



9 February 2007

By fax (2537 1469) and by post

Our Ref.: C/EPLM(31), M46064

Hon Sin Chung-kai, JP
Chairman
Bills Committee on Copyright (Amendment) Bill 2006
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Mr. Sin,

Copyright (Amendment) Bill 2006

We understand that the Bills Committee on the Copyright (Amendment) Bill 2006 is still examining the detailed provisions of the proposed legislation ("2006 Bill"). The Hong Kong Institute of Certified Public Accountants ("the Institute") would therefore like to take the opportunity to submit its views. We would also refer you to our various previous submissions on the following related areas, dated 31 December 2001 ("2001 submission"), 28 June 2003 ("2003 submission") and 26 February 2005 ("2005 submission") (**annexed**):

- Review of Certain Provisions of Copyright Ordinance Consultation Document issued in October 2001;
- Copyright (Amendment) Bill 2003; and
- Review of Certain Provisions of Copyright Ordinance Consultation Document issued in December 2004.

Business end-user criminal liability

Under the 2006 Bill, a new business end-user criminal offence of making for distribution or distributing infringing copies of a book, a magazine, a periodical or a newspaper on a regular or frequent basis is created (proposed sections 119B(1) and (2) added into the Copyright Ordinance (Cap. 528) ("the Ordinance") by clause 24). The Institute would like to reiterate its view that any legislation to criminalise copyright infringements should be targeted specifically at areas that are generally accepted as being significant problem areas. It should avoid introducing a heavy-handed, blanket criminalisation of other infringements that, on the one hand, may have little or no material effect on copyright holders and, on the other,



may impede the flow of information and adversely affect the process of learning and the quality of debate within the community.

In this regard, we would refer you to the comments made in our 2005 submission (section 2), 2003 submission (sections I – III), and 2001 submission (part B.1), in which the Institute indicated its support for permanently suspending the criminal sanctions against business end-user possession of infringing materials (in respect of materials other than the four categories of works). We are still not convinced of the appropriateness of invoking criminal law to protect commercial rights in this way, particularly against end-users who may not benefit from any commercial advantage or financial gain. We note that, at least, the proposed legislation purports to limit its scope to infringing acts performed on a regular or frequent basis. We would suggest that for the purpose of the proposed business end-user copying / distribution offence, the acts in question must be proved to have resulted in real and substantial losses, and not just “a financial loss”, to the copyright owner.

It is not to be overlooked that many newspapers make at least some of their contents freely available on the internet and one wonders how disseminating particular newspaper articles within a business organisation can really be seen as a serious problem for newspaper proprietors. In such circumstances, requirements for copyright users to enter into specific licensing agreements could simply result in windfalls for some copyright owners.

The Institute notes the approach proposed by the Administration to apply numeric thresholds or “safe harbour” perimeters (presumably by means of the proposed new sections 119B(3) and (14) added into the Ordinance by clause 24). We believe that the proposed mechanism should be spelled out more clearly in the legislation. At present, while the concept is explained in the main body and Annex C of Legislative Council Brief, the 2006 Bill contains two very generic provisions only, primarily a power for the Secretary for Commerce, Industry and Technology (“SCIT”) to make regulations, specifying the circumstances in which the new section 119B(1) will not apply.

Safe harbour rules, in terms of numeric limits, are bound to be arbitrary to some extent. The relevant thresholds should, however, be sufficiently high to ensure that organisations, such as professional and trade bodies, and lobby groups would be able to make copies of, e.g., newspaper articles for internal purposes to facilitate consultation and discussion. Otherwise the free exchange of opinion and ideas that is vital to Hong Kong’s reputation as an international city would be adversely affected. In this regard, the thresholds set out in Annex C to the Legislative Council Brief may not be adequate for a sizeable professional body such as the Institute (with over 120 staff and 40 committees and working groups), which may need to circulate copied materials to staff and members of its committees and working groups for discussion and follow up action, such as preparing submissions and other communications.

Under the circumstances, we would support the suggestion from the Hong Kong Association of Banks (in its submission, dated 27 April 2006 (CB(1)1385/05-06(38)



refers)) that distribution activities for the purposes of in-house dissemination of information and sharing of learning and resources be specifically exempted from the proposed criminal offence.

We note that the Administration is proposing to defer dealing with copyright infringements through private networks (uploading onto intranets, etc.) until such time as a suitable licensing scheme is available for users and consultation on safe harbour rules has been conducted with concerned copyright owners and users. In the Legislative Council Brief, the Administration states that it “will specify this deferred application arrangement in the regulations to be made by SCIT” (paragraph 17). This needs to be further clarified. The treatment of copyright works reproduced on private networks is an important and potentially sensitive area. We would be concerned if measures were to be introduced, which could establish future precedents, without a thorough public debate on this matter and an understanding of how this issue has been addressed in other jurisdictions around the world.

The Institute would suggest that consideration also be given to an alternative approach to the application of safe harbour rules in the case of bodies fulfilling a regulatory function. A provision similar to that proposed in the new section 54A, which is a “fair dealing” exemption for the purpose of efficient administration of urgent business by the Government, Executive Council, Legislative Council, the Judiciary and District Councils, could be introduced to allow for fair dealing by, for example, regulatory and professional bodies, in the carrying out of their statutory/regulatory functions.

Defence for employees and exemptions for certain professionals in respect of business end-user criminal liability

We support the provision of a specific defence for employees, and would refer you to the comments made in our 2005 submission (section 4), 2003 submission (section IV), and 2001 submission (part B.1(b)).

Nevertheless, under the 2006 Bill, the defence is not available to an employee who “was in a position to make or influence a decision regarding” the acquisition, removal or use of the infringing copy, in relation to the business end-user possession criminal offence (clause 22(6) new section 118(3B)), or “was in a position to make or influence a decision regarding” the making or distribution of the infringing copy, in relation to the business end-user distribution criminal offence (clause 24, new section 119B(11)), at the time when the offence was committed. The Institute believes that an employee who is in the position to make or influence a decision regarding an offending act will not necessarily be part of the management team, and may not be acting entirely of his own volition. Moreover, the concept itself does not appear to be entirely clear. How is it to be determined whether a particular employee was, at a particular time, in a position to influence a decision? What if, for example, an employee generally has some ability to influence decisions of this nature and, in this case, sought to use his influence, but was nevertheless overruled. Under the circumstances, we would suggest that an



employee should only be criminally liable where such an employee is a decision maker and would propose, therefore, that the words “or influence” be deleted.

Criminal liability and civil remedy relating to circumvention of effective technological measures

As indicated in our 2005 submission (section 6) on circumvention of technological measures for copyright protection, and in our 2001 submission (part B.6) on the related issue of unauthorised reception of subscription television programmes, we believe that targeting commercial dealers of circumvention tools or providers of associated services would generally be regarded as a more acceptable approach than, for example, seeking to criminalise unauthorised reception in domestic premises.

The Institute therefore finds the proposals contained in clause 56 broadly acceptable, given also the various exceptions to the offences that are provided for.

Incorporation of World Intellectual Property Organisation (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty requirements

It is proposed to apply a new civil liability to any person who infringes the moral rights of a performer of a live aural performance or a performance fixed in a sound recording (conferred under the proposed new section 272A, added into the Ordinance by clause 53), i.e. the right to be identified as a performer, or the right of a performer not to have his performance subjected to derogatory treatment.

It needs to be clarified that the protection of a moral rights of a performer in relation to “derogatory treatment” of his performance would not, in effect, undermine freedom of expression through parody, satire, etc.

Fair dealing for education and public administration and improvements to the permitted acts for education

We note that a non-exhaustive list approach, which was one of the options for copyright exemption contained in the Review of Certain Provisions of Copyright Ordinance Consultation Document issued in December 2004, and which could accommodate new circumstances and purposes of use that might emerge in future, without the need to continuously update the “permitted acts” provisions in the Copyright Ordinance, has not been adopted in the 2006 Bill. Instead the approach proposed in the 2006 Bill is to extend permitted acts in specific ways in specific sectors, permitting fair dealing with a work by a teacher or pupil for the purposes of giving or receiving instruction in a specified course of study provided by an educational establishment (new proposed section 41A, under clause 12), fair dealing with a performance or fixation by a teacher or pupil for the purposes of giving or receiving instruction in a specified course of study provided by an educational establishment (new proposed section 242A, under clause 48), and fair dealing with a work by the Government, Executive Council, Legislative Council, the



Judiciary or any District Council for the purposes of efficient administration of urgent business (new proposed section 54A, under clause 16).

In determining whether any dealing with a work, performance or fixation is fair dealing, the court will take into account certain non-exhaustive factors, such as the purpose and nature of the dealing, the nature of the work, performance or fixation, the amount and substantiality of the portion dealt with in relation to the work, performance or fixation as a whole, and the effect of the dealing on the potential market for or value of the work, performance or fixation.

In this regard, the Institute would like to reiterate its previously expressed view that the objective should be to achieve a reasonable degree of certainty without introducing an arrangement that is overly rigid and unable to deal effectively with real practical circumstances (2001 submission, part B.2). The approach proposed under the 2006 Bill should, we hope, be able to achieve this objective.

New permitted act for persons with a print disability

The Institute previously expressed support for a new permitted act to be provided for the transcribing of works in printed format into Braille, large-print, talking or other specialised formats by non-profit bodies, for the use of visually impaired persons, where no such transcriptions are commercially available in Hong Kong within a reasonable time or at a reasonable price (2001 submission, part B.3).

The Institute therefore supports the proposal to permit specified bodies, or persons with a print disability, such as persons with a visual impairment, to make accessible copies, e.g. in the form of a Braille, large-print version, etc. of certain copyright works (which is not applicable if the master copy is of a musical work or dramatic work, and the making of an accessible copy would involve recording a performance of the work or part of the work) without infringing copyright, where the maker of the accessible copy is satisfied that copies of the relevant copyright work in a form that is accessible to the person cannot be obtained at a reasonable commercial price (new proposed sections 40B and 40C, under clause 11). However, some of the qualifications imposed under clause 11 may be unnecessarily restrictive. In particular, under the new section 40B(5), an accessible copy, which would, apart from this section, be an infringing copy, will be treated as an infringing copy if it is subsequently dealt with. This would appear to prevent, for example, a visually impaired person selling on an accessible copy when he has finished with it to help defray any costs that he may have incurred in purchasing the copy. In contrast, it is noted that the new section 40D(6) allows for a specified body to charge for lending or transferring an intermediate copy of a master copy to another specified body, provided that the sum charged does not exceed the cost incurred in lending or transferring the copy.

Liberalisation in the use of parallel imports

The Institute's previously stated position is that the civil liability and criminal sanctions against parallel importation and subsequent dealing in all types of

copyright work should be removed (2005 submission, section 3, 2003 submission, section V, and 2001 submission part B.5). In principle, this should be without exception. However, provision could be made for exceptions where the copyright holder can argue specific and exceptional circumstances (e.g. if, for example, prices in an overseas market from which goods are sourced are artificially low because they are specifically mandated or limited by the government of that place, regardless of the position of the owner of the intellectual property rights).

While removing the restrictions on parallel importation for all types of copyright work may affect the interests of copyright owners, exclusive licensees and sole distributors, it would facilitate the free flow of goods, increase competition and the availability of products in the market, thus resulting in greater choice and lower prices for consumers. As a matter of principle, there seems to be no strong justification for allowing the parallel importation of computer software, which is now permitted, while retaining civil and criminal offences for the parallel importation of other copyright items. This seems especially inappropriate in the context of proposals now being debated within the community to encourage greater competition. In as much as the proposals in the 2006 Bill, to reduce the criminal liability from 18 months to nine months (clause 7), and to permit certain business use of parallel imports, other than for commercial dealing purposes, or the public playing of certain copyright works (clause 8, new section 35B(2) and clause 45, new section 229A(2)) represent a limited liberalisation of the restrictions on parallel importation, they are a step in the right direction. Nevertheless, in our view they do not go far enough.

Time limit for prosecutions

We are not convinced of the need to facilitate prosecutions as proposed in the 2006 Bill. We would suggest, rather than extending the time limit for prosecution to three years from the date of commission of the offence across the board, that the existing provision in section 120A of the Copyright Ordinance be retained (i.e., no prosecution for an offence under the Copyright Ordinance should be commenced after the expiration of three years from the date of commission of the offence or one year from the date of discovery of the offence by the prosecutor, whichever is the earlier).

Proof of absence of licence from copyright owner

The Institute believes that, in view of the seriousness of some of the offences under section 118 of the Copyright Ordinance, and the severity of the penalties under section 119, there needs to be strong evidence of a need to facilitate prosecutions by providing for the admission of a sworn affidavit, stating on behalf of the copyright owner that the copyright owner has not licensed the defendant in relation to the offending acts, as of proof of that fact (clauses 27(4) and (5)). We should like to know, for example, whether sworn affidavits are generally accepted as proof by courts in similar circumstances overseas.



General

In general, we believe that further changes to the 2006 Bill are required to strike a balance between the rights of copyright owners and the interests of the public and the business community. Currently, in some areas, the proposed legislation still has the potential to impede the legitimate flow of information and to criminalise marginal conduct, while producing possible windfalls for some copyright owners, through requirements for copyright users to enter into specific licensing agreements.

I hope you find our comments to be constructive. If you have any questions on them, please contact me at peter@hkipa.org.hk or on 22877084.

Yours sincerely,

A handwritten signature in black ink that reads 'Peter Tisman'. The signature is written in a cursive, slightly slanted style.

Peter Tisman
Director, Specialist Practices

PMT/EC/ay
Encls.

c.c.: Miss Yvonne Choi, Permanent Secretary for Commerce, Industry and
Technology (Commerce and Industry)
Commerce, Industry and Technology Bureau