherwise than for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works) to such an extent as to affect prejudicially the copyright owner

3. The new offences only therefore relate to businesses making or distributing copies on a frequent and regular basis and causing financial loss to the copyright owner. Non commercial distribution to such an extent as to affect prejudicially the copyright owner (which includes distribution over the internet or by intranet) is already an offence without any numeric limits.

4. An amendment to the Copyright Ordinance is required because the proposed draft regulation might be inconsistent with Section 119B(3)(a), (19) and (20) of the Copyright Ordinance in so far as:

   (a) the existing enabling provisions require that the numeric limits applicable to each type of copyright work should refer to both the number and the value of infringing copies, whereas the proposal is have separate limits based on the number or value of infringing copies; and

   (b) the existing enabling provisions do not distinguish between different types of printed works, whereas the proposed numeric limits do.

5. Whilst the Committee understands the rationale for the proposed amendment, it makes the general observation that in assessing the extent to which copyright infringement may be exempted under these provisions, account should be taken of the correct approach for determining whether there is copyright infringement; that is, it is the quality of what has been copied that is of primary importance rather than the quantity. Accordingly, notwithstanding a level of copying less than or in excess of the proposed numeric limits, whether there is in fact copyright infringement should be judged not merely by reference to the quantity but also the quality of what has been copied, reflecting the true value of the elements of a work that have been copied. This is also implicit in Section 22(3) of the Copyright Ordinance, which makes it clear that any restricted act applies to the whole or any substantial part of a work, the word substantial depending more on the quality than quantity of what has been taken (*see Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465).

6. It seems that the proposed amendment does not necessarily reflect this approach (which is the approach that would be taken by a judge) and which in the Committee's view is why the existing provision in Section 119B(20) requires any permitted limitation of the offences to be by reference to:

   (a) the number of infringing copies made or distributed;

   (b) the value of those infringing copies; and

   (c) any other factors [the Secretary for Commerce and Economic Development] may consider relevant

7. In contrast, the proposed Schedule 1AA setting out in detail the circumstances in which Section 119B(1) does not apply, would result in an unduly complex quantitative calculation of what should ultimately be a qualitative calculation and should in the Committee's view be subject to Section 22(3).

8. The Committee makes the further general point that the exemptions should reflect an appropriate level of use which should not attract criminal sanctions. Alternatively, (put in the positive mode) criminal sanctions should only apply to use which is above a

certain level of activity (eg to commercial making or distribution on a substantial scale). It would be clearer if the offences were expressed in these terms rather than by endeavouring to carve out exemptions.

9. The Committee understands the wishes of the users to be clear about what does and does not fall within Section 119B(1) and that copyright owners are supportive of the proposal in principle. The difficulties come with the detail.

DETAILED COMMENTS ON SCHEDULE 1AA

10. Interpretation

(a) ***"Qualifying copy"***

Section (b)(ii) states that in relation to a specified journal a qualifying copy means a set of pages *"that embodies an infringing copy made from the whole of an article in a printed copy of an issue of the journal, and corresponds to not more than 25% of the issue"*. For clarity, the Committee thinks the words *"...and corresponds to not more than 25% of the issue"* in this sub-paragraph are redundant. They imply that where the article corresponds to more than 25% of the issue it will no longer be a qualifying copy (although this is clearly not the case).

(b) ***"Recommended retail price"***

It is not clear to what extent this concept exists or is even allowable, or will be allowable, under any Competition Law. The Committee believes that the value should be by reference to the actual retail price or market value. It notes that in section 5, the latter is qualified as in so far as it is readily ascertainable". The Committee queries what the situation would be if the market value were not "readily ascertainable".

(c) ***"Specified Journal"***

The Committee questions the need to add the words "normally at least one of which in an issue has been peer-reviewed by one or more expert or scholar in the discipline".

(d) ***Scope of exemption for a "person"***

The Committee comments that where the offences do not apply this relates to acts committed by "a person" making or distributing infringing copies. This may provide a loophole where more than one person (as is likely) carries out the infringing activity. The Committee notes that the Interpretation Ordinance Cap 1 defines "person" to include *"any public body and any body of persons, corporate or unincorporate, and this definition shall apply notwithstanding that the word "person" occurs in a provision creating or relating to an offence or for the recovery of any fine or compensation"*. However this does not clearly cover the situation where more than one person (as opposed to a body of persons, such as a partnership) is involved.

11. Drafting not in plain English

11.1 The extensive cross referencing, over drafting of definitions and the general use of the double negative make understanding the Bill very difficult indeed - Section 3(5) is a classic example:

"Section 119(1) of the Ordinance does not apply to the distribution by a person of infringing copies of one or more than one copyright work in a printed form that is contained in a book if the set of pages embodying such infringing copies do not fall within the meaning of paragraph (a) of the definition of "qualifying copy" in Section 1(1) of this Schedule"

11.2 In plain English the Committee thinks this is trying to say "there is no offence where 25% or less of the book is copied". The Committee would encourage more understandable drafting throughout

12. Section 3 Books and specified journals

12.1 As regards books, the offences do not apply where the total value of qualifying copies does not exceed a total of $6,000 (Section 3(1) and (2)). Separately it does not apply if the number of pages is not more than 25% of the printed pages of the book (Section 3(3) and (5). The effect of this seems to be that even if the value of what is taken exceeds $6,000, it will be exempted from the offences if it is less than 25% of the total pages. This seems a departure from normal principles. It is presumably intended, as reflected in the Administration's desire to separate these two criteria.

12.2 If drafted as separate thresholds for infringement, it would make more sense, but as exemptions requires the use of the double negative. Thus, the provision could be more simply expressed as:

"Offences under Section 119(1) are only committed if more than 25% of the printed pages or more than $6,000 of the value of work are made or distributed as the case may be".

12.3 As regards specified journals, the offences do not apply where the total value of qualifying copies does not exceed a total of $6,000 (Sections 3(1) and (2)) or is not more than 25% or is made form the whole of an article (Sections 3(4) and (6). As pointed out above, though, the meaning of "qualifying copy" in this context confusingly includes selected pages made from the whole of an article and corresponds to not more than 25%.

13. Section 4 Calculation of total number of infringing pages

The elaborate calculation of pages seems unnecessary. In short, for the purpose of calculating the number of pages, a page could be defined to mean *"a page of A4 size printed in the same size of print or image as the original on one side of paper, which if reduced or enlarged shall be adjusted in proportion to the size of the original".* It would not be difficult for a court to work out what this means in practice if a different size (of paper or print) were used.

14. **Section 5 Determination of value of qualifying copies**

The Committee has indicated above its criticism of the use of "recommended retail price". Again the calculation seems unnecessarily complex.

15. **Section 6 Determination of value of qualifying copies made from specified journals**

15.1 The Committee finds this section very difficult to understand. It seems to say that in determining the value of qualifying copies of specified journals, only the value of pages in excess of 25% of the printed pages of an issue are to be taken into account. Specifically, the value of the whole of an article which is less than 25% of the printed pages of the issue is not to be taken into account. The Committee cannot understand the rationale for this. Furthermore, it does not understand how this relates to Section 8 of Schedule 1AA, which appears to relate to the valuation of copies of complete articles.

15.2 The Committee appreciates that the inter-relationship of the sections may have a rationale explanation, but the calculations do seem to be unduly complex and difficult to understand.

CONCLUDING COMMENTS AND INTERNET/INTRANET EXEMPTIONS

16. The conclusion of the Committee is that the desire for certainty has resulted in an over-complex and unnecessarily detailed set of formulations which will in practice be difficult to calculate and result in further uncertainty.

17. The Committee believes the correct approach is to encourage (or to require through the medium of the Copyright Tribunal) reasonable licence terms or, if to be legislated, to set numeric limits on infringement only in general terms (along the lines it has indicated) rather than by these highly complex provisions trying to cover minute details of the various exemptions.

18. Finally, the Committee notes that the offences do not apply to distribution by the internet although the existing criminal provisions do (see *HKSAR v Chan Nai-ming* Court of Final Appeal [2007] 3 HKC 255) and that the proposal is to further exclude distribution by an intranet pending the setting up of licensing schemes. Addressing issues of copyright in the digital environment is long overdue and the Committee refers again to its submissions on this issue of 3 September 2008 inn response to the Government's Preliminary Proposals for Strengthening Copyright Protection in the Digital Environment.

The Law Society of Hong Kong
Intellectual Property Committee
13 July 2009
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