COMMENTS BY THE INTELLECTUAL PROPERTY COMMITTEE ON THE COPYRIGHT (AMENDMENT) BILLS 2001 and 2003

PRELIMINARY CONCERNS

1 The Law Society was invited by the Bills Committee to make comments on Committee Stage Amendments (CSAs) to the Copyright (Amendment) Bills 2001 and 2003. By letter of 22 May 2003 we were invited to provide our views by 21 June 2003. Subsequently the Commerce and Industry Branch (CIB) of the CITB proposed further amendments to the Copyright (Amendment) Bill 2001 to exclude so-called "e-books" from the ambit of parallel import liberalisation. These proposals were provided to us by letters of 3 and 5 June 2003 requesting our comments by 11 June 2003.

2 We are aware of the tight legislative timetable, but are concerned that we have not been given adequate time to review the proposed amendments which are complex and confusing in nature. We have noted a number of errors but cannot be expected to correct all errors and fear that any legislation passed in its present form will be defective.

3 Indeed, we have to say that we are very concerned about the form of the proposed amendments and the effect of these in relation to unlicensed use (including parallel imports) of computer programs (especially through the Internet and other on-line services), which are the backbone for the converging media industries.

4 The policy behind the drafting of the 2001 Bill is to dilute copyright in respect of computer programs (although it is unclear what present evil this addresses), but at the same time to recognise the legitimate commercial concerns of the movie, music, television and, most recently, publishing industries. The unfortunate result is that the structure of the proposed legislation is to take away rights and then restore them as exceptions. Consequently, the drafting process is often very convoluted and difficult to follow. We observe this as lawyers. The general public will undoubtedly be even more confused.

5 We propose an alternative solution in paragraphs 14 and 15 below.

6 The public's understanding of the proposed legislation will depend upon the way it is presented. A clear example of this was the outcry following the passing of the 2001 amendments, notwithstanding prior consultation, and the subsequent bowing to pressure with the passing of the Copyright (Suspension of Amendments) Ordinance.

7 Now, the stated aim of the Bills is to make permanent the suspension arrangements and to liberalise the law with respect to parallel imports of articles embodying computer programs and end-user liability. Our concern is that the legislation will again be misunderstood as

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liberalising copyright restrictions at a time when the government should be promoting more effective remedies.

8 The effect of the Bills if passed will be largely to dilute the existing rights of copyright owners, whereas what is urgently required are more effective provisions to protect creativity and technological developments. In particular, the legislation does not address industry concerns such as internet piracy of software, anti-circumvention measures, business end-user software piracy, cable and satellite piracy, and the production, distribution and sale of pirated or counterfeit products, including the imposition of landlord liability. From our experience as practitioners, copyright owners are generally unhappy with the lack of progress in addressing these matters.

9 New technological developments will undoubtedly arise. Internet and other computer based digital applications are likely to expand, for example in the area of mobile telecommunications and broadcasting. The present proposals respond to those industries today with the loudest voice and assume that other copyright owners (such as newspapers, photo galleries and engineers) do not or will not need similar protection in respect of unlicensed use or their computer based products in the future.

10 The government argues that by liberalising parallel import restrictions on computer programs consumers will be able to replace pirated copies with legitimate cheaper parallel imported copies. We view this with some cynicism since the use of parallel imported computer programs will still be controlled under end-user licence agreements with territorial restrictions. The argument is therefore likely to be more imagined than real.

11 We note that the views of the games industry represented by the Interactive Digital Software Alliance (IDSA) have not been taken into account in the proposed amendments simply on the basis that "the scope of liberalisation should be as wide as possible" and that "it is not appropriate to reduce the scope of liberalisation further" (paragraph 11 of the CIB June 2003 briefing paper to the Bills Committee). This is not further explained and we fail to see the force of this argument.

12 The proposed liberalisation will have a psychological impact reducing the ability of enforcement bodies to tackle the ever increasing problem of end user piracy. Consequently, the piracy problem may be aggravated rather than improved under the proposed amendments unless a serious effort is made by the government to rigorously enforce and prosecute cases of business end- user piracy. We would urge the government to look closely at other remedies to control the piracy problem.

13 We are concerned about the complexity of the law now proposed and observe that the attempt to liberalise the law has not led to any simplification of its provisions. We also note that the interrelation between the two Bills is sometimes difficult to follow. For example, proposed Section 118A in the 2001 Bill is not the same as proposed Section 118A in the 2003 Bill. We do therefore recommend a thorough review of the proposed legislation in its entirety taking into account the provisions of both Bills.

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AN ALTERNATIVE (SIMPLER) PROPOSAL FOR THE 2001 BILL

14 We offer a much simpler approach to the policy proposal of the 2001 Bill. Assuming the policy is that only parallel imported computer programs "as such" are to be removed from the ambit of copyright legislation, a provision to this effect could very simply be drafted.

15 The provision would properly define what a parallel import is by reference to a positive definition of "lawfully made" (as opposed the negative one proposed). It would state that there should be no restrictions under the Copyright Ordinance with respect to any dealing or use in Hong Kong of any parallel import of a computer program "as such" (similar to the Patents Ordinance provision on computer programs). This would leave open the door to protecting both existing and future technologies substantially protected as copyright works in their own right whether or not also comprising computer programs as backbones. The provision would therefore state that such technologies must "substantially comprise" or be "reasonably treated" as embodying such works.

OUR COMMENTS ON THE BILLS

COPYRIGHT (AMENDMENT) BILL 2001

16 The purpose of the 2001 Bill is to remove civil and criminal liability under the Copyright Ordinance with respect to parallel imported copies of computer programs and other copyright works with which they are embodied in articles.

17 Amendments are proposed to exclude from the ambit of liberalisation any article, the principal use of which is to be viewed or played as a movie, television drama, musical sound or visual recording, or as an e-book. As stated above we do not see any need to limit the exclusions as long a computer program "as such" is within the ambit of liberalisation. This allows for future technological development.

18 The words "an infringing copy for the purposes of section 35(3)" at the end of Section 35A(1) and in Section 35A(2) do not appear correct. What purpose is served? In the 2003 Bill, the wording used is "an infringing copy by virtue only of Section 35(3)" which we believe is what is intended (see for example Section 118(2)(a) proposed in the 2003 Bill. The wording at the end of Section 35A(1) could be amended to "and that, but for this section, would be an infringing copy by virtue only of Section 35(3), and was lawfully made…." etc.

19 There is no definition of "lawfully made" and we believe there should be one. Otherwise it could be argued that works made in breach of any law were outside the scope of liberalisation. Moreover, lawfully in this context means "genuine goods" i.e. made with the authorisation of the Hong Kong copyright owner, whether or not there is a corresponding copyright law in the place of making. We therefore suggest the following definition :

""*Lawfully made*" in relation to a work means made whether in Hong Kong or elsewhere either by the owner, or a person authorised by the owner, of copyright in the work in question which the owner is entitled to protect under this Ordinance"

With this definition it would not be necessary to exclude a copy of a work made in a place where there is no copyright law or copyright has expired as proposed in Section 198(3). It is a matter of fact not law whether the making is authorised or not.

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20 The provisions relating to "e-book" (Section 35A(5) and Section 35A(3)) are unclear. The definition of "e-book" in Section 35A(5), sub-paragraphs (a) and (b) is cumulative so as to include any e-book accompanied "for illustrative purposes" by any copy or copies of films or sound recordings. It is not clear why any accompanying film or sound recording must be for illustrative purposes. For example, this definition does not allow for audio e-books illustrated by artistic works, since sound recordings are not included in the list of "main works" and copies of artistic works are not included in the list of works for "illustrative purposes". This seems very arbitrary. It would be clearer (and fairer) to include films and sound recordings in the list of main works and delete sub-paragraph (b).

21 The opening words of Section 35A(3) in brackets: ("including any such copy forming part of an e-book for illustrative purposes") are not clear. The section refers to a copy of a movie, television drama and computer program. "Such copy" could therefore refer to any of these copies but, since it is "for illustrative purposes", it presumably refers to the copy of the movie or television drama. With the proposed amendment above, "illustrative purpose" is no longer necessary or relevant and these words may be omitted. The words "(including any such copy forming part of an e-book)" should then be placed after the opening words as follows" "A copy of a movie or television drama (including any such copy forming part of an e-book) that is embodied…."

22 Section 35A(3) deals with the quantitative test for a movie or television drama. We do not find this concept helpful and wonder why it is so important to exclude "movies" shorter than 15 minutes and "television dramas" shorter than 10 minutes. Moreover, the scope of Section 35A(3)(b) is unclear. How can part of a movie constitute the movie in its entirety? Does this refer to movies with sequels/prequels (like "Star Wars")? In this case, the section should refer to a movie (or television drama) intended to be viewed in such parts (or the word "episode" could be used).

23 We would prefer to have the proposed liberalisation of restrictions on parallel imported computer programs drafted by reference simply to a computer program "as such", which would avoid the need for the **tortuous provisions** of the Bill. However, even if the present approach is to be adopted, so far as "movies" and "television dramas" are concerned, the proposed definitions of these words in Section 198 are distinctly unhelpful and circular. Section 35A(4)(b) is likewise difficult to interpret and apply, since the purpose for which an article is acquired by a person for his own use is not something with which a parallel importer should be concerned.

24 As suggested above, a better approach would be to refer to the article as an article that "substantially comprises or is reasonably treated as an article to which paragraph (a) applies".

COPYRIGHT (AMENDMENT) BILL 2003

25 We note the purpose of the 2003 Bill to address the proper long-term approach to imposing criminal liability for the use of pirated copyright works in business. The Copyright (Suspension of Amendments) Ordinance 2001 confined criminal liability to four categories of copyright works (computer programs, movies, television dramas and musical recordings). It will expire on 31 July 2003 and new legislation is required. E-books are now proposed to be

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added to the four categories and amendments are required to reflect this (eg Section 118A(1(a) only refers to the four categories).

DEALINGS "FOR THE PURPOSE OF DISTRIBUTING FOR PROFIT OR FINANCIAL REWARD"

26 The proposal to impose liability for dealings with infringing copies under Sections 30 and 31 and Section 118 where done for the purpose of "distributing for profit or financial reward" seems unnecessarily narrow, since it could easily be argued that there was no such purpose or that there was or would be no profit or financial reward. In practice, it will be more difficult to prove intent or motive under this proposal than to show that the activity was for the purpose of or in the course of any trade or business.

27 The expression "for the purpose of or in the course of any trade or business" has been retained for end user liability under section 118A and it has not been clearly explained why this wording (other than excluding "in connection with") has not been retained to cover manufacture, imports, exports and other dealings under Section 118. It is said that spelling out the offences makes the position clearer, but the effect is to limit the scope of infringement.

28 Accordingly, we consider that the relevant provisions of Sections 30, 31 and 118 should be amended to impose liability for acts done "for the purpose of or in the course of any trade or business or to such an extent as would affect prejudicially the owner of the copyright".

DEFINITION OF MOVIE

29 Section 118A(1)(a) refers to "feature film". This should be "movie" to be consistent with the 2001 Bill. E-book should be added.

TRANSPORTING OR STORING

30 The relevant provisions of Section 118(1) (and presumptions Sections 118(4) and (5)) should be amended to cover making, transporting or storing an infringing copy in the course of any trade or business or to such an extent as would affect prejudicially the owner of the copyright.

31 Transporters and storers are in a different position from others affected by the criminal provisions of Section 118. They may well be unaware that they are transporting or storing infringing copies. The defences under Section 118B are not sufficient because they only relate to knowledge of that the copy in question was an infringing copy and involve extensive enquiries under sub-sections (2) and (3). We suggest a defence for such a person charged to prove that he honestly did not know and had no reason to believe that he was or would be transporting or storing an infringing copy.

DEFENCES AND LACK OF KNOWLEDGE

32 Section 118A(5) repeats existing provisions under the suspension Ordinance but we do not understand it. The effect is to permit possession for the purpose of or in the course of any trade or business of an infringing copy (including a pirated copy) of a computer program in

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printed form or in the nature of an Internet operating program. This exclusion should not apply to pirated copies.

33 There is an existing defence in criminal proceedings under Section 118B and in civil proceedings under section 36 based on lack of knowledge or reason to believe that the copy was an infringing copy. In respect of imported infringing copies by virtue of Section 35(3) there is a high threshold to prove lack of knowledge by a regime of enquiries. The LegCo Brief suggests that these provisions are limited to parallel imports but they are not.

34 Sections 118B(2) and (3) repeat the existing provisions. Subsection (2) refers to the supposed parallel import exclusion under Section 35(4). However, this exclusion only applies to parallel imports imported after 18 months from first publication in Hong Kong or elsewhere. Prior to that parallel imports are not excluded by Section 35(4) and pirated imported goods are in any event not excluded. Sections 118B(2) and (3) therefore apply to parallel imports during the 18 month period and to pirated imported goods at any time. In the case of the defence under Section 36 (civil liability), the reference is only to imported infringing copies under Section 35(3) and there is no distinction between parallel and pirated imports. The threshold for proving lack of knowledge in the case of parallel and pirated imported copies is therefore much higher than for other dealings in pirated copies. It is not clear whether it is intended to relate only to parallel imports. If so, the relevant sections must be amended.

THREATS ACTIONS

35 Section 187 is headed "Groundless threat of proceedings in relation to parallel import" but refers to "proceedings for infringement of copyright under sections 30 and 31 in respect of a copy of a work which is alleged to be an infringing copy by virtue only of section 35(3)". There is no reference to Section 35(4) and it is therefore equally applicable to parallel imports and pirated imports. The legislation should be amended by adding "and was lawfully made in the country, territory or area where it was made".

CONCLUSION

36 As indicated, we find the proposed legislation difficult to follow and unnecessarily complex in its drafting. We have not examined every provision (in particular the transitional provisions and consequential amendments). We recognise that the drafting process has resulted from industry lobbying and that the resulting legislation is an attempt to reflect the views of many. However, it is important not to lose sight of one of the fundamental principles of copyright law - to provide economic reward for creations that might otherwise be exploited by copying. The government is urged to introduce legislation to improve the regime for protecting copyright, which the present proposals do nothing to achieve.

The Law Society of Hong Kong

Intellectual Property Committee

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