Review of Certain Provisions of
Copyright Ordinance
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FOREWORD

During the discussion of the Copyright (Amendment) Bill 2003 (the 2003 Bill) in the Legislative Council, some owners of copyright works advocated that the existing scope of criminal liability for using infringing copies for business (end-user criminal liability) should be expanded, whereas users of copyright works expressed grave concerns about the adverse impact of any expansion on dissemination of information and education. Both parties agreed that the subject of expansion in the scope of end-user criminal liability could be further examined together with the subject of exemptions for copyright restricted acts. To enable these related issues to be widely discussed and thoroughly considered, we proposed and the Legislative Council agreed to delete from the 2003 Bill all provisions related to end-user criminal liability.

2. As the issues of copyright liability and exemption carry wide social implications and require a delicate balance to be struck between the interests of owners and those of users of copyright works, we would like to hear the views of the community before we formulate proposals in these aspects. This consultation document sets out the main issues related to end-user criminal liability, copyright exemption and a number of other aspects in the Copyright Ordinance which require a review.

3. The Government has an open mind on how the various issues raised should be addressed. The considerations and options floated in this consultation document serve to stimulate public discussion and are not meant to be exhaustive. We welcome any views from the community.

4. An electronic copy of this document is available at the following websites –

- Intellectual Property Department http://www.ipd.gov.hk
- Government of the Hong Kong Special Administrative Region http://www.info.gov.hk
5. Please send your views on or before **15 February 2005** for the attention of Division 3 of the Commerce and Industry Branch in one of the following ways –

- by **post**, at Level 29, One Pacific Place, 88 Queensway, Hong Kong
- by **fax**, at 2869 4420
- by **email**, at co_review@citb.gov.hk

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Commerce, Industry and Technology Bureau
December 2004
Chapter 1

Copyright Exemption

Introduction

1.1 The Copyright Ordinance of Hong Kong (the Ordinance) (Chapter 528 of the Laws of Hong Kong) provides various exclusive rights to copyright owners, for example, the right to make copies of their work; issue copies to the public; and perform, show or play their work in public. Any other person who wants to do an act restricted by copyright in a work will need to obtain permission from the owner; otherwise his act will be a copyright infringing act attracting civil and in some cases criminal liability.

1.2 The Ordinance also includes some exemption provisions which set out the purposes and circumstances under which certain copyright restricted acts will not be regarded as infringing. These are known as “permitted acts” and are provided for in sections 37 to 88 (for copyright work) and sections 240 to 261 (for performance or its fixation) of the Ordinance. The exemptions are confined to a specified range of purposes and circumstances. For example, sections 38 and 39 specify that fair dealing with a work for research, private study, criticism, review or news reporting will not be regarded as infringement. These two sections are repeated at Appendix I to this consultation document. Reprographic copying of certain works made by or on behalf of an educational establishment for the purposes of instruction is also a “permitted act”.

1.3 All the “permitted acts” are subject to the primary consideration stated under section 37(3) of the Ordinance, namely that they should not conflict with a normal exploitation of the work by the copyright owner and unreasonably prejudice the legitimate interests of the copyright owner. If the use of a copyright work does not fall under any of the “permitted acts” specified in the Ordinance, it will be restricted. This exhaustive listing approach in setting out all copyright exempted acts is also adopted in other common law jurisdictions such as the United Kingdom and Australia.
1.4 As compared with the exhaustive approach in Hong Kong and many other common law jurisdictions, the US adopts a non-exhaustive approach in providing for exemptions for primary infringement acts in its copyright law. Section 107 of the US Copyright Act provides for a general “fair use” exemption which can apply to a wide range of situations. Under this provision, “fair use” of copyright works for purposes such as criticism, comment, news reporting, teaching (including making multiple copies for classroom use), scholar study or research is regarded as not constituting infringement of copyright. The cited list of purposes of use is not intended to be exhaustive. Where a copyright work is not used for any of the listed purposes, the US court may still find the “fair use” exemption applicable in the circumstances of the case.

1.5 The US Copyright Act only sets out the following factors, which are not meant to be exhaustive, for the court to determine whether the use of a copyright work constitutes a “fair use” –

(a) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;

(b) the nature of the copyright work;

(c) the amount and substantiality of the portion used in relation to the copyright work as a whole; and

(d) the effect of the use upon the potential market for or value of the copyright work.

The Act does not provide for a definition of “fair use” or any direction on how to evaluate the above four factors e.g. how much weight to give to each of them. The US court may also consider other factors when determining whether the use made of a work is fair. Hence, whether the “fair use” exemption applies in a particular case in the US depends on the specific facts of the case and the weighing of factors (including but not limited to the four listed above) by the US court. Therefore, it is possible that commercial use of a copyright work may be found by the US court to be “fair use” despite its commercial nature whilst educational use of a work may not be considered as “fair use” in certain cases.
Introduction of a Quantitative Test

1.6 Sections 38 and 39 of the Copyright Ordinance stipulate that fair dealing, which includes the act of copying for research or private study purpose, does not constitute copyright infringement. The portion of the work being copied is a factor in deciding whether the act can be considered fair dealing. The existing provisions, however, do not explicitly set out the portion of the work that can be copied. Some copyright work users and copyshops have suggested that the extent to which copying for research or private study purpose may constitute fair dealing should be more clearly defined in the Ordinance. We need to consider whether a quantitative test should be introduced to sections 38 and 39 for determining whether copying certain types of copyright work for research or private study purpose may constitute fair dealing.

1.7 The copyright law of both Australia and Singapore provides for such a quantitative test. The test applies only to certain types of work and copying for research and study purposes. In simple terms, subject to certain conditions, copying certain types of work, namely literary work (other than computer program), dramatic work and musical work, in a published edition is deemed to be fair dealing if the copied work comprises the whole or part of an article in a periodical publication, or in any other cases the copied work does not exceed 10% of the number of pages of the published edition of the work and does not exceed a single chapter of the work if the work is arranged in chapters. Where the work in question is in electronic form, the test applies only to dramatic work and literary work (other than a computer program) and is based on the number of words in the case of Australia and the number of bytes in the case of Singapore. In all cases, the effect of the quantitative test in these two countries is that where the extent of copying falls inside the scope of the quantitative test, the act will be deemed to be fair dealing. If the extent of copying falls outside the scope of the quantitative test, it may still be regarded as fair dealing depending on the court’s assessment of all relevant factors (including but not limited to those factors specified in the law).

Exhaustive or Non-exhaustive Approach

1.8 Under the exhaustive listing approach in our Copyright Ordinance, even though the circumstances and purposes of use of a copyright restricted act may reasonably constitute fair dealing with a copyright work, the act will still
attract civil and in some cases criminal liability if it is not yet included as one of the “permitted acts” in the Ordinance. Specific legislative amendments have to be enacted to remove the liability every time we come across new circumstances and purposes of use under which copyright restricted acts may be considered fair dealing and hence should be permitted. In this connection, following the previous consultation exercise conducted in 2001, the Government has already undertaken to improve certain “permitted acts” provisions in the Ordinance. A list of such proposed improvements is at Appendix II. We have also floated the idea of making the scope of our fair dealing exemptions more general along the lines of the US model.

1.9 When the Copyright (Amendment) Bill 2003 was debated in the Legislative Council, some copyright work users also suggested adopting the US non-exhaustive “fair use” provisions in Hong Kong. They maintained that this change would be necessary if the possibility of expanding the existing scope of end-user criminal liability were to be considered (see Chapter 2 for details about the scope of end-user criminal liability). On the other hand, some copyright owners pointed out that the US model might not be suitable for Hong Kong because of the different judicial tradition of the two places and the lack of any jurisprudence in the local application of the “fair use” concept would create too much legal uncertainty. They also pointed out that the non-exhaustive nature of the “fair use” exemption might not be compatible with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) of the World Trade Organization which stipulates that exceptions should be confined to certain special cases (see paragraph 1.12 below). We need to consider whether and how we should revise the copyright exemption provisions in our Ordinance.

Considerations

1.10 An advantage of adopting a non-exhaustive copyright exemption regime similar to the US model is that it offers more flexibility and can easily accommodate new circumstances and purposes of use that may emerge in future without the need to amend the “permitted acts” provisions in the Copyright Ordinance. For example, certain special acts for personal use, which fall outside the ambit of the current “permitted acts” provisions in the Ordinance, could also be regarded as fair dealing under a non-exhaustive regime. Specifically, it may be regarded as fair dealing if a person makes one photocopy of a newspaper article which records an interview given by that person to the newspaper for archive purpose. We understand that this consideration about not being able to cater for all uses which could fall under the concept of fair
dealing also features in Singapore’s recent decision to change its fair dealing system from only specifying permitted activities to also allowing other acts to be assessed according to a set of factors for determining whether these acts could constitute fair dealing.

1.11 On the other hand, the non-exhaustive model will engender more legal uncertainty since whether an act can be regarded as fair dealing has to be determined on a case-by-case basis. Whilst the courts in Hong Kong may refer to the decisions of US courts on “fair use” cases when construing any local non-exhaustive fair dealing provisions (if introduced), the decisions of US courts have no binding effect. Some copyright work users have suggested that to supplement the introduction of a non-exhaustive model, non-statutory guidelines should be drawn up to set out in more details the circumstances in which a use can be considered fair dealing. We agree that promulgating guidelines will help reduce uncertainty and can be considered after the fundamental question of whether we should adopt a non-exhaustive fair dealing regime has been settled.

1.12 If we are to expand the existing scope of end-user criminal liability, there may be a stronger case for adopting a more liberal regime of copyright exemption. Maintaining the current exhaustive listing approach in the Ordinance will require us to expand the list of “permitted acts” to address the concerns of copyright work users, particularly users of works by the publishing industry. As it will not be possible for us to foresee all the circumstances and purposes of use that can be made of a copyright work falling within the principles of fair dealing, legislative amendments will need to be introduced every time the community agree that an act not yet included in the “permitted acts” provisions should be “permitted”. On the other hand, adopting a non-exhaustive fair dealing regime will require us to consider carefully how to draft the provisions so that it would be compatible with the “three-step test” requirement under TRIPs.

Options for Expanding “Permitted Acts”

1.13 One option is to continue with our existing exhaustive approach in setting out all the “permitted acts”. If we are to adopt this option, apart from

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1 Under TRIPs, there is the requirement known as the “three-step test” which requires that the exceptions should (1) be confined to “special cases”, (2) not conflict with a normal exploitation of the work, and (3) not unreasonably prejudice the legitimate interests of the copyright owner.
expanding the list of “permitted acts” in the Ordinance to include those improvements in Appendix II, we would need to consider other additions as well to address copyright work users’ concerns that may arise from any expansion in the scope of end-user criminal liability.

1.14 Another option is to adopt a non-exhaustive fair dealing regime. We set out below some possible elements of such a regime to facilitate public discussion –

(a) Fair dealing with any copyright work is not an infringement of copyright. Fair dealing include uses for purposes such as but not limited to those specified in sections 38 and 39 of the Ordinance, namely research, private study, criticism, review or news reporting. So an act which falls under the specific “permitted acts” provisions will not constitute an infringement. Where a person performs an act that does not fall within the specific “permitted acts” provisions, he could resort to the non-exhaustive fair dealing provisions subject to the challenge of the copyright owners and determination by the court.

(b) In determining whether an act constitutes fair dealing, a non-exhaustive list of factors may be considered. Sections 38 and 39 of the Ordinance already contain some of these factors which also appear in the copyright laws of the US, Australia and Singapore. These are –

(i) the purpose and nature of the dealing;
(ii) the nature of the work; and
(iii) the amount and substantiality of the portion dealt with in relation to the work as a whole.

(c) The factors in (b) above may be expanded to include the following –

(iv) the effect of the act claiming fair dealing upon the potential market for, or value of, the work; and
(v) the possibility of obtaining the copyright work within a reasonable time at an ordinary commercial price.
The factor in (iv) currently appears in the “fair use” provisions of the US Copyright Act and the fair dealing provisions of the copyright law of Australia and Singapore. The factor in (v) appears only in Australia’s copyright law but Singapore has recently passed a Bill to add, amongst other things, this factor in its copyright law. Whilst the factor is not expressly set out in the US Copyright Act, we understand that the availability of a work is an important factor in determining “fair use” in the US.

(d) Whether the fair dealing provisions apply in a particular case depends on the weighing of factors, including but not limited to those listed above in terms of the specific facts of the case before the court.

Summary

1.15 Your views are sought on the following –

(a) whether a quantitative test should be introduced in the Hong Kong Copyright Ordinance to determine if the act of copying for research or private study purposes is fair dealing;

(b) whether a non-exhaustive regime of copyright exemption based on the principles of fair dealing should be introduced in Hong Kong or whether we should maintain the current approach of exhaustively listing all the copyright exempted acts;

(c) if it is considered that a non-exhaustive regime based on the principles of fair dealing should be adopted, what the essential elements should be; and

(d) if it is considered that the current approach of exhaustively listing all the exemptions should be maintained, whether and how the current list of exemptions should be expanded bearing in mind a possible expansion in the scope of end-user criminal liability (see Chapter 2).
Chapter 2

Scope of Criminal Provisions Related to End-user Piracy

Background

2.1 On 1 April 2001, the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 (“the 2000 Amendment Ordinance”) came into effect. A key element of the 2000 Amendment Ordinance is to amend the Copyright Ordinance so that a person will commit an offence if he possesses knowingly an infringing copy of a copyright work for the purpose of, in the course of, or in connection with, any trade or business with a view to committing any act infringing the copyright. The measure targets acts of copyright piracy by business end-users and covers all types of copyright work.

2.2 With the amendments introduced by the 2000 Amendment Ordinance, possessing an infringing copy of any kind of copyright work (e.g. pirated computer software or music VCDs, unauthorized photocopies of a newspaper article, unauthorized recordings of a television news programme) for use in business may be liable to criminal prosecution. Furthermore, the term “business” as used in the Copyright Ordinance is not confined to commercial activities. It also covers non profit-making business such as educational, charitable or government activities and hence, the end-user criminal liability also applies to the possession of an infringing copy for the purpose of or in the course of such activities.

2.3 To address public concerns that the new end-user criminal liability was too onerous and would hamper dissemination of information and classroom teaching, the Copyright (Suspension of Amendments) Ordinance 2001 came into effect in April 2001 to suspend end-user criminal liability related provisions except as they apply to computer programmes, movies, television dramas and musical recordings (the four categories of work). The suspension is only a temporary measure.

2.4 After consulting the public widely and the Legislative Council, we proposed to make the suspension arrangements a long-term measure and introduced the Copyright (Amendment) Bill 2003 (the 2003 Bill) into the Legislative Council to confine the scope of end-user criminal liability to the four categories of work.
2.5  During the discussion of the 2003 Bill in the Legislative Council, owners of other copyright work (publications and TV broadcast) strongly advocated for their work to be included in the scope of end-user criminal liability. In particular, the publishing industry argued that the same level of protection should be accorded to all categories of copyright work. They also pointed out that since the introduction of the temporary suspension arrangements in April 2001, the publishing industry had developed licensing schemes to authorize use of photocopies of publications in business. Copyright work users on the other hand continued to express serious concerns about any expansion in the scope of end-user criminal liability. After a series of discussion, some users in the educational sector agreed to explore the possibility of expanding the scope of end-user criminal liability provided that a non-exhaustive fair dealing regime along that of the US “fair use” model was adopted in Hong Kong (see Chapter 1 for details about the non-exhaustive approach), that the circumstances giving rise to end-user criminal liability were clearly defined and that guidelines on “fair use” would be promulgated.

2.6  To allow time for more thorough discussion and consideration, we proposed and the Legislative Council agreed to remove from the 2003 Bill clauses related to end-user criminal liability and to extend the effective period of the suspension arrangements by two years ending 31 July 2006. We have decided to consult the public widely again on the scope of end-user criminal liability with a view to formulating fresh legislative proposals for consideration and enactment by the Legislative Council before the suspension arrangements expire in end July 2006.

Considerations

2.7  In considering whether and how the scope of end-user criminal liability should be expanded, we need to take account of the following –

(a) effective protection of copyright enhances Hong Kong’s international image and promotes the local development of industries which have a heavy intellectual property content;

(b) despite our efforts and success in combating copyright piracy, piracy activities (e.g. involving infringing copies of computer software, CDs/VCDs and textbooks) may easily become rampant again in the absence of effective deterrence and stringent enforcement measures;
(c) the publishing industry has developed licensing schemes covering works of major publishers and major local newspapers. End-users may now obtain authorization from some copyright owners for making copies of the latter’s publications for use in business;

(d) the licensing schemes of the publishing industry do not cover all local and overseas publications, particularly newspapers and magazines. For such publications, there is no ready avenue for business end-users to secure the necessary authorization to make legitimate copies. Many sectors of our community require the timely dissemination of information through making copies of copyright work; and

(e) we need to assess the overall impact of any proposed scope of end-user criminal liability on the community and strike a balance between the interests of copyright owners and those of users. An expanded scope of end-user criminal liability may entail the adoption of a more liberal copyright exemption regime in order to maintain the necessary balance between the interests of users and those of owners.

Possible Options

2.8 There is a wide range of options: from maintaining the status quo to expanding the scope of end-user criminal liability to cover all types of copyright work. If we are to maintain the status quo, possessing infringing copies of only four categories of work (computer programs, movies, television dramas and musical recordings) for use in business (including non-profit making business) would attract criminal liability. The other extreme would be to expand the criminal end-user liability to cover all types of copyright work. This would mean that a person would commit an offence if he possesses knowingly an infringing copy of any kind of copyright work (including but not limited to an unauthorized photocopy of a newspaper article or book, an

2 Under the Copyright Ordinance, copyright subsists in the following types of work:
(a) original literary, dramatic, musical or artistic works;
(b) sound recordings, films, broadcasts or cable programmes; and
(c) the typographical arrangement of published editions.
unauthorized recording of a television or cable news programme) with a view to the copy being used in business. For instance, a law firm possessing an infringing copy of a law book (or a substantial part of a law book) with a view to using it in its business, or a social welfare organization using unauthorized recordings of a news programme or documentary film for training its staff, would be caught.

2.9 In between the above two options, there could be varying extent of expansion in the scope of end-user criminal liability, having regard to the extent of the piracy problem and the impact on the community of end-user criminal liability for each type of copyright work. For instance, one possible option would be to expand the scope to cover only works published in books, magazines or periodicals. This scope is the same as the recently enacted “copyshop possession offence” under the Copyright Ordinance which aims to facilitate enforcement and prosecution against illicit copying by profit-making copying business. It would include most types of published works but would exclude, for example, promotional leaflets, pamphlets, and posters.

2.10 The above options are only highlighted to illustrate the range within which choices can be made and are not meant to be exhaustive. We welcome any suggestions and other options may be formulated in the light of feedbacks from the public.

Summary

2.11 Your views are sought on whether and how the scope of end-user criminal liability should be expanded to cover more types of copyright work in addition to computer programs, movies, television dramas and musical recordings.
Chapter 3

End-user Liability Associated with Parallel Imported Copies

Background

3.1 In the context of copyright, parallel importation refers to the importation into Hong Kong, without permission of the copyright owner, of a copy of a work that was lawfully made outside Hong Kong. Under the Copyright Ordinance, a copy of a copyright work which is parallel imported and which, if made in Hong Kong, would have either infringed the copyright in that work, or breached an exclusive licence agreement relating to that work, is regarded as an infringing copy.

3.2 For a copyright work which has been published for 18 months or less, it is a criminal offence to deal in or to import otherwise than for private and domestic use a copy of that work which is an infringing copy by virtue of its parallel importation described in paragraph 3.1 above. Using such an infringing copy for business will also attract end-user criminal liability if the work involves a movie, television drama or musical recording. However, these acts will not attract criminal liability if the copyright work has been published for more than 18 months and only civil remedies (e.g. injunction and damages) are available to the copyright owner.

3.3 In the Copyright (Amendment) Bill 2003 (the 2003 Bill) we proposed to remove certain civil and criminal liability associated with parallel imported copies. The effect of the proposal would be that a person would not incur any civil or criminal liability for importing parallel imported copies of copyright works, or for possessing such copies, for use in business. But the proposal would not affect existing restrictions on commercial dealing in parallel imported copies.

3.4 When the 2003 Bill was discussed in the Legislative Council, some copyright owners expressed concerns that the proposed relaxation would seriously impair their rights and interests. In particular, the music industry pointed out that the proposed relaxation would enable karaoke establishments to parallel import musical products lawfully released in places outside Hong Kong
and use such parallel imported copies in their business. This would adversely affect the industry’s existing income from selling new songs to karaoke establishments. The movie industry also pointed out that the proposed relaxation would enable local businesses, such as coffee shops and restaurants, to parallel import and show in public the VCD or DVD version of a movie released in places outside Hong Kong at the same time as the movie was still being shown in cinemas in Hong Kong. This would adversely affect the results of the box office, which would in turn adversely affect the industry’s income stream from other sources such as issuing the DVD version of the movie in other overseas markets. Although copyright owners in the movie and music industry were aware that playing of music or movies in public required their permission and civil remedies were available for unauthorized public performance or unauthorized showing in public, they considered that it would be difficult for them to enforce this civil right and damage would have already been done before they could get injunctions from the court to prohibit such unauthorized public performance or unauthorized showing in public. Some exclusive licensees in the movie industry who have been licensed for local manufacture, sale and distribution of DVDs or VCDs of movies expressed concern that their licences might not give them the right to restrict the playing or showing of the movies in public.

3.5 Users on the other hand generally supported the proposed relaxation so that they would have more choices in purchasing products from overseas at more competitive prices. For instance, educational users such as the Academy for Performing Arts considered that the proposed relaxation would enable educational institutions to acquire from overseas foreign copyright materials for teaching purpose in good time. Under section 43 of the Copyright Ordinance, subject to certain conditions, the performing, playing or showing of a copyright work in the course of activities of educational establishments is permitted. However, the act of importing a parallel imported copy (which is an infringing copy as described in paragraph 3.1 above) still attracts both civil and criminal liability.

3.6 To allow time for more thorough discussion and consideration, the proposed relaxation was removed from the 2003 Bill together with other clauses related to end-user liability. We need to consider again the options for relaxation taking into account the interests of copyright owners and users.
Considerations

3.7 Parallel importation has always been a controversial subject requiring a fine balance to be struck between the interests of the owners and those of users of copyright works. We have an open mind as to whether the relaxation proposal in the 2003 Bill should be re-introduced. The following two factors are important to our considerations –

(a) On one hand, the proposed relaxation in the 2003 Bill is in line with our policy to encourage the free flow of goods and reflects the growing popularity of purchases through the Internet. It encourages enterprises, in particular small and medium enterprises, to use genuine products which may be parallel imported at a lower price. It may also enable users in the educational and business sectors to acquire genuine products from outside Hong Kong earlier for educational or training purposes; and

(b) On the other hand, relaxation of the existing restrictions on parallel imported copies may affect the interests of copyright owners and exclusive licensees (see their previous comments in paragraph 3.4 above). Consideration would need to be given as to whether their interests would be affected to such an extent that may hamper local development of creative works. Consideration would also need to be given to the extent of relaxation (if any) that would not jeopardize Hong Kong’s reputation in protecting intellectual property rights.

Possible Options

3.8 The options could range from maintaining the relaxation proposal in the 2003 Bill (see paragraph 3.3 above) to not introducing any relaxation at all. In between the two ends, there could be different extent of relaxation such that civil or criminal liability may remain for certain uses of parallel imported copies depending on the impact of such uses on the interests of copyright owners. One possible option is to retain the civil and criminal liability associated with importation of parallel imported copies for the purpose of publicly performing, showing, or playing the works in business. Under this option, a coffee shop owner may attract civil and criminal liability if he
possesses a parallel imported movie in his coffee shop for the purpose of showing the movie to his customers. Schools or commercial enterprises using parallel imported copies in their activities will continue to attract civil and criminal liability if the use involves the act of publicly performing, showing or playing a work and such an act does not fall under a permitted act provision. If we are to adopt this option, we may need to consider expanding the scope of the permitted act provisions relating to performing, showing or playing in public copyright works in order to cater for the need to use parallel imported copies for educational purposes.

3.9 Apart from the extent of relaxation, we may also consider the option of shortening the existing 18-month period during which parallel imported copies will attract criminal liability, and applying the same shortened period to limit the duration in which parallel imported copies will attract civil liability (see paragraph 3.2 above).

Summary

3.10 Your views are sought on –

(a) whether the existing criminal and civil liability pertaining to parallel imported copies should be relaxed;

(b) the extent to which the liability should be relaxed; and

(c) whether the existing period during which parallel imported copies will attract criminal and civil liability should be shortened, and if so, for how long.
Chapter 4

Defence for Employees against End-user Criminal Liability

Background

4.1 Under section 118(3) of the Copyright Ordinance, it is a defence for the defendant if he can prove that he did not know and had no reason to believe that the copy in question was an infringing copy. The defence is applicable to all offences under section 118(1) of the Copyright Ordinance.

4.2 When the end-user criminal liability was introduced, there were public concerns that the absence of knowledge defence would not be adequate for employees as they were in a “weak” position to refuse to use an infringing copy given by their employers for fear of losing their jobs. Taking into account such concerns, we proposed in the Copyright (Amendment) Bill 2003 (the 2003 Bill) to add a new defence specifically for employees found in possession of an infringing copy so that they would not be criminally liable if the possession of the infringing copy in question occurred in the course of their employment and if the infringing copy was provided to them by or on behalf of their employer (the employee defence). This defence, however, would not be available to employees having managerial functions in a business, for example, a director or secretary of a body corporate.

4.3 Some copyright owners in the software industry have expressed concerns that the employee defence will create loopholes in the end-user criminal liability provisions and impair the effectiveness of the provisions for the following reasons –

(a) the defence will increase the opportunity for the employer and decision-makers of a business to insulate themselves from the end-user criminal liability by, for example, claiming not to have held a managerial position or to have delegated the information technology responsibilities to third parties; and

(b) while the defence absolves employees from the end-user criminal liability, it does not require them to identify the person within the business who provided them with the infringing software.
4.4 Some copyright owners in the software industry have hence suggested to replace the proposed employee defence by a “whistle blower” protection system which would prevent an employer from dismissing or discriminating against any employee solely on the ground that the latter –

(a) has filed a complaint or instituted or caused to institute any investigation or proceedings related to an end-user copyright infringement offence;

(b) has testified or is about to testify in any proceedings related to an end-user copyright infringement offence; or

(c) has provided information or other assistance in connection with an investigation or proceedings related to an end-user copyright infringement offence.

4.5 To allow time for more thorough discussion and consideration, the employee defence provisions proposed in the 2003 Bill were removed together with other end-user criminal liability related clauses. We need to consider again whether and what kind of additional defence should be given to employees against end-user criminal liability taking into account the concerns about the “weak” position of employees vis-à-vis their employers and the concerns of copyright owners about the employee defence as proposed in the 2003 Bill.

Considerations

4.6 The following factors are relevant when considering the employee defence as proposed in the 2003 Bill vis-à-vis the software industry’s suggestion in paragraph 4.4 above –

(a) the employee defence proposed in the 2003 Bill addresses the fundamental question of whether ordinary employees who do not perform any managerial functions in a business should be liable to the end-user criminal liability if the infringing copy in question was provided to them by their employers;
(b) the software industry’s proposal may encourage employees to inform the enforcement authority about the provision of infringing copies by employers to employees for use in business but does not address the question of whether end-user criminal liability should apply to ordinary employees with no managerial function; and

(c) the software industry’s proposal will involve issues other than copyright protection, notably labour disputes and remedies available to employees in cases where employers are accused of discrimination or improper dismissal.

Summary

4.7 Your views are sought on –

(a) whether specific defence should be provided to employees found in possession of infringing copies provided by their employers for use in the course of their employment;

(b) the proposed employee defence as described in paragraph 4.2 above;

(c) the suggestion of copyright owners in the software industry as described in paragraph 4.4 above; and

(d) other means to address the concerns about the impact of the end-user criminal liability on employees required by their employers to use infringing copies.
Chapter 5

Proof of Infringing Copies of Computer Programs in End-user Piracy Cases

Background

5.1 The scope of end-user criminal liability currently covers four categories of works including computer programs (see Chapter 2 for details of the liability). In cases of end-user piracy involving computer programs, the programs are usually found installed in the computers of the end-users. Enforcement experience suggests that it is often difficult to prove whether a computer program installed in a computer is an infringing copy as there is no requirement for businesses to keep records for proving that the computer programs being used are legitimate copies. The court has previously ruled that failure to present an end-user licence for a computer program alone is insufficient to prove that a copy is infringing and the defendants in these cases were acquitted accordingly. As a result, Customs officers currently rely mainly on circumstantial evidence, such as the presence of pirated optical discs found in the end-user’s premises, to prove the infringing nature of a computer program found in a user’s computer. However, this kind of evidence is not available or is inadequate in many cases, leading to abortive investigation and prosecution efforts.

5.2 Some copyright owners in the software industry have suggested amending the Copyright Ordinance to facilitate the prosecution of end-user piracy offences involving computer programs. One option floated is to amend the definition of infringing copy of a copyright work that is a computer program to the effect that the failure to demonstrate ownership of licences could support an inference of infringement. Another option suggested by some copyright owners is that any person who conducts business or trade should keep records of all his computer programs licensed for the purpose of his business or trade for a period of seven years from the date of transaction on which the computer program in question was acquired or licensed. Failure to keep the records would be an offence. In addition, there should also be an express provision in the Copyright Ordinance to state that the records are a relevant consideration for the court to consider in any proceedings of end-user piracy offence.
Considerations

5.3 In considering whether and how the proof of infringing copies of computer programs in end-user piracy cases should be facilitated, we need to take account of the following –

(a) making it easier to prove infringing copies of computer programs would facilitate prosecution of end-user copyright infringement cases involving computer programs, thereby enhancing the effectiveness of law enforcement;

(b) currently, some software companies require users of their products to register with the companies before they can complete the installation process and use the software. This kind of registration requirement by copyright owners may facilitate proof of infringing copies. Some copyright owners, however, consider it difficult for individual software companies to incorporate technological features into computer programs to show whether or not computer programs installed on computers or servers are infringing;

(c) proposals to amend the Copyright Ordinance to facilitate the proof of infringing copies of computer programs may shift the burden of proof to defendants or introduce new liabilities. It is important to assess whether the proposals are reasonable and necessary having regard to the gravity of the concerned offence; and

(d) additional implications, if any, for businesses, in particular small and medium enterprises, of any proposals to impose a duty on businesses to keep records to facilitate proof of infringing copies of computer programs, having regard to the fact that companies are already required to keep books of account for a period of seven years under the Companies Ordinance and the Inland Revenue Ordinance.
Possible Options

5.4 One option is to await more enforcement experience before concluding whether and what legislative means should be introduced to facilitate proof of infringing copies of computer programs. In the meantime, the software industry is free to incorporate technological measures into computer programs and require registration with software companies to facilitate proof of infringing copies.

5.5 Another option is to introduce legislative amendments to the Copyright Ordinance to address the issue. Various possible approaches can be considered. A more heavy-handed approach is to shift the burden of proof to defendants. For example, a computer program without a licence would be presumed to be an infringing copy unless the person in possession of the computer program for use in business can provide evidence to prove the contrary. Another approach is to require a business or trade to keep records of all computer programs licensed for the purpose of the business or trade for a reasonable period. The court, in proceedings of end-user piracy offence, would take into account the adequacy of the records as a factor for considering whether the concerned computer program is an infringing copy.

Summary

5.6 Your views are sought on how the proof of infringing copies of computer programs may be facilitated in order to enhance effective enforcement of the end-user criminal liability provisions.
Chapter 6

Circumvention of Technological Measures for Copyright Protection

Background

6.1 Copyright owners commonly employ technological devices or means to prevent or restrict unauthorized access to or copying of copyright works or fixations of performances in electronic form that are issued or made available to the public. Such devices or means are known as access control and copy-protection measures. An example is a digital code embedded into a copyright work to restrict access or copying.

6.2 The Copyright Ordinance contains civil liability provisions to prevent the circumvention of copy-protection measures. Under section 273 of the Ordinance, a person will attract civil liability if he makes, deals in or possesses for any trade or business any devices or means specifically designed or adapted to circumvent a copy-protection measure, or to publish information intended to enable or assist other persons to circumvent a copy-protection measure and, if he knows, or has reason to believe, that the device, means or information will be used to make infringing copies or infringing fixations of performances. A previous court case has ruled that a device or means is a circumvention device or means so long as at least one of its uses is for the purpose of circumventing copy-protection measures.

6.3 There are cases where copyright owners have successfully invoked these provisions and obtained civil remedies involving quite substantial damages awarded by the court. However, some copyright owners in the game industry have pointed out that the sale of modified game consoles installed with modifying chips, which is a kind of device circumventing access control and copy-protection measure, is common in Hong Kong and it is extremely difficult for them to initiate civil actions against a large number of retailers. They consider that more stringent measures should be introduced. This view is also shared by other copyright owners and the Working Group on Digital Entertainment, which was set up under the former Information Infrastructure

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3 The term “deal in” in this Chapter refers to imports, exports, sells or lets for hire, offers or exposes for sale or hire, advertises for sale or hire.
Advisory Committee, to examine measures to facilitate the development of the digital entertainment industry in Hong Kong. The latter has specifically suggested that the Government should consider making the unlawful acts of making or selling devices specifically designed or adapted to circumvent copy-protection measures under section 273 of the Copyright Ordinance a criminal offence.

6.4 We need to consider whether and how we should strengthen existing controls over the circumvention of technological measures that protect the copyright of a work. As both access control and copy-protection measures are now widely used, copyright owners have suggested that the scope of section 273 of the Copyright Ordinance should be expanded along the following lines –

(a) introducing criminal liability for acts under section 273 of the Copyright Ordinance concerning circumventing copy-protection measures as described in paragraph 6.2 above which now only attract civil liability;

(b) introducing civil and criminal liability for making or dealing in devices or means designed to circumvent access control measures; and

(c) introducing civil and criminal liability for the act of circumvention itself.

Considerations

6.5 In considering any possible expansion in the scope of the anti-circumvention provisions under section 273 of the Copyright Ordinance, it is important to bear in mind that the Ordinance seeks to protect the copyright of a work and not the technology or devices employed to protect the copyright of the work. Hence, controls under the Ordinance should target at infringing acts rather than just circumvention activities. Otherwise, the measures will lead to perverse consequences. For instance, subject to certain conditions, a person who would like to quote excerpts from a novel published in electronic form for the purpose of criticism and review may now do so under sections 38 and 39 of the Copyright Ordinance without seeking authorization from the copyright owner. However, if the novel is protected by an access control measure and if
circumvention of the access control measure is prohibited, he would in effect be
denied of the ability to do this copyright exempted act. Furthermore,
prohibiting circumvention of access control measures may have the unintended
consequence of protecting a work even after its copyright has expired. This is
because access control measures may still be applied to a work even after the
expiry of its copyright protection period under the law if circumvention of the
access control measures remains unlawful at the time.

6.6 Against the above factors, if it is considered that section 273 of the
Copyright Ordinance should be expanded to cover access control measures or
that the act of circumventing copy-protection measures or access control
measures should be made unlawful, the proposal should be linked to copyright
infringement and should not go beyond existing copyright protection under the
law. For instance, we will have to consider whether liability should arise only
where the person in question knows that the circumvention device would be
used to circumvent an access control measure for the purpose of committing an
act of copyright infringement. This is similar to the existing section 273
where liability will arise only if the person in question knows that the
circumvention device will be used to make infringing copies or infringing
fixations. Moreover, we would have to ensure that devices which are mainly
used for legitimate purpose, notably all-area-code DVD players, which are now
commonly available in the market and enable consumers to play genuine DVDs
imported from other regions, will not be caught.

6.7 In considering whether liability, in particular criminal liability,
should be introduced for circumvention activities connected with access control
measures and whether criminal liability should be introduced for section 273 of
the Copyright Ordinance, we need to have regard to the extent of infringement
and piracy problems resulting from circumvention activities.

Possible Options

6.8 There can be a wide range of options. At one end, we may
maintain the status quo whereby there is only civil liability and the scope is
confined to making, possessing or dealing in copy-protection circumvention
devices. At the other end, we may provide the maximum protection by
expanding the scope of section 273 of the Copyright Ordinance to cover devices
or means designed to circumvent access control measures, stipulating that the
act of circumventing a copy-protection or access control measures is unlawful, and introducing criminal liability for all the aforementioned acts. In between, there can be many possibilities. For instance, we may expand the scope of section 273 of the Copyright Ordinance to cover access control measures and do not provide for criminal liability. In all options, we will have to bear in mind that any provision introduced against circumvention devices and the act of circumvention should aim to protect copyright, should not go beyond it, and should be commensurate with the extent of the problems of infringement caused by circumvention activities.

Summary

6.9 Your views are sought on the following issues –

(a) whether criminal sanctions against activities under section 273 of the Copyright Ordinance as set out in paragraph 6.2 above should be introduced;

(b) whether the scope of section 273 should be expanded to cover devices or means designed to circumvent access control measures, and whether criminal sanctions should be introduced for the expanded section 273; and

(c) whether civil remedies and criminal sanctions against the act of circumventing copy-protection measures and access control measures should be introduced.
Chapter 7

Rental Rights for Films

Background

7.1 Rental rights refer to the civil rights of a copyright owner to authorize or restrict commercial rental of copies of his copyright works. Under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) of the World Trade Organisation to which Hong Kong is a member, we are required to provide rental rights to authors (and their successors in title) of computer programs and sound recordings. Accordingly, we have provided such rights to the copyright owners of computer programs and sound recordings under the Copyright Ordinance. This means that copyright owners of such works may initiate civil proceedings under the Copyright Ordinance against any party who conducts commercial rental of computer programs and sound recordings without the permission of the copyright owners.

7.2 Under the TRIPs, we are not obliged to provide rental rights for films unless the commercial rental of films has led to widespread copying of the films which is materially impairing the exclusive right of reproduction of the films by the concerned authors and their successors in title. When the Copyright Ordinance was enacted in 1997, there was no evidence of such widespread copying and material impairment. Having carefully balanced the interests of the local film and video industries, the rental sector and the consumers, we proposed and the Legislative Council agreed not to provide rental rights for films. In the context of the Copyright Ordinance, films are defined as recordings on any medium from which a moving image may be produced. These include, for example, movies, documentaries and musical visual recordings such as live concerts in DVD.

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4 Under the Copyright Ordinance, the author of a work is regarded as the first copyright owner except in the case of an employee work or commissioned works. In an employee work, the employer is the first copyright owner subject to any contrary agreement. In a commissioned work, the ownership depends on the terms of the contract concerned.
7.3 We have received representations from the film industry pointing out that commercial rental of films has impaired the interests of copyright owners. This is because on one hand, copyright owners’ income from both theatrical release of films and sale of DVDs and VCDs has been adversely affected by the rental market and on the other hand, without the provision of rental rights for films, copyright owners are not able to share the rental income generated from their own copyright works. They have requested that rental rights be given to copyright owners of films and criminal sanctions be imposed on any act infringing such rental rights.

7.4 As a related issue, some copyright owners of the music industry have specifically suggested that they should be able to enjoy rental rights in respect of musical visual recordings (such as karaoke music discs) which are regarded as films under the Copyright Ordinance, as they currently do in respect of sound recordings.

7.5 Having regard to these representations and market developments since the enactment of the rental rights provisions in the Copyright Ordinance, we have decided to review the case for providing rental rights for films under the Copyright Ordinance.

Considerations

7.6 In considering whether rental rights should be introduced to copyright owners of films and if such rights should attract criminal sanctions, it is important to take account of the following factors and possible implications –

(a) introducing rental rights under the Copyright Ordinance for copyright owners of films will enable copyright owners to restrict the commercial rental of films by any person, including video rental shops. Copyright owners may then introduce licensing arrangements to authorize the commercial rental of the rental versions of film. Such arrangements may include the payment of licence fees and/or other terms and conditions. Commercial rental of films by any person, including video rental shops, without a licence from copyright owners would attract civil or criminal liability under the Copyright Ordinance;
(b) depending on whether the licence fees, if any, charged by copyright owners will eventually be passed on to consumers, consumers may have to pay a higher rental fee for films;

(c) the rental income shared by copyright owners through the collection of licence fees and a possible increase in income from theatrical release of films and sale of DVDs/VCDs as a result of better control of the rental market by copyright owners may encourage more investments in the production of films and assist the development of the local film industry;

(d) we are not under an international obligation to introduce rental rights for films unless commercial rental of films has led to widespread copying of films to such an extent that materially impairs the exclusive right of reproduction of copyright owners. In other common law jurisdictions, there are no rental rights for films in Australia, Canada, Singapore and the US whilst rental rights for films exist and only civil remedies are provided in the UK. At present, there is still no indication that commercial rental of films has led to widespread copying but the advance in technology has made it possible for DVDs and VCDs to be copied with no deterioration in quality;

(e) rental rights for films, if introduced, will affect only commercial rental of films and not rental of a non-commercial nature;

(f) the existing rental rights for computer programs and sound recordings only confer civil rights on their copyright owners;

(g) the infringement of rental rights, by its nature, does not involve infringing copies. It should be noted that under the existing Copyright Ordinance, the infringing acts that attract criminal liability involve infringing copies of copyright works; and

(h) as regards the specific case of musical visual recordings, some common law jurisdictions, including Australia, Canada, Singapore, the UK and the US, regard items such as live concerts in DVD as films. Hence, the position of musical visual recordings in our
Copyright Ordinance is consistent with that in other jurisdictions i.e., treating them as a kind of films attracting the same set of rights.

Summary

7.7 Your views are sought on whether the Copyright Ordinance should be amended to provide rental rights for copyright owners of films which include musical visual recordings and whether such rights should attract criminal sanctions.
Chapter 8

Issues Relating to the World Intellectual Property Organization
Internet Treaties

Background

8.1 The two treaties concluded by the World Intellectual Property Organization (“WIPO”)\(^5\) in December 1996, namely, the WIPO Copyright Treaty (“WCT”) and WIPO Performances and Phonograms Treaty (“WPPT”) (collectively the “Internet Treaties”)\(^6\), aim to update and improve the protection of copyright and related rights to meet the challenges of new digital technologies. They clarify that the traditional right of reproduction continues to apply in the digital environment, and that owners of rights can control whether and how their creations are made available online to individual consumers at a time and a place chosen by consumers. Specifically, the WCT covers literary and artistic works and the WPPT covers the rights of performers and producers of phonograms.

Considerations

8.2 Currently, we do not have any international legal obligation to implement the requirements of the treaties. Nonetheless, it would be desirable to keep Hong Kong’s intellectual property protection regime under review vis-à-vis international developments and consider the appropriateness of reflecting those developments in our regime.

8.3 The existing Copyright Ordinance of Hong Kong is largely in compliance with the requirements in the Internet Treaties. However, there are still a few requirements which have yet to be incorporated in the Ordinance. These requirements and the implications of incorporating them in our Ordinance are described below.

\(^5\) The World Intellectual Property Organization (WIPO), being one of the 16 specialized agencies of the United Nations system of organizations, is an international organization dedicated to promoting the use and protection of works of intellectual property.

\(^6\) Signatories to the Internet Treaties are confined to sovereign states and China is not yet a party to the Treaties.
WCT – granting of commercial rental rights to authors of underlying works in phonograms

8.4 Article 7(1)(iii) of the WCT provides for the granting of commercial rental rights to authors of works embodied in phonograms.7 "Works" include not only the phonograms but also the underlying works in the phonograms (e.g. music and song lyrics). Under section 6(1) of the Copyright Ordinance, phonograms are protected as “sound recordings”. While our Copyright Ordinance provides commercial rental rights to copyright owners in sound recordings8, there is no provision for granting rental rights to the owners of the underlying works.

8.5 In considering whether commercial rental rights should be granted to authors of underlying works, it is important to note that some authors of the underlying works may hold out for payment in return for licensing their rights. Other parties in the sound recording industry and sound recording rental industry, such as producers, records companies and rental shops, would then be affected.

WPPT – granting of moral rights to performers of live aural performances or performances fixed in phonograms

8.6 Article 5 of the WPPT deals with the moral rights of performers over their performances9. In essence, this concerns a performer’s right to claim to be identified as the performer of his performances (“the attribution right”), and to object to any distortion, mutilation or other modification of his

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7 Article 7(1)(iii) WCT provides that authors of works embodied in phonograms, as determined in the national law of Contracting Parties, shall enjoy the exclusive right of authorizing commercial rental to the public of the originals or copies of their works.

8 The right of a copyright owner to authorize the commercial rental to the public of computer program or sound recording is provided in sections 22(1)(c) and 25 of the Copyright Ordinance (“the Ordinance”). Section 25(1) of the Ordinance when read together with section 25(4) of the Ordinance prohibits the rental of both the originals and copies of the computer program or sound recording without the authorization of copyright owners.

9 Article 5(1) WPPT provides “Independently of a performer’s economic rights, and even after the transfer of those rights, the performer shall, as regards his live aural performances or performances fixed in phonograms, have the right to claim to be identified as the performer of his performances, except where omission is dictated by the manner of the use of the performance, and to object to any distortion, mutilation or other modification of his performances that would be prejudicial to his reputation.”
performances that would be prejudicial to the reputation of the performer ("the integrity right"). At present, the attribution right and the integrity right in relation to authors or film directors are protected under sections 89 to 95 of the Copyright Ordinance. There is no provision for such rights in relation to performers in our Copyright Ordinance.

8.7 In considering whether moral rights should be granted to performers, it is important to take into account the following factors and possible implications –

(a) At present, some industries such as the recording industry in the entertainment/performing sector, already recognize the attribution right as part of the industry practice. Hence, the distortion issue (integrity right) may be of greater concern to the movie/recording industry. In particular, the right may give performers the right to object to cutting or editing of their aural performances before commercial release.

(b) Unlike economic rights, moral rights cannot be assigned outright. That means from the producer's point of view, there is a group of individuals who may retain some sort of control over the sound recordings after completion.

(c) Notwithstanding the above, the Copyright Ordinance provides that it is not an infringement of any of the moral rights of authors or film directors to do any act to which the person entitled to the right has consented and the consent can be in writing or oral, and be express or implied. Moral rights may also be waived by instrument in writing signed by the person giving up the right. If performers are given the moral rights, consent and waiver of rights should also apply.

10 Akin to the attribution right, there is also the right to prevent false attribution of authorship under section 96 of the Copyright Ordinance.

11 This is provided under section 98(1) of the Copyright Ordinance.

12 This is provided under section 98(2) and 98(3) of the Copyright Ordinance.
8.8 Article 9 of the WPPT provides for the granting of commercial rental rights to performers over their performances fixed in phonograms, even after the distribution of them by, or pursuant to authorization by, the performers. There is no provision for granting such rights to performers in our Copyright Ordinance.

8.9 In considering whether commercial rental rights should be granted to performers over their performances fixed in phonograms, it is important to take into account the following factors and possible implications –

(a) In so far as the performer is also the copyright owner of the sound recording, he has already been enjoying the exclusive right of authorizing the commercial rental to the public of the original and copies of his performances fixed in phonograms under section 25 of the Copyright Ordinance.

(b) The granting of commercial rental rights to performers over their performances fixed in phonograms (even after the distribution of them by, or pursuant to authorization by, the performers) may mean that some performers would hold out for payment in return for licensing their rights. Other parties in the recording industry such as the producers and records companies would be affected.

8.10 Article 2(a) of the WPPT provides that under the Treaty, “performers” refer to actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, interpret, or otherwise perform literary or artistic works or expressions of folklore. Whilst the definitions of “performer” and “performance” under our Copyright Ordinance largely correspond with this definition, there is doubt about whether the performance by a performer of an artistic work or expression of folklore is covered under the Ordinance.

8.11 We could consider amending the definitions of “performer” and “performance” in the Copyright Ordinance to make certain that any persons who perform artistic works or expressions of folklore would also be protected under the Ordinance.
Summary

8.12 Your views are sought on whether we should –

(a) grant commercial rental rights to authors of underlying works in phonograms;

(b) grant moral rights to performers with regard to their live aural performances or performances fixed in phonograms;

(c) grant commercial rental rights to performers over their performances fixed in phonograms; and

(d) amend the definitions of “performer” and “performance” in the Copyright Ordinance to make certain that they cover artistic works and expressions of folklore.
Appendix I

Sections 38 and 39 of the Copyright Ordinance (Cap 528)

Section 38
Research and private study

(1) Fair dealing with a work of any description for the purposes of research or private study does not infringe any copyright in the work or, in the case of a published edition, in the typographical arrangement.

(2) Copying by a person other than the researcher or student himself is not fair dealing if –

(a) in the case of a librarian, or a person acting on behalf of a librarian, he does anything which regulations under section 49 would not permit to be done under section 47 or 48 (articles or parts of published works: restriction on multiple copies of same material); or

(b) in any other case, the person doing the copying knows or has reason to believe that it will result in copies of substantially the same material being provided to more than one person at substantially the same time and for substantially the same purpose.

(3) In determining whether any dealing with a work of any description is fair dealing, the factors to be considered include –

(a) the purpose and nature of the dealing;
(b) the nature of the work; and
(c) the amount and substantiality of the portion dealt with in relation to the work as a whole.
Section 39
Criticism, review and news reporting

(1) Fair dealing with a work for the purpose of criticism or review, of that or another work or of a performance of a work, if it is accompanied by a sufficient acknowledgement, does not infringe any copyright in the work or, in the case of a published edition, in the typographical arrangement.

(2) Fair dealing with a work for the purpose of reporting current events, if (subject to subsection (3)) it is accompanied by a sufficient acknowledgement, does not infringe any copyright in the work.

(3) No acknowledgement is required in connection with the reporting of current events by means of a sound recording, film, broadcast or cable programme.
Appendix II

List of Proposed Improvements on Certain “Permitted Acts”
Provisions in the Copyright Ordinance
following the Public Consultation Exercise in 2001

Permitted Acts for Educational Purposes

- To delete the word “passage” in section 45
- To extend the existing permitted acts in sections 41 and 45 related to copying of works to allow for uploading an insubstantial part of a work to the school Intranet for limited access within the school
- To remove the existing restriction that the permitted acts under sections 44 and 45 will not be permitted if there are relevant licensing schemes granting authorizations for the works concerned

Permitted Acts for Visually Impaired Persons

- To introduce a statutory exemption for making specialized formats of printed works by non-profit-making bodies exclusively for persons with a “print disability”
- To remove the existing restriction in section 83 that the permitted act of making sub-titled television broadcasts or cable programmes for people with a physical or mental disability will not be permitted if there are relevant licensing schemes granting authorizations

Permitted Acts related to Free Public Showing or Playing of Broadcasts or Cable Programmes

- To provide exemption for guest rooms of hotels and exemption for public transport provided that the broadcast is played predominantly for the driver to have access to public information
To extend the existing exemption in section 81 to cover all public places where broadcasts or cable programmes are shown or played except where goods or services are supplied at prices which are substantially attributable to the facilities afforded for seeing or hearing the broadcasts or programmes.
SUMMARY

The Government would like to hear the views of the public on the end-user criminal liability, copyright exemption and a number of other provisions in the Copyright Ordinance as outlined in this consultation document. In summary, we would like to invite views on –

1. **Copyright Exemption**
   
   (a) whether a quantitative test should be introduced in the Hong Kong Copyright Ordinance to determine if the act of copying for research or private study purposes is fair dealing;

   (b) whether a non-exhaustive regime of copyright exemption based on the principles of fair dealing should be introduced in Hong Kong or whether we should maintain the current approach of exhaustively listing all the copyright exempted acts;

   (c) if it is considered that a non-exhaustive regime based on the principles of fair dealing should be adopted, what the essential elements should be; and

   (d) if it is considered that the current approach of exhaustively listing all the exemptions should be maintained, whether and how the current list of exemptions should be expanded bearing in mind a possible expansion in the scope of end-user criminal liability (see Chapter 2).

2. **Scope of Criminal Provisions Related to End-user Piracy**

   Whether and how the scope of end-user criminal liability should be expanded to cover more types of copyright work in addition to computer programs, movies, television dramas and musical recordings.

3. **End-user Liability Associated with Parallel Imported Copies**

   (a) whether the existing criminal and civil liability pertaining to parallel imported copies should be relaxed;
(b) the extent to which the liability should be relaxed; and

(c) whether the existing period during which parallel imported copies will attract criminal and civil liability should be shortened, and if so, for how long.

4. Defence for Employees against End-user Criminal Liability

(a) whether specific defence should be provided to employees found in possession of infringing copies provided by their employers for use in the course of their employment;

(b) the proposed employee defence as described in paragraph 4.2 of Chapter 4;

(c) the suggestion of some copyright owners in the software industry as described in paragraph 4.4 of Chapter 4; and

(d) other means to address the concerns about the impact of the end-user criminal liability on employees required by their employers to use infringing copies.

5. Proof of Infringing Copies of Computer Programs in End-user Piracy Cases

How the proof of infringing copies of computer programs may be facilitated in order to enhance effective enforcement of the end-user criminal liability provisions.

6. Circumvention of Technological Measures for Copyright Protection

(a) whether criminal sanctions against activities under section 273 of the Copyright Ordinance as set out in paragraph 6.2 of Chapter 6 should be introduced;

(b) whether the scope of section 273 should be expanded to cover devices or means designed to circumvent access control measures, and whether criminal sanctions should be introduced for the expanded section 273; and
(c) whether civil remedies and criminal sanctions against the act of circumventing copy-protection measures and access control measures should be introduced.

7. **Rental Rights for Films**

Whether the Copyright Ordinance should be amended to provide rental rights for copyright owners of films which include musical visual recordings and whether such rights should attract criminal sanctions.

8. **Issues Relating to the World Intellectual Property Organization Internet Treaties**

(a) whether we should grant commercial rental rights to authors of underlying works in phonograms;

(b) whether we should grant moral rights to performers with regard to their live aural performances or performances fixed in phonograms;

(c) whether we should grant commercial rental rights to performers over their performances fixed in phonograms; and

(d) whether we should amend the definitions of “performer” and “performance” in the Copyright Ordinance to make certain that they cover artistic works and expressions of folklore.