

COPYRIGHT (AMENDMENT) BILL 2006

PROPOSED AMENDMENT TO SECTION 121

(CONSEQUENTIAL UPON THE PROPOSED DEFINITION OF “LAWFULLY MADE”)

1. We note the Administration’s response to our submission dated 15 June 2007. We find the Administration’s position contradictory.
2. **POLICY ON PARALLEL IMPORTS**
 - 2.1 The Administration is in effect saying that copies of a copyright work **made without the licence of the Hong Kong copyright owner** in the place of manufacture should be regarded as “genuine” if made with the licence of the overseas copyright owner in the place of making.
 - 2.2 It then says its policy has long been that trade in genuine products **outside channels of distribution approved by the copyright owner in Hong Kong** should be governed under the regime of parallel imports and that this should be distinguished from trade in pirated goods. We agree, but the Administration is here confusing **approved distribution** with **licensed making**.
 - 2.3 We have no quarrel with the Administration’s position where the products are made with the licence of the Hong Kong copyright owner. We accept that if a product is made with the licence of the Hong Kong copyright owner, whether or not it is imported into Hong Kong via the Hong Kong copyright owner’s authorised distribution channel, the products should be considered parallel imports and not pirated goods.
 - 2.4 We submit however that goods made without the licence of the Hong Kong copyright owner are infringing products insofar as Hong Kong copyright is concerned. If products made in Hong Kong without the licence of the Hong Kong copyright owner are infringing copies, why should such goods made without the licence of the Hong Kong copyright owner become lawful just because they are made elsewhere and imported into Hong Kong?

2.5 The Administration correctly points out that for trade marks, there is an exhaustion of rights principle while for copyright there is no such accepted principle. Even with the accepted principle of exhaustion of rights in trade marks, parallel (i.e. lawful) imports refer only to goods made by or with the consent of the Hong Kong trade mark owner, and not goods made without the consent of the Hong Kong trade mark owner, whether or not the goods are lawfully made in a foreign jurisdiction under the authority of a foreign trade mark owner.

3. COPYRIGHT OWNER

3.1 The Administration is of the view that split ownership is rare. It is clear that no serious thought had been given to this issue until we raised it. It was not an issue that was previously discussed in formulating the Government's policy or in the extensive debates that have taken place over the issue of parallel import in the last 10 years.

3.2 In Hong Kong, the first owner of copyright is the author or, in the absence of agreement, the author's employer. (Sections 13 and 14 of the Copyright Ordinance). Ownership is determined frequently by agreement and can easily be in different hands in different places as a result of assignments. We note that this is expressly accepted in the Administration's response.

4. THE REQUIREMENT TO AMEND SECTION 121

4.1 Our latest proposal recognises that the copyright owner in the place of making may be different from the copyright owner in Hong Kong. It seeks to provide the same procedure for adducing evidence on behalf of copyright owners, whether in Hong Kong or overseas.

4.2 The Administration's proposed definition of "lawfully made" recognises different owners, whereas the amendments currently proposed in Section 121(C) regarding ownership and the making of copies by or with the licence of the copyright owner apply only to the Hong Kong copyright owner. Accordingly we are merely seeking to introduce a provision for adducing evidence where the overseas copyright owner is different from the Hong Kong copyright owner.

5. WTO OBLIGATION UNDER ARTICLE 3(1) OF TRIPS

5.1 Hong Kong has been a member of WTO since 1 January 1995. Article 3 (1) of the TRIPS Agreement of WTO states: "Each Member shall accord to the nationals of other Members treatment no less favourable than it accords to its own nationals with regard to the protection of intellectual property".

5.2 The accompanying note explains: "For the purposes of Articles 3 and 4, "protection" shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement."

5.3 Accordingly, the same rights as are accorded to Hong Kong copyright owners must be accorded to overseas copyright owners.

5.4 Section 121 affects the enforcement of copyright. A Hong Kong copyright owner can make use of the provision for adducing evidence of ownership and the lack of any licence. Where it is necessary to establish that a copy was not “lawfully made” under the proposed definition it will not be sufficient for the Hong Kong copyright owner to assert this unless there is also a provision allowing any overseas copyright owner to assert that the copy was not lawfully made.

6. A NECESSARY AMENDMENT

6.1 The proposed amendment merely recognises Hong Kong’s obligations to accord no less favourable treatment to an overseas copyright owner. It is legally necessary but should be politically uncontroversial since it reflects an existing provision (Section 121) of the Ordinance and does not affect the meaning of “lawfully made”.

7. DRAFTING OF THE PROPOSED AMENDMENT

7.1 Referring to the Administration’s observations on the drafting of the proposed amendment (see below):

(a) 121(2D)(c)(i) is clearly to be read in the context of the purposes of the Section for “*establishing whether a copy of a work was lawfully made*” and envisages an affidavit on behalf of the copyright owner or any other person entitled to copyright in the country, territory or area in which the copy was made. It is necessary for the copyright owner to depose that the copy was not made by him or with his licence as otherwise it might not be an infringing copy at all (an “infringing copy” is a copy which if made in Hong Kong would infringe the rights of the Hong Kong copyright owner or its exclusive licensees).

(b) The Administration suggests having separate affidavit provisions for where the copyright owner is the same and where it is different. With respect we think this unduly complicated because as indicated above it will always be necessary for the Hong Kong copyright owner to depose to the fact that copy was not made by him or a licensee. However we are willing to consider any amendment proposed.

(c) We note that the amendment would need to be added to new Clause 27(5A) if it is to come into force when the Ordinance is published in the Gazette. Assuming the definition of “lawfully made” is to come into force on this date then we suggest the proposed amendment does likewise.

We do not think the copy of the work exhibited will necessarily be the same which is why we drafted the amendment in the way we did. The affidavit will only be used where the plaintiff alleges that the copy was not lawfully made. It may not be an exact copy and it may not therefore be the same as the true copy exhibited for establishing subsistence. It seems to us that the

same applies to 121(2AA)(c)(ii) which should be amended in the manner we propose for consistency.

Proposed amendment

“(2 D) For the purposes of establishing whether a copy of a work was “lawfully made” an affidavit which purports to have been made on behalf of the copyright owner or any other person entitled to copyright in the country, territory or area in which the copy was made and –

- (a) states the name of the copyright owner or any other person entitled to copyright;*
- (b) states that a copy of the work exhibited to the affidavit is a true copy of the work;*
- (c) states that the alleged infringing copy of the work exhibited to the affidavit was not made by*
 - (i) the copyright owner;*
 - (ii) any other person entitled to copyright; or*
 - (iii) any person licensed by either of the forgoing persons to make the copy in the country, territory or area in which it was made*

shall, subject to the conditions contained in subsection (4), be admitted without further proof in any proceedings under this Ordinance.”

**The Law Society of Hong Kong
Intellectual Property Committee**

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