

By electronic mail (slchan@legco.gov.hk)

Ms. Sharon Chan
Clerk, Bills Committee
Legislative Council
Hong Kong

April 16, 2007

Re: Copyright (Amendment) Bill 2006 and the Committee Stage Amendments (CSAs)

Dear Ms. Chan:

The International Association of Scientific, Technical & Medical Publishers (STM) appreciates the opportunity to comment on the Copyright (Amendment) Bill 2006 and on the proposed CSAs.

The International Association of Scientific, Technical and Medical Publishers ("STM") includes approximately 90 publishers, collectively responsible for more than 60% of the global annual output of research articles and publications of tens of thousands of print and electronic books, references works and databases.

The works of STM publishers are sold and licensed electronically widely to academic and corporate libraries and educational institutions, and the electronic or other delivery of individual copies of articles, including for use by libraries, educational institutions and their patrons, is an important source of revenue for scholarly publishers. Thus, selling and licensing, including to not-for-profit organizations is and continues to be one of the major markets for STM publishers.

STM and its members are seriously concerned with a number of provisions as set out in the proposed Copyright (Amendment) Bill 2006 and CSAs. STM's major concerns are related to certain suggested provisions in the field of

- (I) Criminal Offence, Business end-user liability;
- (II) Exceptions; and
- (III) Technological Protection Measures (TPMs).

If enacted, the provisions discussed below would seriously prejudice STM publishing. The said provisions would stifle innovation and investment in research tools for the knowledge economy. Moreover, these provisions, if enacted, would violate Hong Kong's international obligations.

I. Criminal offences, business end-user liability

There is a massive discrimination of printed works as compared to other categories of works in that context, for which, in our view, there is absolutely no justification. The infringement of copyright protected printed works appears to be privileged to an extent that criminal liability

for printed works can hardly be perceived to be established at all by the Copyright Ordinance. This certainly does not adequately implement Article 61 of the TRIPS Agreement which requires that *”Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale“*. This provision requires the availability of criminal procedures and penalties without differentiating between certain categories of copyright protected works, and does hence not allow to establish wide-reaching exceptions from criminal liability for one of those categories, such as printed works. Additionally, STM would like to draw the Bills Committee’s attention to Article 10 (1) of the TRIPS agreement requiring that *„Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention“*. This obligation to grant the same level of protection to computer programs and literary works would hardly be complied with if printed works are discriminated as set out below in more detail below. STM therefore urges Hong Kong legislators to completely delete Section 119B and to grant to printed works and their corresponding electronic version such as e-books, e-magazines, e-periodicals and e-newspapers, the same protection as to computer programs, movies, television dramas, musical sound recordings and musical visual recordings in Section 118, in particular in Section 118 (2A).

1. Additional conditions for criminal liability in connection with printed works

The proposed Copyright (Amendment) Bill 2006 and the CSAs clearly discriminate copyright owners of printed works that are contained in books, magazines, periodicals and newspapers. The proposed provisions on criminal liability distinguish between printed works, and other categories of copyrighted works as listed in the proposed Section 118 (2B), such as computer programs, movies or musical sound recordings. For these latter categories, according to Section 118 (2A), criminal liability is established on the basis of a mere possession of an infringing copy for the purpose of, or in the course of, any trade and business. In contrast, the proposed Section 119B imposes additional cumulative conditions for criminal liability in connection with printed works. In practice, each of these conditions would already separately be able to transform this enforcement tool into a blunt sword, but certainly the accumulation of these conditions completely undermines criminal liability and prosecution in connection with printed works.

- i) The infringing copy needs to be produced with the intention to be distributed, Section 119B (1)

In comparison with the other categories of works, liability to prosecution in connection with printed works is on the person who produces the infringing copy. For the other categories, possession of an infringing copy produced by someone else would be sufficient. The origin does not need to be proven. Additionally, this provision requires that the copy of a printed work is made with the intention to be distributed. For the other categories of works, a simple use of the copy would cause criminal liability. The condition of production and intended distribution of a printed work should be deleted.

- ii) The infringing act has to be committed repeatedly “on a regular and frequent basis”, Section 119B (1)

This condition seems to imply that the pirate already needs to operate on a “regular and frequent” copyright infringing basis. While, for instance, for a single copyright infringing copy of a music sound recording full sanctions could apply to the person in possession of the copy, for printed works the copyright owner would have to wait until the pirate operates on a

“regular and frequent” copyright infringing basis until an action can be taken. That discrimination obviously cannot be justified. In addition, it will be notoriously difficult for the right holder to prove such operation on a “regular and frequent basis” which would require detailed information on the illicit business. This condition definitely should be deleted.

- iii) The infringing act has to result in a financial loss of the copyright owner, Section 119B (1)

The causal connection between the infringement and the financial losses of the right holder is, as is well known from the experience in civil litigation, extremely difficult to prove. Exactly for that reason, many countries have established different models for damage calculation in civil litigation to help right owners in that respect (e.g., recovery of profit, pre-established damages). The requirement of that causal connection in the criminal context, therefore, will heavily undermine the availability of criminal sanctions in connection with printed works, and again imply a massive discrimination of this category of works. This condition absolutely needs to be deleted.

2. Defences/exceptions in connection with criminal liability

In addition, the proposed Section 119B provides the defendant with several defences or exceptions that again undermine criminal liability for printed works.

- i) Defence that the copyright owner did not grant a respective licence on “reasonable commercial terms” and/or “timely”

According to Section 119B (9), the defendant would be able to prevent criminal liability by proving that the copyright owner did not grant a licence on “reasonable commercial terms” and/or failed to “timely” respond to a request of the defendant. This provision turns the copyright protection upside down. Copyright in a work provides the owner with the exclusive right to exploit the work. It is up to the copyright owner to decide if, or if not, and/or under which conditions, he wishes to grant a licence. STM publishers in their own economical interest certainly provide adequately licences in due time. But the decision on the identity of licensees, and the conditions of such licenses, certainly need to be a market driven decision taken by the copyright owner itself. This principle has been inverted by introduction of this statutory defence against criminal liability. In our view, this defence should be deleted.

- ii) Defence that budget has been created in advance to cover costs of respective licences for copying activities

According to Section 119B (8), a company could prevent criminal prosecution of its employees by simply creating in advance an adequate budget, designed to finance either the acquisition of licences for their copying activities, or to buy the respective copies of the work from a legitimate source. Whether such budget afterwards will actually be used in that way, or whether infringing copies have been acquired or produced, would not be relevant for criminal prosecution. In other words, the advance establishment of such a budget would be a *carte blanche* for an infringing copying activity on a commercial scale. We suggest to delete this Subsection (8).

- iii) “Safe harbour”

The Bills Committee proposes to introduce a “safe harbour” provision in Section 119B (14). The proposal would allow copyright infringing activities regarding printed works on a commercial scale up to a certain limit per a certain time period. This proposal is an invitation to piracy. The intention of the introduction of criminal liability should be to raise copyright awareness of individuals and companies. That “safe harbour” provision is ideal for anyone not to pay attention to copyright but to hide its copyright infringing activities within a pool of “permitted” copyright infringements. This proposal makes it impossible for the copyright owner of printed works and the prosecutor to prove whether a specific copyright infringement is within or outside of the “safe harbour” limit. They would need to prove copyright infringements committed by a person or a company for the whole scope of the “safe harbour” provision and beyond, what obviously is unrealistic. The “safe harbour” provision should definitely not be introduced into the Copyright Ordinance.

iv) Exception for educational establishments, Section 119B (4)

Educational establishments and their employees are provided with a *carte blanche* regarding criminal liability. This would imply that the economical important sector of educational publishers would be entirely deprived from this enforcement measure. This is hardly understandable, especially with a view to the fact that the educational establishments should take a leading role to raise copyright awareness. This exception should be deleted.

v) Exception for e-books and e-journals?

Section 119B seems to be only applicable to works in printed form but seems not to be applicable to the electronic versions of printed works such as e-books, e-magazines, e-periodicals and e-newspapers. In line with the current technological standards and business models, these works in electronic form should receive the same protection as printed works. STM therefore urges the Hong Kong legislator to grant the electronic versions of printed works the same protection as granted in Section 118, in particular in Section 118 (2A), to other categories of copyright protected works.

vi) Exception for non access restricted distribution of originally printed work by wire or wireless

Section 119B (5) seems to privilege the distribution of infringing copies by wire, or in wireless form, without access restriction in comparison to distribution by wire, or in wireless form with access restriction. This cannot be supported because the distribution of infringing copies by wire or in wireless form without any access restriction certainly harms copyright owners more than via a restricted access. This exception should therefore be deleted.

II. Copyright Exceptions

1. Educational fair dealing, Section 41A and Section 45

The educational fair dealing exception does not provide sufficient guidance that would allow teachers or students to identify the scope of copying within fair dealing. The rule-exception principle that is, in particular, determined by the three-step-test of Article 9 (2) of the Berne Convention, Article 13 of TRIPS, and Article 10 of the WIPO Copyright Treaty (WCT), and requires that “*Members shall confine limitations and exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the rights holder*” should be reflected by the

fair dealing provision. However, the suggested provision leaves it to teachers and students to define the scope of fair dealing, and therefore shifts the risk of a detrimental interpretation of this provision one-sidedly to publishers.

At least the following minimum standards should be clarified:

- Copying under this fair dealing provision should be subsidiary to any licensing schemes in place.
- Copying of published material especially designed for the educational sector should be expressly not allowed under educational fair dealing.
- The scope of the copying within this provision should be defined precisely and include elements such as: the size of the copied portion of a work, strict time limits in connection with the instruction, and the precise connection of the copying and the copying person to the instruction.

In that sense, the repealed Section 45 (2) which limited the fair dealing scope for reprographic copying under the educational fair dealing provision to the extent that a licensing scheme was in place, should be reinstated.

2. Fair dealing by public administration, Section 54A

The fair dealing exception for public administration has been proposed to guarantee copying for urgent business. The terminology of urgent business in relation to administrative bodies is unclear and requires specification. A definition should be added to Section 54 A defining such urgency at least as, “an unforeseeable, unavoidable situation that does not allow the administrative body to contact the HK collecting society in order to get permission before copying a work because the delay of contacting the RRO would lead to an irreversible damage”. If there is a need for copying in such exceptional situations then it should be feasible for the Bills Committee to additionally specify such urgent business, and add a respective subsection in order to provide at least some guidance for the administrative bodies.

III. Technological Protection Measures (TPMs)

STM urges the Bills Committee to change some critical provisions regarding TPMs in Section 273 to 273, as follows:

1. Definition of technological measures

In Section 273 (2), technological measures are defined as measures that a) provide access control to and b) copy control of copyright protected work. In our view, the examples listed in connection with measures that provide access control are incomplete and therefore misleading. “Encryption, scrambling and any other transformation” of a work represent only a certain part of the range of measures that could provide access control, and does not include, for instance, user-identification and passwords for clients of on-demand or other e-commerce businesses. STM would appreciate if the language could fully reflect such technologies.

2. “Right to hack”

Subsection (1A) has been introduced in Section 273A with the CSAs. This subsection seems to introduce a right to circumvent if this is done for a purpose which would not imply a

copyright infringement of the respective work. The introduction of this “right to hack” is unacceptable and would establish a heavy burden for enforcement action. Each circumvention could be justified by pretending that copies covered by fair dealing had been produced. Subsection (1A) therefore should be deleted. There are, as can be drawn from relevant legislation in many countries, other – and less severe - ways to ensure that beneficiaries of exceptions or limitations will not be prevented from respective uses, for instance by granting a right to such beneficiaries to request information that would allow access.

3. Criminal liability for circumvention of technological measures

Section 273C defines “Criminal liability for circumvention of effective technological measures”. In fact, however, only the commercial trade either of circumvention devices or circumvention services is an offence under this provision. The circumvention of TPMs as such is not an offence under this provision, even not if undertaken in course of a business, or for commercial purposes. We strongly request the Bills Committee to introduce criminal liability for circumvention of TPMs with a commercial background to send a clear message that both commercial trade with circumvention devices, and commercial circumvention of TPMs, result in criminal liability.

STM wishes to thank the Hong Kong authorities for consideration of the above concerns.

Yours sincerely,



Michael Mabe
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STM Association

Cc: Ana Maria Cabanellas, President, IPA
Jens Bammel, Secretary General, IPA